

The Senate

Standing Committee on
Community Affairs

Excise Tariff Amendment (2009 Measures
No. 1) Bill 2009 [Provisions]

Customs Tariff Amendment (2009 Measures
No. 1) Bill 2009 [Provisions]

and

the impact of the tax on ready-to-drink
alcoholic beverages

March 2009

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Senate Community Affairs Committee Secretariat:

Mr Elton Humphery (Secretary)

Mr Ivan Powell (Acting Principal Research Officer)

Mr Owen Griffiths (Senior Research Officer)

Ms Leonie Peake (Research Officer)

Ms Ingrid Zappe (Executive Assistant)

The Senate
Parliament House
Canberra ACT 2600

Phone: 02 6277 3515

Fax: 02 6277 5829

E-mail: community.affairs.sen@aph.gov.au

Internet: http://www.aph.gov.au/senate_ca

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42nd Parliament

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Excise Tariff Amendment (2009 Measures No. 1) Bill 2009

Customs Tariff Amendment (2009 Measures No. 1) Bill 2009

THE INQUIRY

1.1 On 12 February 2009 the Senate referred the provisions of the Excise Tariff Amendment (2009 Measures No. 1) Bill 2009 and the Customs Tariff Amendment (2009 Measures No. 1) Bill 2009 to the Community Affairs Committee for inquiry and report by 13 March 2009. The reporting date was subsequently extended to 16 March 2009.

1.2 In addition to the provisions of the Bills, the Committee was asked to consider the following matter:

The impact of the tax on ready-to-drink alcoholic beverages, the so-called 'alcopops' tax, since its introduction on 27 April 2008, with particular reference to:

- (a) the revenues raised under the alcopops tax measure;
- (b) substitution effects flowing from the alcopops tax measure;
- (c) changes in consumption patterns of ready-to-drink alcoholic beverages by sex and age group following the introduction of the alcopops tax;
- (d) changes in consumption patterns of all alcoholic beverages by sex and age group following the introduction of the alcopops tax;
- (e) any unintended consequences flowing from the introduction of the alcopops tax, such as the development of so-called 'malternatives' (beer-based ready-to-drink beverages);
- (f) evidence of the effectiveness of the Government's changes to the alcohol excise regime in reducing the claims of excessive consumption of ready-to-drink alcohol beverages;
- (g) any evidence of changes to at risk behaviour or health impacts (either positive or negative) as a result of the introduction of the alcopops tax;
- (h) comparison of the predicted effects of the introduction of the alcopops tax, with the data of actual effects, with a particular focus on evidence (or lack thereof) collected by the relevant department; and
- (i) the value of evidence-based decision-making in the taxation of alcoholic products.

1.3 The motion to refer the Bills also provided that in conducting the inquiry, the Committee must take evidence from a range of specifically named organisations. The

Committee received 20 submissions relating to the Bills and the additional terms of reference. These are listed at Appendix 1. The Committee considered the Bills at two public hearings in Canberra on 10 and 11 March 2009. Details of the public hearings are listed in Appendix 2. The submissions and Hansard transcripts of evidence may be accessed through the Committee's website at http://www.aph.gov.au/senate_ca.

THE BILL

1.4 The purpose of the Bills is to confirm the government's decision to increase the excise and customs duty on the beverages commonly known as ready-to-drink beverages (RTDs) or 'alcopops'. On 27 April 2008, the excise rate on such beverages was increased from \$39.36 to \$66.67 per litre of alcohol content.

1.5 The Excise Tariff Amendment (2009 Measures No. 1) Bill 2009 will amend the schedule to the *Excise Tariff Act 1921* (ETA 1921) to confirm the 2008 increase in the excise rate applying to 'other excisable beverages not exceeding 10 per cent by volume of alcohol', which includes RTDs and alcopops.

1.6 The Customs Tariff Amendment (2009 Measures No. 1) Bill 2009 amends the *Customs Tariff Act 1995* (CTA 1995). These changes are complementary to the amendments contained in the Excise Tariff Amendment (2009 Measures No. 1) Bill 2009. The amendments will confirm the 2008 increase to the excise-equivalent component of the customs duty on RTDs and alcopops.¹

Financial implications

1.7 The EM to the Bills states that the measures will produce an ongoing gain to revenue of \$1.6 billion from 27 April 2008 over the forward estimates period.

BACKGROUND

1.8 On 26 April 2008 the government gazetted increases to the excise and customs tariff for RTDs and alcopops. The effect of this was that on and from 27 April 2008 the relevant rates were increased from \$39.36 to \$66.67 per litre of alcohol.

1.9 The excise and customs tariff proposals were subsequently tabled in the House of Representatives on 13 May 2008. At that time the Minister for Health and Ageing, the Hon. Nicola Roxon, stated that the government had increased the tariffs in order to 'close an existing loophole on the excise on alcopops',² and 'put them on the same footing' as full-strength spirits.³ This loophole arose from a decision in 2000 to

1 See below for a discussion of the terminology used in this report.

2 The Hon. Nicola Roxon MP, Minister for Health and Ageing, 'Keeping people well—focus on prevention', Media Release, 13 May 2008.

3 The Hon. Nicola Roxon MP, Minister for Health and Ageing, *House of Representatives Hansard*, 13 May 2008, p. 2613.

tax RTDs at a rate similar to that applied to full-strength beer⁴ rather than at the rate applied to full-strength spirits.

1.10 The increase was also presented as 'part of the government's strategy to tackle the harm caused by excessive alcohol consumption—particularly by young people attracted to these products'.⁵ The government has consistently identified the changes as being part of its broader strategy to deal with this issue, the National Binge Drinking Strategy, which contains a number of complementary measures.⁶

1.11 The increases have been operative since 27 April 2008 and must be retrospectively validated by legislation within 12 months. This is the usual procedure for excise and customs tariff amendments, as it ensures that 'windfall profits may not be made between the time of the announcement and the enactment of legislation to levy the duties'.⁷

1.12 The Bills were introduced to the House of Representatives on 11 February 2009 and passed on 25 February 2009. The last available sitting date for the Bills validating the tax increase to be agreed to by the Senate is 19 March 2009.

Previous inquiries into RTDs and the Alcohol Toll Reduction Bill

1.13 Following the tax increase in 2008 the Committee conducted inquiries into ready-to-drink alcoholic beverages and the Alcohol Toll Reduction Bill 2007 [2008], a private member's bill introduced to the Senate by Senator Stephen Fielding on 19 September 2008. These inquiries provide some important context for the current inquiry. In particular, the RTD inquiry found:

- risky and high-risk drinking by young people and underage drinkers, particularly young women, has become a major public health issue;
- in recent years there has been a rise in the popularity and influence of pre-mixed alcohols, known as RTDs or 'alcopops' on teenage alcohol use, particularly for young females; and
- RTD beverages are a popular and commonly first-used beverage among younger age groups.⁸

4 The Hon. Wayne Swan and the Hon. Nicola Roxon MP, 'Increased tax on 'ready to drink' alcoholic beverages', (Joint) Media Release, No. 041, 13 May 2008.

5 The Hon. Nicola Roxon MP, Minister for Health and Ageing, *House of Representatives Hansard*, 13 May 2008, p. 2613.

6 See The Hon. Nicola Roxon MP, Minister for Health and Ageing, 'Keeping people well—focus on prevention', Media Release, 13 May 2008, p. 1.

7 J R Odgers, *Australian Senate Practice*, 12th ed., Department of the Senate, Canberra, 2008, p. 302.

8 For more information see Senate Community Affairs Committee, *Ready-to-drink alcohol beverages*, June 2008; and *Alcohol Toll Reduction Bill 2007 [2008]*, June 2008.

1.14 The Committee notes, however, that the terms of the inquiry which go beyond a consideration of the provisions of the bills are relatively narrow in that they direct the Committee to examine just the effect of the excise and customs duty increases since 27 April 2008. Nevertheless, the Committee received much evidence during this inquiry that reinforced the evidence and conclusions of the previous inquiries.

Terminology used in the report

1.15 This report adopts certain terminology, largely consistent with the Committee's 2008 report into ready-to-drink alcohol beverages.

Young people

1.16 For the purposes of this report a young person is defined as being between 12 and 25 years of age.

RTDs and alcopops

1.17 There is no clear definition of the term 'alcopop', and the term RTD covers any pre-mixed beverage including spirit-based RTDs, cider, fruit-flavoured wines and fruit flavoured beers.⁹ There is also a distinction made between dark spirit-based RTDs such as whisky, rum and bourbon, generally preferred by males, and light spirit-based RTDs such as vodka, gin and white rum, generally preferred by females.¹⁰

1.18 The Committee notes that RTDs are commonly known as 'alcopops' and that the term is generally understood to mean a premixed drink which is part spirit or wine and part non-alcoholic drink such as milk or soft drink. This report will generally use the term RTD to refer to all ready-to-drink beverages, including alcopops. Reference to particular mixes of RTD will be clarified as necessary.

Binge-drinking and risky and high-risk drinking

1.19 In the inquiry into RTDs, the Australian Institute of Health and Welfare (AIHW) submitted that there is no agreed definition of the term 'binge drinking', which can mean either excessive consumption on a single occasion or a prolonged period of drinking. Accordingly, the AIHW preferred the language used in the National Health and Medical Research Council (NHMRC) guidelines, which used the terms 'risky' and 'high-risk' drinking.¹¹ The Committee acknowledges that 'binge

9 Senate Community Affairs Committee, *Ready-to-drink alcohol beverages*, June 2008, Diageo, *Submission 29*, p. 5.

10 Distilled Spirits Industry Council of Australia, *Submission 27*, p. 9.

11 Senate Community Affairs Committee, *Ready-to-drink alcohol beverages*, June 2008, Australian Institute of Health and Welfare, *Submission 23*, p. 6. The Committee notes that the NHMRC has since revised its use of key terms, However, for consistency, this report maintains the terminology used in previous inquiries.

drinking' is a commonly used and understood term. However, recognising that 'binge drinking' is avoided as ill-defined and unclear in official health publications, this report adopts the terms 'risky' and 'high-risk' drinking where relevant.

1.20 For the purposes of the inquiry, these terms may be understood as relating to the short- and long-term harms to health and well-being that result from exceeding the NHMRC's recommended daily levels of alcohol. Short-term risks are those arising from occasional drinking episodes confined on a single day, such as violence, accidents and alcohol poisoning. Long-term risks are those arising from regular and repeated daily drinking, such as cancer, liver damage and diabetes. 'Risky' levels of drinking involve a greatly increased risk of harm. High-risk' levels of drinking involve a high risk of serious harm and rapidly increasing levels of risk.

ISSUES

Impact of the alcopops tax measure

Nature of the evidence considered by the Committee

1.21 The Committee notes that there is only limited data available to consider the impact of the RTDs tax measure since its introduction in April 2008. As noted by the Public Health Association of Australia (PHAA), what evidence is available is difficult to interpret given the limited information and time since the introduction of the tax measures.¹² Ascertaining the effect of the measures is also made more difficult by other factors, such as the proactive responses of the alcohol industry in developing and promoting alternative products able to readily substitute for RTDs.¹³

1.22 As with the Committee's previous inquiries into RTDs and the Alcohol Toll Reduction Bill, the significance of the available evidence was strongly contested by the stakeholders in the debate. In general terms, the increase to the excise and customs duty was supported by public health and drug experts on the grounds that it would help to reduce risky drinking among young Australians, reduce their exposure to alcohol and lead to positive health outcomes. These bodies tended to emphasise prior research and experience, and to interpret more recent data, as supporting the view that price or tax increases are effective to reduce levels of alcohol consumption, and that reduced consumption meaningfully relates to reduced levels of alcohol-related harm.

1.23 Opposition to the increase to the excise and customs duty generally came from the alcohol industry, such as the industry representative bodies and producer groups, who tended to favour evidence and views that questioned the effectiveness of price increases in reducing consumption, and highlighted the role of substitution in undermining price-increase approaches to reducing consumption.

12 Public Health Association of Australia, *Submission 2*, p. 6.

13 Public Health Association of Australia, *Submission 2*, p. 6.

1.24 Submitters across a range of interests voiced their support for a form of volumetric tax, and many offered explicit support for a review of Australia's alcohol taxation regime by the Australia's Future Tax System (Henry) Review, announced by the Treasurer on 13 May 2008. The Committee notes that the taxation of alcohol falls within the terms of reference for the review, which will examine the issue of enhancing the taxation arrangements on consumption, including excise taxes. The review is due to report at the end of 2009. Mr Scott Wilson, Deputy Chairperson, Alcohol Education and Rehabilitation Foundation, advised the Committee that his organisation, along with nearly 20 other community organisations, had made a joint submission to the Henry review.¹⁴

1.25 The Committee notes that health organisations supported a volumetric tax with the flexibility to address 'loopholes' or specific types of beverages where they were associated with particular harms or problems.¹⁵ Professor Tanya Chikritzhs, who appeared before the Committee in a private capacity, observed:

...what also needs to go with that is a volumetric tax at the base. That forms the basis for making the basic calculations. However, as we know from the literature, not all beverages are equal in the amount of harm that they are likely to be associated with. So, as has been done here, a special harm levy or harm tax needs to be placed on beverages that are known to be specifically risky for certain populations.¹⁶

Sources of data

1.26 A number of sources of evidence were relied on by submitters and witnesses. The sources below represent the evidence most discussed in submissions and at the hearings held in Canberra on 10 and 11 March 2008. Various other data sets and surveys were cited through the course of the inquiry, and these are identified throughout the report where relevant.

1.27 In general terms, the Committee preferred sales and consumption data rather than survey data as the basis for its findings in relation to the inquiry's terms of reference. The basis of this preference was described by Professor Steven Allsop, who appeared before the Committee in a private capacity:

...it is universally accepted that sales data are strongly and closely aligned to consumption of alcohol and are preferable to survey data. Survey data...are notoriously flawed in their capacity to accurately account for consumption. Even national surveys with very large sample sizes, like the highly regarded National Drug Strategy Household Survey...account for less than 60 to 70 per cent of alcohol known to be consumed from sales

14 Mr Scott Wilson, Deputy Chairperson, Alcohol Education and Rehabilitation Foundation, *Proof Committee Hansard*, 10 March 2009, p. 55.

15 Professor Michael Moore, Chief Executive Officer, Public Health Association of Australia, *Proof Committee Hansard*, 10 March 2009, p. 18.

16 Professor Tanya Chikritzhs, *Proof Committee Hansard*, 10 March 2009, p. 25.

data...The reason is that there are a number of methodological problems, including the frequently observed phenomenon that people, either in error or deliberately, underestimate their personal alcohol consumption.¹⁷

Australian Taxation Office clearance data

1.28 ATO clearance data is the amount of excisable alcohol that is entered for consumption by importers and producers. Compared to the same period in 2007, the clearance figures for the period May to September 2008 show:

- a 34.6 per cent decrease in alcopops clearances;
- a 17 per cent increase in full-strength spirit clearances;
- a 7.9 per cent decrease in total spirit clearances (RTDs plus full-strength spirits); and
- a 6.1 per cent increase in beer consumption.¹⁸

1.29 The ATO figures also show that growth in excisable alcohol consumption (beer, spirits and RTDs) has slowed by 0.1 per cent since the increase excise on RTDs, for the period May 2008 to January 2009 compared with the previous year (it should be noted that these figures do not include wine sales, which the AC Nielsen figures show decreased for the period covered by that data). By comparison, the previous three years recorded 'solid' growth in excisable alcohol consumption:

- 6.6 per cent in 2005-06;
- 2 per cent in 2006-07; and
- 2.7 per cent in 2007-08.¹⁹

AC Nielsen

Liquor Services Group data

1.30 AC Nielsen Liquor Services Group data showed the number of standard drinks consumed in May to July for the years 2007 and 2008 by beverage type. This shows:

- a 26.1 per cent decrease in consumption of RTDs (equivalent to 91 million standard drinks);
- a 1.5 per cent increase in consumption of beer (equivalent to 13 million standard drinks);

17 Professor Steven Allsop, *Proof Committee Hansard*, 10 March 2009, p. 23.

18 The Hon. Nicola Roxon, Minister for Health and Ageing, *House of Representatives Hansard*, 25 February 2009, p. 81; and Department of the Treasury, *Submission 17*, p. 5.

19 Department of the Treasury, *Submission 17*, p. 5.

- a 2.6 per cent decrease in consumption of wine (equivalent to 21 million standard drinks); and
- an 11.2 per cent increase in consumption of spirits (equivalent to 35 million standard drinks).

1.31 Across all beverage types the Nielsen figures show a 2.7 per cent decrease in consumption (equivalent to 64 million standard drinks).²⁰

1.32 The Committee notes that the AC Nielsen data provides the most complete picture of consumption and is widely used and accepted by industry.

ScanTrack data

1.33 AC Nielsen ScanTrack data comparing the period May 2008 to January 2009 with the same period in the previous year shows:

- a 29 per cent decrease in total sales of RTDs (equivalent to 310 million standard drinks);
- a 24 per cent decrease in sales of RTDs with more than 6 per cent alcohol;
- a 31 per cent decrease in sales of RTDs with less than 6 per cent alcohol; and
- a 38 per cent decrease in sales of vodka-based RTDs with more than 6 per cent alcohol.²¹

1.34 The Winemakers Federation of Australia commented on Nielsen as a data provider in terms of suppliers and manufacturers in the alcohol industry:

Mr Strachan—In terms of the value based data that exists in the industry, it is accepted as being the best source of data—to my knowledge, anyway. We tend to use the ABS volume based data, but value based data does add a dimension that you do not always get through the volume data... From my perspective, the whole of the industry relies on those larger companies that purchase it—relies on Nielsen data. That is a fairly strong indication that they think it is reliable, so I would say it is the best around and it is highly likely to be reliable.²²

20 Nielsen Liquor Services Group, 'RTD consumption: what's happened since the RTD excise change?', September 2008, cited in Tanya N Chikritzhs et. al., 'The alcopops tax: heading in the right direction', *Medical Journal of Australia*, 2 March 2009, p. 293.

21 These figures were supplied by the Australian Drug Foundation at the hearing on 10 March 2009; see *Proof Committee Hansard*, 10 March 2009, p. 45-54. The graphs tabled at the hearing are available at the Committee's website at http://www.aph.gov.au/senate/committee/clac_ctte/excise_customs_tariff/submissions/sublist.htm.

22 Mr Stephen Strachan, CEO, Winemakers Federation of Australia, *Proof Committee Hansard*, 11 March 2008, p. 16.

Access Economics report

1.35 A number of submitters referred to January 2009 report by Access Economics, 'Trends in alcohol-related hospital use by young people', commissioned by the DSICA. The report analyses admissions to both public and private hospitals as well as visits to emergency departments by young people for alcohol-related diagnoses. A second report by Access Economics dated 10 March, 'Alcohol related hospital use: analysis of newly available months of data' was provided by DSICA at the hearing.²³

1.36 The Committee notes that many stakeholders, particularly health experts, strongly disputed the methodology and conclusions of the Access Economics report.

Revenues raised under the alcopops tax measure

1.37 Budget papers from May 2008 estimated the excise and customs duty increase would deliver an ongoing gain to revenue of \$3.1 billion over the forward estimates.²⁴

1.38 However, the explanatory memorandum (EM) to the bills provided a significantly lower updated estimate of \$1.6 billion over the forward estimates.²⁵

1.39 Appearing before the Committee in Canberra on 11 March 2009, Mr Colin Brown, Manager, Costing and Quantitative Analysis, Department of the Treasury, advised the Committee on the assumptions underlying the estimates of forward revenue arising from the measure. Mr Brown noted that, taking into account an initial drop in demand for RTDs, the projections assumed an 'underlying rate of growth in RTDs' that accounted for future growth in population and the economy'.²⁶

1.40 Mr Damien White, Manager, Indirect Tax Unit, Department of the Treasury, noted current projections accounted for the ATO figures showing a reduction in consumption of RTDs of 34.6 per cent.²⁷

Substitution effects flowing from the alcopops tax measure

1.41 In the context of the inquiry, 'substitution' refers to consumers of RTDs moving to other, usually cheaper, alcoholic beverages in response to the increase in

23 Access Economics, 'Trends in alcohol related hospital use by young people', 20 January 2009, and 'Alcohol related hospital use: analysis of newly available months of data', 10 March 2009. The reports are discussed below.

24 Public Health Association of Australia, *Submission 2*, p. 7.

25 Explanatory Memorandum, Excise Tariff Amendment (2009 Measures No. 1) Bill 2009; Customs Tariff Amendment (2009 Measures No. 1) Bill 2009, p. 4.

26 Mr Colin Brown, Manager, Costing and Quantitative Analysis, Department of the Treasury, *Proof Committee Hansard*, 11 March 2009, p. 56-7.

27 Mr Damien White, Manager, Indirect Tax Unit, Department of the Treasury, *Proof Committee Hansard*, 11 March 2009, p. 57.

the excise and customs duty. While all submitters and witnesses agreed that some level of substitution had occurred, there was particular disagreement as to its extent and significance.

Sources of information and views on substitution

Spirits

1.42 The main source of data cited as relevant to the question of substitution was the ATO clearance figures for the period May to September 2008 referred to earlier.

1.43 The Alcohol and Other Drugs Council of Australia (ADCA) observed that there is currently 'minimal data to either prove or disprove significant substitution effects'.²⁸ However, it expressed the view that the ATO data did show that, while there was a substitution from RTDs to full-strength spirits, total spirit consumption fell by 334 000 litres of pure alcohol.²⁹

1.44 The ADCA also referred to data 'provided by AC Nielsen ScanTrack' showing that from January to November 2008 there was:

- a 2.3 per cent decrease in the value of the dark RTD market;
- a 0.2 per cent increase in the value of the light RTD market; and
- an 11 per cent increase in the full-strength spirits market.³⁰

1.45 Although it cautioned that 'changes in the value of a particular product market category cannot conclusively prove there has been a change in consumption', ADCA considered that the Nielsen data supported the conclusion that some substitution had occurred from RTDs to full-strength spirits. Appearing before the Committee, Ms Melanie Walker, Health Policy Officer, PHAA, observed that the extent of substitution did not appear to be equivalent to the fall in consumption of RTDs:

...while the standard drinks sold as spirits and beer increased in the three months following the introduction of the alcopops tax, the increase represented only about 53 per cent of the 91 million fewer RTDs sold.³¹

1.46 Independent Distillers of Australia (IDA) also provided sales data, compiled by the Liquor Merchants Association of Australia, which attested to increased sales of certain full-strength spirits since the tax increase. Comparing certain product sales from May 2008 to January 2009 with the equivalent period in the previous year, the data shows:

28 Alcohol and Other Drugs Council of Australia, *Submission 1*, p. 5.

29 Alcohol and Other Drugs Council of Australia, *Submission 1*, p. 5.

30 Alcohol and Other Drugs Council of Australia, *Submission 1*, p. 6. Note that this data is distinct from the AC Nielsen cited elsewhere in this report.

31 Ms Melanie Walker, Health Policy Officer, Public Health Association of Australia, *Proof Committee Hansard*, 10 March 2009, p. 17.

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- full-strength bourbon sales up 32.2 per cent;
 - full-strength dark rum sales up 31.6 per cent;
 - full-strength light rum sales up 8.1 per cent; and
 - full-strength vodka sales up 18.4 per cent.³²

1.47 Although IDA acknowledged that it was difficult to show perfect statistics on substitution, its view was that 'both anecdotally and through industry data...we can demonstrate tangible substitution from RTDs into full-strength spirits and other beverages'. Taking into account all statistical and anecdotal data, IDA concluded that there had been 'massive substitution' for RTDs in the alcohol market.³³

1.48 The Committee received one submission that offered anecdotal evidence on substitution from a consumer perspective. Amy Thurgood, a 22-year-old who described herself as 'in the primary market for RTD marketer[s]', described how the tax increase had affected her consumption of RTDs, While preferring the taste and convenience of RTDs, she considered her cheapest financial option since the tax increase to be the purchase of full-strength spirits and mixers; and she had observed 'many others' making the same switch.³⁴

Beer

1.49 IDA also cited a report that found an increase in beer sales following the tax increase. A Citigroup Beverage Trends Analysis in October 2008, which tracks manufacturer sales either direct to retail or to wholesale, reported:

Industry beer volumes have shown some sign of recovery. The strong July performance has resulted in 1.4% volume growth over the past three months compared to a decline over the past 12-months. This may be partly reflective of the RTD tax hike resulting in consumers switching to beer.³⁵

1.50 However, the Committee notes that the Brewers Association of Australia and New Zealand (BAANZ) expressed serious reservations about the ability of such short-term data on beer deliveries to reveal general trends in consumption (and hence substitution effects) over time.³⁶ Further, BAANZ provided figures which contradicted IDA's assertion that there was growth in the beer market since the tax increase—beer delivery figures for the six-month period either side of the tax increase had showed a 10.4 per cent decrease in delivery volumes.³⁷

32 Independent Distillers Australia, *Submission 10*, p. 7.

33 Independent Distillers Australia, *Submission 10*, pp.7-8.

34 Amy Thurgood, *Submission 14*, p. 1.

35 Independent Distillers Australia, *Submission 10*, p. 9.

36 Brewers Association of Australia and New Zealand, *Submission 16*, p. 2.

37 Brewers Association of Australia and New Zealand, *Submission 16*, p. 2.

Wine

1.51 In relation to wine, the Winemakers' Federation of Australia (WFA) conducted a comparison of the long-term compound growth rate of total wine sales with the compound monthly growth rate for the eight months after the tax increase. It concluded that, taking into account normal seasonal trends, there was no evidence of substitution of wine for RTDs.³⁸

Factors complicating assessment of substitution effect

1.52 A number of submitters observed that, since the tax increase, the alcohol industry had been proactive in taking steps to encourage and facilitate substitution of RTDs with other alcohol products. In particular, the PHAA observed:

Since the announcement of the tax...there have been a series of special promotions designed to have young people substitute spirit mixing for pre-prepared alcopops.³⁹

1.53 The Committee heard evidence that over the same period producers had also developed products able to directly substitute for alcopops, such as so-called 'malternatives'. These are beer-based products that share the characteristic sweetness, colours and branding of alcopops, but which would not attract the increased excise and customs tariff on spirit-based RTDs (these are discussed in detail below). In terms of characteristics and price, such products are able to directly substitute for alcopops, and the Committee notes that this occurrence could also make assessment of substitution more difficult.

Committee view

1.54 The Committee notes that there is evidence of substitution following the tax increase, with some consumers substituting full-strength spirits for RTDs.

1.55 However, as there has been a reduction in terms of overall consumption, the Committee disagrees with the view expressed by some stakeholders that substitution in response to the measures has been so complete as to cancel out the intent of the measures. In particular, the Committee highlights the 7.9 per cent decrease in combined spirit sales, as well as reductions on total consumption of alcohol. These outcomes indicate that, while substitution has occurred, it has not occurred to such an extent as to undermine the intended consumption and health outcomes of the measures through the lowering of consumption.

1.56 The Committee notes also that the decline in sales of RTDs has arrested a sustained period of increasing sales of these beverages since 2000.⁴⁰ A convincing

38 Winemakers' Federation of Australia, *Submission 11*, pp 2, 4.

39 Public Health Association of Australia, *Submission 2*, p. 7.

40 RTD sales have increased by 254 per cent from 1999-2000 to 2006-07 (Source: Department of the Treasury, *Submission 17*, p. 7.

proof of extensive substitution would therefore need to show that both combined spirit sales and total alcohol consumption were not just equivalent to previous comparable periods but also equivalent to previous sales growth trajectories. Given this, the decline in combined spirit sales and total alcohol consumption might be more significant than the figures alone would suggest.

1.57 The Committee recognises that it would be unrealistic in practice to expect no substitution following the measure to increase the excise and customs duty on RTDs. However, as the PHAA observed, other spirits or forms of alcohol may not have the same 'gateway effect' as RTDs.⁴¹ This refers to the undoubted attractiveness of such beverages to young people—particularly young women—in terms of taste and appearance. These characteristics allow young people to more easily consume and acquire a taste for alcohol, with all the financial, health and other risks that this implies. Considerable benefits may still flow from the substitution of RTDs for forms of alcohol less attractive to young palates and sensibilities.

1.58 Professor Tanya Chikritzhs commented on the fact that different beverages posed different types and levels of harm to young drinkers:

...not all beverages are equal in the amount of harm that they are likely to be associated with. So, as has been done here, a special harm levy or tax needs to be placed on beverages that are known to be specifically risky for certain populations.⁴²

Changes in consumption patterns of ready-to-drink alcoholic beverages and all alcoholic beverages by sex and age group

1.59 As with the issue of substitution, the ATO clearance data was relied on by many submitters and witnesses as relevant to the issue of changes in consumption patterns of RTDs and other alcoholic beverages since the tax increase.

Ready-to-drink beverages

Patterns of consumption

1.60 As noted above, there was no significant dispute that RTD sales have reduced significantly since the tax increase. The Committee heard that ATO clearance figures show a reduction of 34.6 per cent for the period May to September 2008, compared to the same period in 2007.

1.61 The ATO figures were complemented by AC Nielsen data on alcohol consumption. From May to July 2008, this showed a 26.1 per cent decrease in consumption of RTDs, equivalent to 91 million standard drinks, compared to the same period in the previous year.

41 Public Health Association of Australia, *Submission 2*, p. 8.

42 Professor Tanya Chikritzhs, *Proof Committee Hansard*, 10 March 2009, p. 25.

1.62 Mr Geoffrey Munro, National Policy Manager, Australian Drug Foundation, provided longer-term AC figures Nielsen for the period May 2008 to January 2009 with the same period in the previous year showed a 29 per cent decrease in total sales of RTDs, equivalent to 310 million standard drinks.⁴³

1.63 ADCA's submission, having considered the ATO clearance data as well as the AC Nielsen consumption data, concluded:

[The tax increase] was designed to specifically reduce consumption of one type of beverage, ready-to-drink spirits. On that measure, the tax reform appears to have been successful.⁴⁴

1.64 The National Drug Research Institute (NDRI) noted that the AC Nielsen data showed that since the increased tax there had been 43 million fewer standard drinks consumed as RTDs.⁴⁵

1.65 The Australian Hotels Association (AHA) referred to a survey of a selection of its members that it conducted in order to ascertain changes to sales of alcohol since the tax increases. This survey showed a significant decrease in RTD sales, although there was no actual figure or percentage given.⁴⁶

1.66 Associate Professor Anthony Shakeshaft, National Drug and Alcohol Research Centre (NDARC), commented that the extent of the changes in consumption of RTDs demonstrated the potential for price measures such as tax increases to influence consumption behaviour:

...it has been remarkable that one tax targeted at a very specific type of beverage has had such a big impact in terms of industry behaviour, and we have been able to look at the change in sales and the change in consumption amongst young people more broadly. We think, if nothing else, this process has shown the quite powerful effects that excises can have.⁴⁷

1.67 The PHAA also endorsed the effectiveness of 'price levers'—particularly as part of a comprehensive approach to reducing consumption of alcohol. In relation to the particular effect of the April 2008 excise and customs duty increases, it stated:

The initial nine months of the alcopops tax...illustrates the efficacy of pricing in influencing purchasing [i.e. consumption] behaviour.⁴⁸

43 Mr Geoffrey Munro, National Policy Manager, Australian Drug Foundation, *Proof Committee Hansard*, 10 March 2009, p. 45.

44 Alcohol and Other Drugs Council of Australia, *Submission 1*, p. 5.

45 National Drug Research Institute, *Submission 5*, p. 2.

46 Australian Hotels Association, *Submission 13*, p.4.

47 Associate Professor Anthony Shakeshaft, National Drug and Alcohol Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 March 2009, p. 38.

48 Public Health Association of Australia, *Submission 2*, p. 8.

1.68 However, the PHAA was careful to offer a note of caution about interpreting trends in consumption over the relatively short period since the tax increase:

Patterns may follow an initial change with a price increase and have a drift back to the more desirable but more expensive product. Nine months of this increase is not long enough to determine this possible long term approach.⁴⁹

1.69 A number of submissions placed the reduction in consumption of RTDs firmly in the context of long-term consumption patterns, arguing that the 34.6 per cent reduction was even more significant considered in this light. Both ADCA and the Department of the Treasury, for example, noted that there was a high growth in consumption of RTDs after July 1 2000, following changes which saw taxation of RTDs established at a rate similar to the excise rate applicable to full-strength beer.⁵⁰ On this point, information provided to Treasury from DSICA as part of pre-budget submissions in 2008-09 stated:

*...RTD sales have been growing (from a very low base) since 1993-94. The excise duty on RTDs was reduced on 1 July 2000, under the A New Tax System. There was significant growth in RTDs immediately after that time. RTD sales have increased 254% between 1999-[20]07...*⁵¹

1.70 Professor Chikritzhs provided figures which revealed the effect of this growth in RTD sales post 2000 on consumption levels of young people:

In 1999, before reductions in tax and in the retail price of RTDs in 2000, RTDs were the preferred beverage of about 23% of 12–17-year-old female drinkers. By 2005, after the tax decrease, 48% of young females drank RTDs, while the preference for higher-taxed spirits fell from 42% to 30%. For 12–17-year-old males, RTD consumption increased from 6% to 14% ... Although new products and marketing strategies may have contributed to this substantial change, these data suggest that young Australians, like their counterparts in other countries, do alter their beverage choices in response to price changes.⁵²

1.71 Treasury also cited ABS figures which showed that the apparent growth in consumption of alcohol in the form of RTDs over the period 2002-04 to 2006-07 was considerably greater than the apparent growth in the consumption of alcohol in other types of beverage over the same period. While on this measure RTDs grew by 30.2 per cent, other forms of alcohol grew at between only 2.5 per cent and 4.8 per cent

49 Public Health Association of Australia, *Submission 2*, p. 8.

50 Department of the Treasury, *Submission 17*, p. 4. See also the Senate Standing Committee on Community Affairs report, *Ready-to-drink-alcohol beverages*, June 2008.

51 Department of the Treasury, *Submission 17*, p. 4.

52 Professor Tanya Chikritzhs, *Proof Committee Hansard*, 10 March 2009, p. 26, citing Tanya N Chikritzhs et. al., 'The alcopops tax: heading in the right direction', *Medical Journal of Australia*, 2 March 2009, p. 293.

(for apparent consumption of beer and full-strength spirits respectively). Overall apparent growth in consumption of alcohol increased by 5.8 per cent.⁵³

Consumption by sex and age groups

1.72 While the Committee thus received clear evidence that since the tax increase there has been a substantial decline in the very high levels of growth and consumption of RTDs, there was no direct evidence to show how that reduction applied to consumption behaviour within different sex and age groups. The ADCA observed that the value of the available evidence in terms of drawing conclusions about RTD consumption by sex and age group was limited:

[The ATO excise] data, by its nature, cannot be disaggregated into sex and age cohorts.⁵⁴

1.73 The PHAA noted the difficulty of extrapolating long-term consumption patterns in specific groups of people from data covering such a relatively brief period. This was also complicated by many other factors that could influence consumer behaviour. Despite this, the PHAA felt that the 34.6 per cent reduction in sales of alcopops was 'significant' and an 'indicator' of trends in such patterns.⁵⁵

1.74 However, some observed that, given National Drug Strategy Household Survey (NDSHS) findings prior to the reform showing that RTDs are the preferred drink of both young and underage drinkers of both sexes, it was possible to infer that the fall in consumption of RTDs 'must reflect changed consumption patterns amongst young drinkers'.⁵⁶ On this reasoning, the overall reduction of RTD consumption could be said to indicate at least the likelihood of a reduction in consumption of RTDs by young people, and particularly young women.

1.75 The AHA disagreed that the reduced consumption levels of RTDs could be taken as an indication of reduced consumption among young girls. The AHA believed that the majority of RTDs were drunk by males over the age of 25, and on that basis observed that the significant decrease in RTD sales would have 'done little to achieve the stated objective of reducing the level of risky drinking among young females'.

1.76 Further, the AHA considered that males over the age of 25 years had either substituted full-strength spirits or other products for RTDs, so the reduced

53 Department of the Treasury, *Submission 17*, p. 4.

54 Alcohol and Other Drugs Council of Australia, *Submission 1*, p. 6

55 Public Health Association of Australia, *Submission 2*, p. 8.

56 Alcohol and Other Drugs Council of Australia, *Submission 1*, p. 6. See the Senate Standing Committee on Community Affairs report, *Ready-to-drink-alcohol beverages*, June 2008, pp 32-35.

consumption of RTDs could not be taken as an indicator of reduced consumption among this sex and age group either.⁵⁷

1.77 Mr Munro drew attention to AC Nielsen data which showed a 38 per cent decrease in sales of vodka-based RTDs with more than 6 per cent alcohol, and described this as a significant result in the context of the stated intent of the tax increase:

...it is important, given this tax is aimed particularly at young, underage drinkers and young female drinkers, to recognise that vodka alcopops are preferred by young drinkers and particularly by young females.

...

So this is telling us that, concerning the aim of reducing the attraction of or the demand for alcopops, the tax has been successful with this massive decline in alcopops sales—and the largest decline has been in the sales of the vodka high-alcohol drinks favoured by young women.⁵⁸

All alcoholic beverages

Overall consumption

1.78 The Committee notes that, as with the consideration of consumption patterns of RTDs above, there is limited evidence available to consider the changes in consumption of all alcoholic beverages by sex and age group. Again, this is because the ATO clearance data, and most other data, does not disaggregate sex and age cohorts at all; and all data considered covers only a very brief period for analytical purposes.

1.79 The ATO clearance data shows that growth in excisable alcohol consumption, which is an aggregate class comprised of beer, spirits and RTDs, has slowed by 0.1 per cent since the tax increase on RTDs (for the period May 2008 to January 2009 compared with the previous year). By comparison, the previous three years recorded 'solid' growth in excisable alcohol consumption:

- 6.6 per cent in 2005-06;
- 2 per cent in 2006-07; and
- 2.7 per cent in 2007-08.⁵⁹

1.80 Treasury's submission pointed to the AC Nielsen data which showed that total consumption of alcoholic beverages (RTDs, beer, wine and spirits) fell by 2.7 per cent

57 Australian Hotels Association, *Submission 13*, p. 4.

58 Mr Geoffrey Munro, National Policy Manager, Australian Drug Foundation, *Proof Committee Hansard*, 10 March 2009, p. 45-6.

59 Department of the Treasury, *Submission 17*, p. 5.

in the period May to July 2008 compared to the same period in the previous year. This fall was equivalent to 64 million standard drinks.⁶⁰

1.81 However, the AHA came to a different conclusion about overall consumption on the basis of the survey it conducted of its members, which found that there has been no discernible drop in overall sales of alcohol products. On the basis that sales is a useful proxy for consumption, the AHA member survey found:

- increased sales of full-strength spirits;
- no change or a slight increase to sales of beer;
- increased wine sales of around 20 per cent; and
- increased sales of other alcohol products such as cider.⁶¹

1.82 The IDA submission referred to a Roy Morgan Research survey of total alcohol consumption across men, women and the group 18 to 24-year-olds, comparing the period July to December 2008 with the corresponding period in the previous year. This showed a 2.3 per cent increase in total alcohol consumption for all Australians aged over 18. The rise was attributable to:

- a 4 per cent increase in consumption among males; and
- a 17 per cent increase in consumption among 18 to 24 year-olds.⁶²

Spirits

1.83 The ADCA submitted that the available evidence showed that overall spirit consumption had decreased by roughly 8 per cent. This figure was based on the ATO clearance data which showed that, while some substitution from RTDs to full-strength spirits had occurred, total spirit consumption fell by around 334 000 litres of pure alcohol, said to be equivalent to 26 000 000 standard drinks.⁶³

Wine

1.84 The WFA provided a submission to the inquiry which commented on the changes to wine consumption since the introduction of the tax. It noted that wine consumption data by sex, age and beverage since the tax increase were not available. However, data on winery sales was available, and this information was a 'useful proxy for consumption'.⁶⁴

60 Department of the Treasury, *Submission 17*, p. 5, citing Tanya N Chikritzhs et. al., 'The alcopops tax: heading in the right direction', *Medical Journal of Australia*, 2 March 2009, p. 293.

61 Australian Hotels Association, *Submission 13*, p. 4.

62 Independent Distillers Australia, *Submission 10*, p. 8.

63 Alcohol and Other Drugs Council of Australia, *Submission 1*, p. 5.

64 Winemakers' Federation of Australia, *Submission 11*, p. 1.

1.85 The WFA's comparison of the first-quarter (July-September) sales of wine for the years 2006 to 2008 showed that since the tax increase:

- sales of Australian produced wine decreased;
- sales of cask wine decreased; and
- sales of imported wine increased marginally.

1.86 In relation to total sales of wine in Australia, the WFA's analysis of the April-June quarter for the previous three years showed a marginal 3 per cent increase between the last two years, with Australian wine sales dropping slightly over that period.⁶⁵

1.87 The Treasury submission, however, suggested that wine consumption had fallen following the tax increase. It cited AC Nielsen data on alcohol consumption which showed that wine consumption fell by 2.6 per cent in the period May to July 2008 compared to the same period in the previous year. This reduction was equivalent to 21 million standard drinks.⁶⁶

Beer

1.88 The Brewers Association of Australia and New Zealand (BAANZ) provided a submission which commented on consumption of beer products following the tax increase. The association relied on data on beer deliveries, which indicates general trends in beer deliveries over time. This could be a 'viable proxy for overall consumption'.⁶⁷ Beer delivery figures for the three months either side of the introduction of the tax increase (February-April 2008 and May-July 2008) showed a 0.4 per cent increase in delivery volumes.

1.89 However, beer delivery figures for the six-month period either side of the tax increase showed a 10.4 per cent decrease in delivery volumes.

1.90 The Committee notes that the AC Nielsen data also suggested a rise in beer consumption. This data showed a 1.5 per cent increase in consumption of beer in the period May to July 2008 compared to the same period in the previous year, equivalent to 13 million standard drinks.

1.91 BAANZ noted that 'short-term fluctuation' in the data could not be reasonably interpreted against the effects of the 'constantly shifting microeconomic environment', such as changes in the excise and customs environment, and macroeconomic factors such as global economic conditions. BAANZ therefore could not reliably infer

65 Winemakers' Federation of Australia, *Submission 11*, p. 3.

66 Department of the Treasury, *Submission 17*, p. 5.

67 Brewers Association of Australia and New Zealand, *Submission 16*, p. 2.

anything from these data.⁶⁸ In terms of long-term trends, per capita beer consumption had seen a slow decline in Australia, and given this, BAANZ observed:

...at best, 'it would be heroic to conclude that the alcopops tax is supporting a statistically significant turnaround in beer consumption trends; at worst, it would be misleading.'⁶⁹

Committee view

1.92 The Committee accepts that it is difficult to draw conclusions about consumption patterns on the basis of the data that has become available since the tax increase. However, on the basis of ATO clearance data it is reasonable to conclude that consumption of RTDs has decreased and that, while some substitution to full-strength spirits has occurred, overall consumption of both spirits and alcohol has also decreased.

1.93 This conclusion is supported by the ATO clearance data from the period following the original change to the excise regime, which strongly suggests that tax treatment does affect consumption of RTDs. Discussing the nature of this data, Professor Allsop noted:

...it is universally accepted that sales data are strongly and closely aligned to consumption of alcohol...⁷⁰

1.94 Some evidence, such as the survey conducted by the AHA of its members, were at variance to the recent ATO clearance data. However, in discussing this evidence at the Canberra hearing on 10 March 2009, Mr Hamish Arthur, National Corporate Affairs Manager, AHA, advised the Committee that the survey was based on reportage by AHA members, and its conclusions were not based on statistical analysis of raw data. Further, the Committee notes that, while the survey concluded there had been no discernible decrease in total sales of alcohol, 42 per cent of respondents had reported a decrease in overall sales.⁷¹

1.95 After considering the nature and quality of the evidence received, the Committee preferred the ATO clearance data as well as other sales data as the best indicator of consumption of RTDs and other alcohol beverages since the tax increase. These sources confirmed there has been a reduction in consumption of RTDs as well as alcohol overall since the tax increase.

68 Brewers Association of Australia and New Zealand, *Submission 16*, p. 2.

69 Brewers Association of Australia and New Zealand, *Submission 16*, p. 2.

70 Professor Steven Allsop, *Proof Committee Hansard*, 10 March 2009, p. 23.

71 Mr Hamish Arthur, National Corporate Affairs Manager, AHA, *Proof Committee Hansard*, 10 March 2009, p. 3, 10.

Unintended consequences flowing from the introduction of the alcopops tax

Development of beer- and wine-based alternatives to RTDs

1.96 The Committee heard that beverage companies had responded to the increased excise and customs duty by developing so-called 'malternatives'. This term refers to beer-based beverages that mimic the taste and appearance of alcopops but avoid the raised excise duty. This is because beer attracts a lower excise and excise-equivalent customs duty than spirits, RTDs and some wine products. Other alternative products could also be manufactured from wine.

1.97 ADCA offered as an example of a malternative a vodka brand contemplating the production of a beer-based drink 'stripped of its beer characteristics' such that the beverage would attract the lower excise and customs duty rate.⁷²

1.98 DSICA submitted that the tax differential between spirits and beer and wine meant that beer and wine products enjoy a relative tax advantage, which would promote the future development of RTDs based on these products.⁷³

1.99 A number of submitters and witnesses expressed the opinion that the development of malternatives was evidence that the excise and customs duty increase had had a positive impact, because it had clearly reduced alcopops consumption and caused the industry to seek to develop alternatives.⁷⁴

Recent amendments in response to beer- and wine-based alternatives

1.100 On 25 February 2009, in recognition of malternatives, and the potential for similar wine-based products to be developed, the Government moved amendments to the Bills to ensure that such products do not undermine the purpose of the 2008 changes by providing substitutes for alcopops that are not subject to the duty increase and are therefore cheaper.

1.101 In commenting on the need for the amendments, the Minister for Health and Ageing, the Hon. Nicola Roxon, noted the alcohol industry's general willingness to target the youth market with new alcopop-style products that avoid the increase tax.⁷⁵ A number of witnesses were also critical of the industry's general haste and 'irresponsibility' in undermining the intent of the 2008 increases.⁷⁶

72 Alcohol and Other Drugs Council of Australia, *Submission 1*, p. 6.

73 Distilled Spirits Industry Council of Australia, *Submission 12*, p. 14.

74 Alcohol and Other Drugs Council of Australia, *Submission 1*, p. 6.

75 The Hon. Nicola Roxon, Minister for Health and Ageing, *House of Representatives Hansard*, 25 February 2009, p. 84.

76 Alcohol and Other Drugs Council of Australia, *Submission 1*, p. 6.

1.102 The changes will commence from July 1 2009. Introducing the changes, Minister Roxon, explained:

...these amendments alter the taxation definition of 'beer' in the Excise Tariff Act and 'beer' and...['grape wine product'] in the Customs tariff Act. Changes in the definition of 'wine' in the A New Tax System (Wine Equalisation) Tax Regulations 2000 will also follow...⁷⁷

Beer-based alternatives

1.103 The amendments will ensure that beer-based alternatives are subject to the same tax rate as RTDs by amending the definition of 'beer' in the ETA 1921 and the CTA 1995. To be defined as 'beer' a product must:

- not contain more than 4 per cent sugar or any artificial sweetener or flavour;
- have a level of bitterness equivalent to or greater than four International Bitterness Units;
- contain a dominant amount of alcohol derived from the yeast fermentation process of an aqueous extract of cereals; the aqueous extract must be predominantly cereals but may contain other carbohydrates and ingredients;
- may contain spirit distilled from beer added during the brewing process as long as it does not in excess of 5 millilitres per litre; and
- may contain flavours added at any stage during the process but not in excess of 5 millilitres per litre.⁷⁸

1.104 The proposed definition is in line with a recent ATO interpretative decision on the excise definition of beer, which concluded that a beverage requires sufficient bitterness to be considered as beer. The effect of this decision was that malternatives in general would not be classified as beer for taxation purposes.⁷⁹

Stakeholder views

1.105 There was generally support for the amendments aimed at countering the development of beer-based alternatives to RTDs. BAANZ noted that it had previously identified the development of malternatives as a potential unintended consequence of the increased tax on RTDs, and indicated its support for the proposed amendments to narrow the definition of 'beer'. BAANZ commented that the proposed sweet/bitter distinction was a reasonable means of 'objectively drawing a line between beer and alcopops for taxation purposes'.⁸⁰

77 The Hon. Nicola Roxon, Minister for Health and Ageing, *House of Representatives Hansard*, 25 February 2009, p. 79.

78 Supplementary Explanatory Memorandum, Excise Tariff Amendment (2009 Measures No. 1) Bill 2009; Customs Tariff Amendment (2009 Measures No. 1) Bill 2009, p. 5-6.

79 Department of the Treasury, *Submission 17*, p. 6.

80 Brewers Association of Australia and New Zealand, *Submission 16*, p. 4.

1.106 However, Angove Family Winemakers (AFW) identified the proposed amendments to the definition of beer as problematic in relation to alcoholic ginger beer. AFW noted that the amendments were 'not designed to affect the taxation of conventional beer products that have the essential characteristics of beer, based on taste and ingredients'.⁸¹ However, the new definition appeared likely to capture the alcoholic ginger beer produced by AFW, due to that product's characteristic sweetness. The AFW product, with between 9.5 per cent and 10 per cent by weight of sugar, would exceed the 4 per cent limit proposed in the new definition of beer.

1.107 AFW argued that its ginger beer was not comparable to any of the beer-based alternatives because:

- it is promoted and generally consumed as a take-home beverage;
- it is not conducive to binge drinking due to its strong flavour and sweetness (that is, it had low 'sessionability'); and
- ginger beer is a traditional and conventional beer product.

1.108 AFW noted that the traditional aspects of ginger beer underpinned their commercial development of the product to conform with legal definitions of 'beer'. They requested the government consider re-formulating the proposed new definition of beer, or else create an exception, to ensure that alcoholic ginger beer is not 'caught up in the tightening of the beer standard aimed at catching beer-based alternatives'.⁸²

1.109 AFW observed that the government had already accommodated traditional wine-style products in its re-formulation of the definition of 'wine'.

1.110 DSICA also raised objections about the proposed amendment, on the grounds that it would lead to differential treatment of certain products:

The fact that the amendments will still permit the taxation of flavoured beers at the lower tax rate, despite being of the same alcoholic strength as spirit-based RTDs, perpetuates an anomalous tax regime.⁸³

1.111 Similarly, IDA, which had developed a malterative—a flavoured beer with 5 per cent alcohol—which was equivalent in strength to many beers and similar in style to 'more than 100 existing flavoured beers already on the market in Australia'.⁸⁴ IDA saw these products as legitimate products that were to receive unfair treatment under the proposed new definition.

81 Supplementary Explanatory Memorandum, Excise Tariff Amendment (2009 Measures No. 1) Bill 2009; Customs Tariff Amendment (2009 Measures No. 1) Bill 2009, p. 5.

82 Angove Family Winemakers, *Submission 4*, p. 2.

83 Distilled Spirits Industry Council of Australia, *Submission 12*, p. 15.

84 Independent Distillers Australia, *Submission 10*, p. 10.

1.112 Finally, DSICA expressed concerns that the proposed new definition, by introducing the more complex definition of 'beer', would impose additional compliance costs on industry. In particular, the new definition would 'remove any margin for error in [the composition of] specialty offerings',⁸⁵ which would potentially require more expenditure on testing and development.

Wine-based alternatives

1.113 Similarly, the amendments will ensure that wine-based alternatives are subject to the same excise and customs duty rate as RTDs by amending the definition of 'grape wine product' in the CTA 1995; equivalent amendments will be made to the *A New Tax System (Wine Equalisation Tax) Regulations 2000*.

1.114 The current definition provides that a 'grape wine product' must contain at least 70 per cent grape wine, with the remaining 30 per cent able to contain flavours and a limited amount of ethyl alcohol. Typical grape wine products are wine cocktails and Irish style cream drinks. Under this definition, grape wine products could be produced to resemble a RTD product subject to significantly less tax than spirit-based RTD products.

1.115 The amended definition will provide that a 'grape wine product':

- must contain at least 70 per cent grape wine;
- must not have added to it ethyl alcohol from any source except grape spirit or alcohol used in preparing vegetable extracts;
- must contain at least 8 per cent, but not more than 22 per cent, by volume of ethyl alcohol; and
- must not have added to it the natural or artificial flavour of any alcoholic beverage other than wine.

1.116 A 'grape wine product' that does have added to it ethyl alcohol used in preparing vegetable extracts must comply with the following requirements:

- the ethyl alcohol must only be used to extract flavours from vegetable matter;
- the ethyl alcohol must be essential to the extraction process; and
- the ethyl alcohol must not add more than one percentage point to the strength of alcohol by volume of the beverage.

85 Distilled Spirits Industry Council of Australia, *Submission 12*, p. 15.

Stakeholder views

1.117 The WFA expressed its support for the proposed measures as being effective to prevent the grape wine category being exploited for the purposes of creating new wine-based RTDs that would be taxed at a lower rate than other RTD products.⁸⁶

1.118 In addition, the WFA had recently asked Food Standards Australia and New Zealand to prescribe the term 'wine-based beverage' for all products meeting the definition of wine product in the Australia-New Zealand Food Standards Code. This would ensure that a product meeting the definition would have to be clearly labelled as a wine product.⁸⁷

1.119 However, DSICA was concerned that the changes extended a competitive advantage to certain products. It noted that the amendments would not prevent the marketing of so-called piccolo bottles of wine, which were priced lower than RTDs and could have 'more than twice the typical alcohol content of an RTD'.⁸⁸

Committee view

1.120 The Committee notes there was widespread support for the proposed amendments from health bodies and certain industry stakeholders to ensure that beer- and wine-based alternatives are not able to undermine the intent of the tax increase on RTDs. The evidence considered by the Committee suggested that the proposed changes to the definitions of 'beer' and 'grape wine product' would be effective to prevent the development of products that could avoid the higher excise and customs duty on RTDs while effectively substituting for alcopop-style beverages.

1.121 However, the Committee acknowledges the concerns of AFW in relation to the potential for the proposed new definition of 'beer' to inadvertently capture traditional ginger-beer style products, which do not possess the characteristics of the RTDs to which the tax increase is intended to apply. The Committee notes that Minister Roxon, in introducing the amendments, indicated that the government was prepared to make further changes to the proposed new definitions in the event that any unintended consequences were identified.⁸⁹ The Department of the Treasury confirmed in its appearance before the Committee that it would consider the particular issue raised by AFW.⁹⁰

1.122 The Committee is confident that, should there be a need for any further amendments to the new definitions, the government will be mindful of the need to

86 Winemakers' Federation of Australia, *Submission 11*, p. 5.

87 Winemakers' Federation of Australia, *Submission 11*, p. 5.

88 Distilled Spirits Industry Council of Australia, *Submission 12*, p. 15.

89 The Hon. Nicola Roxon, Minister for Health and Ageing, *House of Representatives Hansard*, 25 February 2009, p. 84-5..

90 Department of the Treasury, *Proof Committee Hansard*, 11 March 2009, p. 67.

avoid creating any further loopholes that could be exploited to avoid the effect and intent of the tax increase on RTDs.

Effectiveness of the changes to the alcohol excise regime in reducing the claims of excessive consumption of ready-to-drink alcohol beverages

1.123 The Committee notes that the limitations of the available evidence, discussed above in relation to changes in patterns of consumption, were also relevant to its consideration of the effectiveness of the tax increase in reducing excessive consumption. While sales data can serve as a reliable proxy for consumption, many submitters and witnesses observed that evidence of consumption per se is not able to shed light on the occurrence of excessive consumption. In contrast, other witnesses were more confident to conclude on the basis of indicators of consumption that the tax increase was likely to have led to reduced incidence of excessive consumption.

1.124 The PHAA submission noted the difficulty of using the available information to measure trends in excessive consumption, and suggested that the use of such data for this purpose would amount to 'setting up a straw man'.⁹¹

1.125 IDA observed that, while the tax increase had significantly affected RTD sales (taken as an indication of consumption):

...there is precisely no evidence that shows this reduction in sales of premixed alcohol has resulted in a reduction in excessive consumption of ready to drink alcohol beverages.⁹²

1.126 In particular, IDA noted that the government had not produced any evidence of a 'reduction in arrests, emergency room hospital admissions police incidents or other indicators of risky [and thus excessive] drinking'.⁹³

1.127 Further, IDA denied that the reduction in consumption of RTDs could be taken as evidence of lower levels of excessive consumption. It pointed to the Australian Institute of Health and Welfare finding that the beverages preferred by high-risk drinkers were not RTDs but beer, wine, spirits or liqueurs.⁹⁴ If RTD drinkers were not generally high-risk drinkers then the reduction in consumption of RTDs could not indicate reduced levels of excessive consumption.

91 Public Health Association of Australia, *Submission 2*, p. 10.

92 Independent Distillers Australia, *Submission 10*, p. 11.

93 Independent Distillers Australia, *Submission 10*, p. 11.

94 Independent Distillers Australia, *Submission 10*, p. 10, citing the Australian Institute of Health and Welfare, National Drug Strategy Household Survey, December 2007.

1.128 The ADCA, however, noted that excessive consumption, understood as risky and/or high-risk consumption in relation to short and long-term harm,⁹⁵ is prevalent among consumers of alcohol. In particular:

- around 50 per cent of alcohol is consumed at risky or high-risk levels for short-term harm; and
- around 40 per cent of alcohol is consumed at risky or high-risk levels for long-term harm.⁹⁶

1.129 Given these figures, ADCA concluded that the reduction in consumption of total spirits since the tax increase 'will have reduced excessive consumption of spirit-based RTDs'.⁹⁷

1.130 Professor Chikritzhs conceded that there was no direct evidence on the question of reduced levels of excessive drinking in particular social groups. However, taking into consideration a broader range of sources, Professor Chikritzhs observed:

...various surveys, such as the secondary schools survey and the National Drug Strategy health survey, [identify] which part of the population prefers to drink RTDs, or alcopops. We know that in the 14- to 17-year-old age group who drinks at risky, high-risk levels for short-term harm, 70 to 80 per cent of that consumption is done via RTDs, or alcopops, and we know that the drink of choice amongst middle-aged people and older people is not alcopops but beer and, in the case of females, wine. We could make an educated guess...[that young people drinking at risky levels] would be the most likely to be affected by this RTD tax.⁹⁸

Committee view

1.131 The Committee found that there was no direct evidence to show that there had been a reduction in excessive drinking since the introduction of the tax increase. However, the Committee notes that it received considerable evidence commenting on the difficulty of establishing causal links between policy or tax measures and risky- or high-risk behaviour such as excessive consumption. Further, this difficulty is compounded by a lack of appropriate data due to the relatively short period since the tax increase.

1.132 The Committee observes that, in relation to its consideration of changes to at-risk behaviour and health impacts, a number of witnesses referred to indirect evidence that could justify an expectation of a reduction in excessive consumption among the target group. This is discussed below.

95 For more detail on alcohol-associated harms see the Senate Standing Committee on Community Affairs report, *Ready-to-drink alcohol beverages*, June 2008.

96 Alcohol and Other Drugs Council of Australia, *Submission 1*, p. 7.

97 Alcohol and Other Drugs Council of Australia, *Submission 1*, p. 7.

98 Professor Tanya Chikritzhs, *Proof Committee Hansard*, 10 March 2009, p. 24.

Evidence of changes to at-risk behaviour or health impacts (either positive or negative) as a result of the introduction of the alcopops tax

Introduction

1.133 The Committee's previous inquiries examined in much detail the short- and long-term health impacts and social effects of alcohol consumption. The Committee recognises that risky and high-risk consumption of alcohol causes significant harms to individuals and imposes high costs on society. These issues are important background context for the current inquiry; however, it was not necessary to consider them specifically according to the terms of reference. A more detailed consideration of these issues may be found in the Committee's reports on ready-to-drink alcohol products and the Alcohol Toll Reduction Bill.⁹⁹

1.134 The Committee notes that on 6 March 2009 the National Health and Medical Research Council released new guidelines on safe drinking. The old guidelines acted as the benchmark for risky and high-risk drinking in the previous inquiries. The new guidelines stipulate that two standard drinks a day for both men and women, and four on one-off occasions, is advisable to avoid alcohol-related injury or disease. The guidelines emphasise the risks of alcohol consumption for young people, saying that people under the age of 15 should not drink at all, and that persons between 15 and 17 years of age should delay drinking as long as possible.¹⁰⁰ The Committee notes that the new guidelines stipulate a lower level of alcohol consumption to avoid alcohol-related harms than the previous guidelines, effectively lowering the consumption level that should be classed as risky or high risk.

Effect of changes on at-risk behaviour/health outcomes

1.135 The Committee notes that the limitations of the available evidence were significant in relation to the question of changes to at-risk behaviour or health impacts. Many stakeholders commented on the limited nature of the evidence, which was due to the short period since the increase, as well as the difficulty of using consumption data to draw conclusions about changes to risky or high-risk behaviour or about the health impacts.

Effectiveness of taxation in achieving health outcomes

1.136 A number of witnesses accepted that tax increases can be effective to drive changes in consumption behaviour and thereby achieve positive health outcomes. The submission of the NDRI noted:

99 See the Senate Standing Committee on Community Affairs report, *Ready-to-drink alcohol beverages*, June 2008; and *Alcohol Toll Reduction Bill 2007 [2008]*, June 2008.

100 National Health and Medical Research Council, <http://www.nhmrc.gov.au/media/media/re109/090306-alcohol-guidelines.htm>, accessed 11 March 2009.

There is strong international evidence that increasing the cost of alcohol reduces consumption and [that] lower levels of overall consumption are closely related to lower levels of alcohol-related harm.

In several countries, price increases...have been consistently shown to reduce alcohol consumption and related harms in both the general population and at-risk populations.¹⁰¹

1.137 Further, such an approach was supported as a legitimate aim of government by some stakeholders. The National Health Foundation of Australia submission contained a typical endorsement:

The legislation provides for an increase in tax on pre-mixed spirits in order to reduce harmful consumption of these products, particularly by their intended market, young people. This is entirely consistent with good public health principles.¹⁰²

1.138 Mr David Templeman, Chief Executive Officer, ADCA, observed that the public debate on the tax increase on RTDs had contributed to heightened awareness of the issues around alcohol-related health impacts, and complemented other initiatives designed to reduce consumption:

although there may be appear to be shortcomings about the current RTD taxation debate, we are seeing a public health effect in the community...There is an increasing awareness of alcohol related violence in the media and by all members of the community. State governments are reforming liquor licensing laws to attempt to minimise violence. New research and public discussion is alerting the community to links between excessive alcohol consumption and cancers and other long-term harms—brain impairment and the like. There is now increased awareness of the links between mental health and alcohol abuse.¹⁰³

1.139 Other stakeholders disagreed that taxation could be used to achieve beneficial outcomes in such areas as health. The WFA, for example, submitted that taxation was a 'blunt social policy tool that does not distinguish between harmful consumption and responsible drinking'. Further, it claimed:

There is little evidence to demonstrate net population benefits through overall increased alcohol taxation: responsible consumers are likely to reduce or cease consumption depending on the level of price increase...and irresponsible consumers are considered less price sensitive and more likely to either switch products or switch substances.¹⁰⁴

101 National Drug Research Institute, *Submission 5*, p. 1.

102 National Health Foundation of Australia, *Submission 3*, p. 3.

103 Mr David Templeman, Chief Executive Officer, Alcohol and Other Drugs Council of Australia, *Proof Committee Hansard*, p. 61.

104 Winemakers' Federation of Australia, *Submission 11*, p. 5; see also Australian Hotels Association, *Submission 13*, p. 3.

1.140 The IDA commented that the use of a tax increase for a small percentage of products was naïve because risky drinking behaviour is determined not by what people drink but by how much.¹⁰⁵ In a similar vein, BAANZ cautioned that:

...overall production data, and indeed per capita consumption data, are virtually meaningless metrics for describing health outcomes or drinking habits in particular populations. It is the pattern of consumption by *individuals* that determines whether those individual drinking choices accrue a social benefit or cost – alcohol consumption *per se* does not automatically give rise to costs. When one speaks of the social costs of alcohol, one is describing the outcome of alcohol *misuse*.¹⁰⁶

1.141 DSICA endorsed the view of Access Economics that positive health impacts of taxation or price measures was also undermined by substitution effects:

...it is not possible to draw conclusions from changes in taxation revenue or sales of RTD about whether the RTD tax increase has been successful in reducing risky drinking among young people. This is because an increase in the price of one type of alcoholic beverage may lead consumers to switch consumption to other types of drinks – with similar or higher alcohol content per drinking episode or per dollar spent.¹⁰⁷

1.142 The Australian Taxpayers' Union offered a philosophical objection to the intent of the tax increase, which it saw as an inappropriate attempt 'by Government to use its powers of taxation to financially coerce Australian individuals into a Government approved consumption behaviour'.¹⁰⁸

Evidence of changes to at-risk behaviour/health outcomes

Reduced consumption and health outcomes

1.143 Speaking in the House of Representatives on 11 February 2009, Minister Roxon suggested that the decline in sales and therefore consumption of RTDs had been linked to reduced levels of risky or high-risk drinking. The Minister noted that, in 2004, 78 per cent females drinking at risky or high-risk levels drank RTDs on their last drinking occasion. A reduction in consumption was therefore likely to equate to a decrease in binge drinking.¹⁰⁹

1.144 The NDRI noted that consumption data indicated consumer responses to the tax increase were 'headed in the right direction', and concluded that the decline in

105 Independent Distillers of Australia, *Submission 10*, p. 3.

106 Brewers Association of Australia and New Zealand, *Submission 16*, p. 2.

107 Access Economics, 'Trends in alcohol related hospital use by young people', 20 January 2009, p. iii. This report is discussed below at 1.149.

108 Australian Taxpayers' Union, *Submission 8*, p. 1.

109 The Hon. Nicola Roxon, Minister for Health and Ageing, *House of Representatives Hansard*, 11 February 2009, p. 4.

RTD sales was 'likely to produce a public health benefit'.¹¹⁰ This conclusion was tempered by the acknowledgement that further investigation was necessary to determine whether the reduction in RTD consumption had occurred primarily among young female drinkers, the target group of the tax increase.¹¹¹

1.145 At the hearing in Canberra on 10 March 2009, Professor Allsop observed that overall levels of consumption are meaningfully indicative of the level of harm across the whole community. He explained:

There is a consistent body of evidence that indicates that alcohol consumption levels are strongly predictive of alcohol related problems in a community—not just problems that affect the individual drinker but problems that affect the broader community as well. There is a strong and consistent body of national and international evidence that indicates that changes in price are strongly associated with changes in consumption and thereby changes in alcohol related harm.¹¹²

1.146 Professor Chikritzhs commented:

...the World Health Organisation, in its guidelines for monitoring alcohol related harm, recommends...sales data...as the most reliable, gold standard way of measuring consumption in a community. The 30 years of evidence that says that, as consumption decreases overall in a population, harms go down, and so do risky and high-risk drinking.¹¹³

1.147 However, a number of stakeholders disagreed that the tax increase had led to a reduction in at-risk behaviour or in negative health outcomes. IDA and DSICA, for example, cited the AIHW finding that beer, wine and spirits, as opposed to RTDs, are the drinks of choice for those who drink at risky levels.¹¹⁴ Given this, the reduction in consumption of RTDs could not be interpreted or anticipated as necessarily leading to positive health outcomes amongst any group, including young people.¹¹⁵

1.148 Further, some thought that evidence showing substitution of full-strength spirits for RTDs indicated potential for increased levels of risky or high-risk alcohol consumption. The IDA expressed the view that, given the evidence of substitution, the tax increase had in fact encouraged drinkers to move towards forms of alcohol that are stronger and more likely to be associated with risky and high-risk drinking:¹¹⁶

110 National Drug Research Institute, *Submission 5*, p. 2.

111 National Drug Research Institute, *Submission 5*, p. 2.

112 Professor Steven Allsop, *Proof Committee Hansard*, 10 March 2009, p. 23.

113 Professor Tanya Chikritzhs, *Proof Committee Hansard*, 10 March 2009, p. 24-5.

114 Independent Distillers of Australia, *Submission 10*, p. 3, citing the Australian Institute of Health and Welfare, National Drug Strategy Household Survey, December 2007.

115 Distilled Spirits Industry Council of Australia, *Submission 12*, p. 23.

116 Independent Distillers of Australia, *Submission 10*, p. 6.

There is no doubt that the major consequence of the alcopops tax has been to push drinkers from pre-mixed drinks, with a defined alcohol content of about five per cent on average, toward drinks which are between two and seven times that alcohol content.¹¹⁷

1.149 A submission from Amy Thurgood, which provided an anecdotal account of substitution occurring among RTD drinkers, commented that full-strength spirits were able to be more easily abused. It was also inherently more difficult for drinkers to regulate their intake:

...the last thing this tax is doing is reducing binge drinking. Having bottles of spirits around increases people doing shots and not be [sic] able to stick to standard drink sizes.¹¹⁸

1.150 The AHA supported such anecdotal reports of substitution of full-strength spirits for RTDs, as well as the suggestion that the switch to full-strength spirits involved a higher chance of risky or high-risk consumption:

This [substitution of full-strength spirits] generally leads to higher levels of risky drinking, particularly in non-controlled environments. It negates the advantage that RTDs provide in portion control which enables better monitoring of consumption...¹¹⁹

1.151 However, in relation to substitution effects, Professor Chikritzhs noted that RTDs carried specific risks in terms of being more attractive to young palates and therefore playing a significant role in introducing young people to drinking:

...there is good evidence to show that [for very young people] their drink of choice, and their first drink, is in fact in the form of alcopops, not beer and wine. And that is reason for concern; drinking patterns that are established early in life can go on to remain with that person throughout their life. There is very good evidence that young people who drink earlier and drink more, and who establish strong drinking patterns in youth, are much more likely to go on to have alcohol dependence problems, problems with the law, homelessness and so on.¹²⁰

1.152 Dr Capolingua also stressed that the characteristics of alcopop style RTDs carried particular risks in terms of socialising young people around alcohol consumption:

The facts have been that alcopops have been affordable, sweet, palatable to drink and highly marketable to younger people. They are an attractive beverage to have in your hand at a social event. This adds an imposed

117 Independent Distillers Australia, *Submission 10*, p. 6.

118 Amy Thurgood, *Submission 14*, p. 1.

119 Australian Hotels Association, *Submission 13*, p. 3.

120 Professor Tanya Chikritzhs, *Proof Committee Hansard*, 10 March 2009, p. 25.

extra-risk dimension for young people—promotion of dangerous levels of drinking in young people.¹²¹

Alcohol-related hospital admissions

1.153 DSICA's submission raised the issue of alcohol-related hospital admissions as an indicator of the impact of the tax increase on at-risk behaviour and health impacts, based on a report it commissioned by Access Economics which assessed trends in hospital use. The report, and a second report that updates the earlier report, analysed admissions to both public and private hospitals as well as visits to emergency departments by young people for alcohol-related diagnoses.¹²² The aim of the report was to:

...assess whether the increase in the tax rate on...[RTDs] has had any impact on hospitalisations from high-risk drinking by young people, since the purported aim of the policy was to reduce such drinking.¹²³

1.154 On the basis of the report DSICA submitted:

Data showing no reduction in alcohol related hospitalisations since the tax change also confirms that the RTD tax increase has failed to achieve its health objective.¹²⁴

1.155 The methodology employed by Access Economics to examine alcohol-related admissions by young people was to collect data from the relevant departments of states and territories on hospital use, from January 2005 to the most recent month available. This information consisted of the International Classification of Disease (ICD) codes, which in a given case indicate the reason for hospital admission. For the purposes of the report ICD code F10 was identified as the most relevant code, with the analysis restricted to incidents classified as F10 and involving young males and females aged between 12 to 24 years of age.¹²⁵

1.156 The report offered a number of important caveats:

- the data used may be incomplete and/or subject to revision; and
- given the short period covered by the data, further data may be required to ensure statistical significance.¹²⁶

121 Dr Rosanna Capolingua, President, Australian Medical Association, *Proof Committee Hansard*, 10 March 2009, p. 30.

122 Access Economics, 'Trends in alcohol related hospital use by young people', 20 January 2009, p. iii.

123 Access Economics, 'Trends in alcohol related hospital use by young people', p. iii.

124 Distilled Spirits Industry Council of Australia, *Submission 12*, p. 2.

125 Access Economics, 'Trends in alcohol related hospital use by young people', p. iii.

126 Access Economics, 'Trends in alcohol related hospital use by young people', p. iv.

1.157 The report concluded that the data on hospital admissions did not support a finding that the tax increase had reduced risky drinking by young people. Specifically, it found:

- in six states alcohol-related hospital separations for males and females ages 12 to 24 years-old were higher than the same month in previous years; for females the figure was higher than for April 2008;
- in Queensland, South Australia, Tasmania, Victoria and Western Australia emergency department presentations for males and females ages 12 to 24 years-old were higher from May to August 2008 than for the same period in previous years; with the exception of July 2008, the rates were higher in each month for all age groups except 18 to 24 year-old females; and the overall increase was higher for each month after the tax increase relative to those before; and
- the combined hospital separation and emergency department presentation rates for the six states in May and June 2008 are higher than in previous years; for females these rates were higher than in previous years and the earlier months of 2008.¹²⁷

1.158 The methodology and findings of the Access Economics report were the subject of some criticism. For example, the Royal Australasian College of Physicians (RACP) identified 'important flaws in the methods used and implications drawn' in the report. In particular, the use of the F10 ICD code was criticised as an inappropriate indicator of alcohol-related harm, as it generally accounted for a 'very small proportion of all alcohol-related conditions' and an even smaller proportion of all presentations. Reliance on this particular code was also questionable due to issues of subjectivity and consistency of application of the code.¹²⁸

1.159 On this point—although not commenting directly on the report—Associate Professor Shakeshaft explained:

The key problem is that the way they categorise hospital presentations is through the International Classification of Diseases, and those codes are not set up to measure alcohol or the contributing factors; they are there to measure what you are actually there for. So if you turn up at the ED and you had been drinking too much and you fell and broke your arm, what would get recorded is a broken arm in the ED and the alcohol may or may not get listed.¹²⁹

1.160 Other flaws identified included:

127 Access Economics, 'Trends in alcohol related hospital use by young people', p. iv.

128 Royal Australasian College of Physicians, *Submission 18*, p. 5.

129 Associate Professor Anthony Shakeshaft, National Drug and Alcohol Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 March 2009, p. 40.

- the report provided no comparison with any form of control to ascertain whether the identified increase in alcohol-related presentations was part of a broader trend; as such it is possible that the increase is due to an increase in all presentations;
- the report identifies an apparent rise in alcohol-related presentations as being significant because it is more than a standard deviation above the mean; however, this was not 'an accepted indicator of statistical significance';
- the appropriate time series analyses were not performed on the data to determine whether the identified increase in alcohol-related presentations was part a longer-term trend; the application of such an analysis revealed that there was in fact such a longer-term trend.¹³⁰

Support for tax increase as part of a broader commitment

1.161 Many witnesses and submitters, particularly those representing health bodies, directly endorsed the changes to the alcohol excise regime in the context of the government's broader commitment to reducing risky and high-risk drinking. These comments reinforced the Committee's support for the measure as one in the context of a range measures to address harmful alcohol consumption, especially by young people, that was made in Recommendation 1 in its June 2008 report *Ready-to-drink alcohol beverages*.

1.162 The PHAA, for example, registered its support for the government's approach as 'a first step in a comprehensive package'.¹³¹ Associate Professor Shakeshaft observed that the 'way to get an optimal improvement or to optimally protect young people in terms of binge drinking' required an approach that encompassed price, availability and advertising of alcohol.¹³²

1.163 Professor Rob Moodie, Chair, Preventative Health Task Force, stressed the importance of a 'comprehensive, long-term and multipronged approach'.

If we can look at some of our past successes in Australia where we have done very well, whether that is in tobacco, road trauma, skin cancer or cardiovascular disease just to name a few, there has been this essential...combination of education, social marketing, relevant regulation and legislation, use of primary health care, mobilisation of communities and support of funding. That has only really worked because they are all working together. If you take one leg away then it weakens the whole strategy.¹³³

130 Royal Australasian College of Physicians, *Submission 18*, p. 5.

131 Public Health Association of Australia, *Submission 2*, p. 4.

132 Associate Professor Anthony Shakeshaft, National Drug and Alcohol Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 March 2009, p. 38.

133 Professor Rob Moodie, Chair, Preventative Health Task Force, *Proof Committee Hansard*, 11 March 2009, p. 50.

1.164 Professor Moodie further described the critical elements of a successful preventative health strategy:

With this, pricing and taxation is one element of a comprehensive strategy. It also has to entail public education, social marketing, looking at labelling of alcohol products, enforcing the existing legislation, liquor control legislation, standardising these approaches across Australia, and it also requires looking at regulation of alcohol promotions much more effectively, how we can use brief interventions at a primary health care level much more effectively, how we can more effectively work within and with Indigenous communities and, lastly, building our research, monitoring and evaluation base.¹³⁴

1.165 Dr Rosanna Capolingua, President, Australian Medical Association, also expressed support for a comprehensive approach:

We support the alcopops tax in the context of broader measures to address harmful drinking, particularly among young people.

The AMA believes that the positive potential of this tax measure would be significantly strengthened if the government...implemented a multifaceted and substantial strategy of alcohol harm reduction and prevention measures addressing alcohol marking, advertising, labelling, education and early intervention¹³⁵

1.166 The National Health Foundation of Australia cited research showing high levels of public support for increased tax on RTDs, especially where those taxes were used or earmarked for preventative health programs:

A survey of more than 1,200 Australian adults showed 84 per cent supported the Australian Government's increased tax on pre-mixed spirits and 88 per cent backed increased tobacco tax, if most of the revenue funded programs to help prevent diseases such as heart disease and cancer...The Newspoll survey showed Australians strongly supported tax increases that could reduce consumption of harmful products while raising funds to improve the nation's health.¹³⁶

1.167 In concluding the second reading debate, the Minister for Health and Ageing, the Hon. Nicola Roxon, outlined the scope of the government's approach:

[The 53 million binge-drinking strategy]...includes a number of very important measures. There is \$14.4 million for community-level initiatives to confront the culture of binge drinking, in partnership with sporting and community organisations; \$19.1 million to intervene earlier to assist young people and ensure that they assume personal responsibility...and \$20

134 Professor Alan Moodie, Chair, Preventative Health Task Force, *Proof Committee Hansard*, 11 March 2009, p. 50-1.

135 Dr Rosanna Capolingua, President, Australian Medical Association, *Proof Committee Hansard*, 10 March 2009, p. 30.

136 National Health Foundation of Australia, *Submission 3*, p. 4.

million on an advertising campaign, ‘Don’t turn a night out into a nightmare’, confronting youth with the consequences of binge drinking.¹³⁷

1.168 The funds committed to the National Binge Drinking Strategy were complemented by \$872 million in new funding for preventative health under a COAG agreement. New initiatives on alcohol, tobacco and obesity would seek to impact on risky and high-risk drinking behaviours. The government would also consider any recommendations of the National Preventative Health Taskforce.

1.169 DSICA, while it did not support the Bills, was supportive of the government's broader preventative health strategy, particularly as it relates to reducing alcohol-related harm:

DSICA recognises and commends the Government's focus on preventative health, and the creation of the PHT [Preventative Health Taskforce]. DSICA looks forward to working with the Government...to formulate a national approach to minimise alcohol-related harm...¹³⁸

Committee view

1.170 The Committee notes the strong support of many stakeholders, particularly health bodies, for the tax increase as a measure likely to have had, and to continue to have, a positive health impact on young people, particularly young women. The measure was supported both on its own terms and as part of a more comprehensive approach to reducing alcohol-related harms.

1.171 The Committee heard considerable evidence of the connection between reduced consumption and positive health outcomes. This relationship was likely to be more significant in the case of RTDs, given their particular appeal to young people and role in introducing young drinkers to alcohol and the considerable short- and long-term risks associated with its consumption.

1.172 The Committee considered evidence of alcohol-related hospital admissions to be problematic as an indicator of the health impacts of the tax measure, due to questions of methodology and data quality.

Comparison of the predicted effects of the introduction of the alcopops tax with the data of actual effects with a particular focus on evidence (or lack thereof) collected by the relevant department

1.173 In the second reading speech on the Bills, Minister Roxon acknowledged that the original revenue predictions in relation to the increased tax on RTDs, at \$3.1

137 The Hon. Nicola Roxon, Minister for Health and Ageing, *House of Representatives Hansard*, 25 February 2009, p. 80.

138 Distilled Spirits Industry Council of Australia, *Submission 12*, p. 2.

billion over the forward estimates, had been considerably greater than the more recent estimate contained in the EM, some \$1.6 billion over the same period.

1.174 DSICA's submission argued that the significant reduction in the estimated revenues from the tax increase measure reflected 'significant changes in patterns of consumption', and demonstrate that the increase was 'not properly thought through and 'how little the government understands the dynamics of the alcohol market'.¹³⁹

1.175 However, the Committee notes that the reduced revenue estimate is more properly considered as a difference in degree than as a fundamental misunderstanding of the effect of the measure and the market to which it applies. As the Committee's consideration of consumption issues has shown, the tax increase has worked to substantially reduce the level of consumption of RTDs—equivalent to some 91 million fewer RTDs being consumed over the period May to July 2008 according to the AC Nielsen figures. As Minister Roxon observed in the second reading speech on the Bills:

This is a much better result than the government had forecast. At the time of the budget, it was forecast that the measure would merely slow the growth in alcopop sales...Happily the measure has been even more effective. To see this dramatic reduction is the clearest evidence...that this measure is working.¹⁴⁰

1.176 Mr David Kalisch, Deputy Secretary, Department of Health and Ageing, noted the department had expressed the view in the course of the previous inquiry into RTDs that increasing the tax on such beverages, despite the likelihood of some substitution occurring, was likely to reduce consumption of RTDs as well as consumption of alcohol overall. Mr Kalisch observed:

...to date, the data that is available seems to be bearing out our expectation and...the industry's own sales data indicates that there are approximately 20 million fewer standard drinks being consumed each month.¹⁴¹

Value of evidence-based decision-making in the taxation of alcoholic products

1.177 All submitters and witnesses expressed support for evidence-based decision-making in the taxation of alcoholic products. The submission of the PHAA typically expressed the support of public health bodies and advocates for evidence-based decision-making:

139 Distilled Spirits Industry Council of Australia, *Submission 12*, p. 1.

140 The Hon. Nicola Roxon, Minister for Health and Ageing, *House of Representatives Hansard*, 25 February 2009, p. 81.

141 Mr David Kalisch, Deputy Secretary, Department of Health and Ageing, *Proof Committee Hansard*, 11 March 2009, p. 53.

The PHAA seeks a systemic approach to the collection of data on alcohol use so that information and evidence is available to decision makers and to researchers to ensure better analysis and decision making.¹⁴²

1.178 Similarly, the WFA stated:

The Australian wine sector supports policy and regulation on the basis of clear evidence of outcomes measured against the impact on stakeholders.¹⁴³

1.179 Associate Professor Shakeshaft commented that the course of the inquiry had demonstrated the need to inform research with better information on the health outcomes of certain policies such as tax measures:

One of the interesting outcomes of the process to date is it has crystallised, particularly from a research point of view, that there are not really good data on how to measure harms that are specific to certain policies like this particular tax. We would strongly encourage further consideration of some further research to obtain those particular data.¹⁴⁴

1.180 Similarly, the NDRI encouraged the government to:

...continue efforts to ensure that high quality data are gathered to help evaluate the impact of policy and strategies to reduce alcohol related harm and to inform future endeavour.¹⁴⁵

1.181 The AHA observed that the alcohol market 'waxes and wanes with fashion.'¹⁴⁶ Accordingly, it felt that clear evidence was required to justify changes in the taxation of alcohol products:

To single out a particular product or segment range is simply bad policy unless there is clear evidence to the contrary.¹⁴⁷

1.182 Associate Professor Christopher Doran, Health Economist, NDARC, commented that Australia's health system suffered from a number of 'idiosyncrasies' in relation to the information or evidence base from which health policy and outcomes were developed and assessed. He noted that survey data collection suffered from the multiple data sources, such as the various surveys which provided different information on distinct populations. Such surveys generally employed different methodologies, which could lead to conflicting information.

142 Public Health Association of Australia, *Submission 2*, p. 11.

143 Winemakers' Federation of Australia, *Submission 11*, p. 5.

144 Associate Professor Anthony Shakeshaft, National Drug and Alcohol Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 March 2009, p. 38.

145 National Drug Research Institute, *Submission 5*, p. 4.

146 Australian Hotels Association, *Submission 13*, p. 3.

147 Australian Hotels Association, *Submission 13*, p. 3.

1.183 This view found support in the evidence of Professor Ian Webster, Chair, Alcohol Education and Rehabilitation Foundation, who noted:

...emergency admissions data is very crude data and a very poor indicator of what is actually going on in the community in relation to heavy drinking or binge drinking. Most binge drinkers do not end up in emergency departments. The problems of addiction and the mental health problems associated with it are generally cared for in community settings or by local facilities and other agencies. So if anything it is sampling a very small tip of the iceberg.¹⁴⁸

1.184 In terms of improving the quality of health data, Associate Professor Doran advised:

If we increase the sample size...[and] aim for a more representative survey, we could get a better handle on the risk behaviours of drinking full stop, and that applies to most other risk factors in Australia as well—for example, tobacco and cannabis use.¹⁴⁹

1.185 Associate Professor Shakeshaft emphasised the need to improve the ability to measure the health impacts of such measures as tax increases through, for example, hospital emergency department presentations. For example, there were inconsistent or 'haphazard' practices across and within the states systems in terms of systematically classifying the causes of presentations to hospital emergency departments.¹⁵⁰

Committee view

1.186 The Committee notes that its previous inquiries into RTDs and the Alcohol Toll Reduction Bill provide a significant survey of the state of the evidence and the views of stakeholders on the harms associated with alcohol, and the effectiveness of taxation measures in reducing consumption and thereby the individual harms and social costs associated with risky and high-risk alcohol consumption. The Committee's conclusions and recommendations around these issues—particularly those arising from the RTD inquiry—in themselves provide, and continue to provide, a reasonable basis for the increase to the excise and customs duty on RTD alcohol products.

1.187 The NDRI submission states:

In the context of well-established global evidence of the link between alcohol price/tax and levels of consumption, and therefore alcohol-related harm, the Australian Government's April 2008 increase in excise tax on

148 Professor Ian Webster, Chair, Alcohol Education and Rehabilitation Foundation, *Proof Committee Hansard*, 10 March 2009, p. 59.

149 Associate Professor Christopher Doran, Health Economist, National Drug and Alcohol Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 March 2009, p. 38.

150 Associate Professor Anthony Shakeshaft, National Drug and Alcohol Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 March 2009, p. 38.

ready-to-drink (RTD) spirit-based products ('alcopops') was a welcome evidence-based strategy to reduce excessive RTD consumption amongst young people.¹⁵¹

1.188 Finally, the Committee agrees with the view expressed by some submitters that a respect for evidence based decision making should not prevent action where a reasonable basis for action is present. Efforts to improve public health should not be stayed merely for the absence of overwhelming or inarguable evidence. The PHAA noted that 'some of the most important decisions on health have been made on limited evidence', including the introduction of needle and syringe programs in Australia to combat the spread of HIV-AIDS.¹⁵²

CONCLUSION

1.189 The Committee notes that its report into ready-to-drink alcohol beverages contained a recommendation acknowledging the potential for alcohol substitution, and supporting the government's commitment to evaluate the effectiveness of the measure increasing the excise on spirit-based RTDs and all components of the binge-drinking strategy.¹⁵³

1.190 The Committee agrees with the view, expressed by numerous submitters and witnesses, that definitive statements or conclusions about the effect of the increase to the excise and customs duty for RTDs on consumption and health are premature in the absence of more long-term and comprehensive data on alcohol sales, as well as health-related information on alcohol-related harms.

1.191 The inquiry demonstrated the importance of consistent, accurate and complete data in assessing public health outcomes around alcohol consumption. Public health bodies in particular stressed the difficulty of analysing national health policy outcomes with what is often incomplete or inconsistent data derived across the state and territory health systems.

1.192 Alcohol sales data is the most reliable and accurate means of determining consumption in a community and is fundamental to monitoring and evaluating the impacts of policy. The Committee is of the view that:

- all states and territories should mandate the collection of alcohol sales data from licensees;
- emergency department electronic recording procedures need to be standardised across the country and allow identification of alcohol-related events as is currently the case for hospital admissions; and

151 National Drug Research Institute, *Submission 5*, p. 2.

152 Public Health Association of Australia, *Submission 2*, p. 11.

153 Senate Committee on Community Affairs, *Ready-to-drink alcohol beverages*, June 2008, p. ix.

- police reports of violence, road crashes and disorderly offences should be flagged where alcohol-related.

1.193 These data collections could be enhanced by an early warning monitoring system which regularly assesses consumption and harm among sentinel groups of young at-risk people across Australia.

Recommendation 1

1.194 The Committee recommends that the government develop strategies to facilitate the collection and coordination of national public health data to better inform policy approaches to the reduction of alcohol-related harms.

1.195 Notwithstanding its partial and inconclusive nature, the evidence considered by the Committee did indicate that there has been a significant reduction in the sales and therefore consumption of RTDs since the tax increase. While it can be confidently said that substitution has occurred, this has occurred in the context of falls in the total levels of alcohol consumption.

1.196 The Committee concluded therefore that the net effect of the tax increase was a reduction overall in the consumption of alcohol in Australia, although it was not possible to definitively conclude that this reduction in consumption had resulted in a reduction in levels of risky and high-risk consumption of RTDs by young women, leading to improved health outcomes.

1.197 However, the Committee notes that, due to the very high levels of consumption of RTDs by young people generally and young women in particular since 2000, it is reasonable to assume and expect that the significantly reduced consumption of RTDs reflects reduced consumption in these groups. The Committee acknowledges the difficulty of assessing both short- and long-term health outcomes based on consumption rates, but notes the widespread support of health and drug bodies for the measure, particularly in the context of broader measures aimed at reducing the incidence and effects of risky and high-risk drinking. The Committee notes also the previous commitment by the government to continue to assess the impact of the tax increase.

Recommendation 2

1.198 The Committee recommends that the Senate pass the Bills.



Senator Claire Moore
Chair

March 2009

NO EVIDENCE RTD TAX HIKE IS WORKING

COALITION SENATORS DISSENTING REPORT

Coalition Senators pursued this inquiry to give the Rudd government every opportunity to present the evidence that the 70% tax increase it applied to a single alcohol product category had worked to reduce alcohol abuse and related harm.

To many this measure had always been nothing more than a tax grab, which the government – for obvious political purposes – had dressed up as a health measure.

Given the measure has now been in place for nearly a year, the government had every opportunity to present at least some evidence that it was achieving its objectives. Yet, absolutely no evidence was provided by either the government or those supporting the tax increase that it had worked to reduce at risk levels of alcohol consumption or alcohol abuse related harm.

Furthermore, this legislation is a move away from what has been put forward by most of the health groups appearing before the inquiry (and the 'RTD industry'!) as their preferred approach to alcohol taxation. Those supportive of this measure to increase taxes on one product category with comparatively lower alcohol content, while at the same time calling for an approach to alcohol taxation which would result in lower levels of taxation for RTDs, were unable to explain that obvious flaw in logic.

One health expert pointed to the evidence that taxing lower alcohol content beverages at a lower rate was the *"most cost effective strategy the government could introduce"* to achieve a reduction in at risk levels of alcohol consumption¹. Dr Rosanna Capolingua, National President of the AMA told the Committee that *"the AMA would advocate volumetric taxing, where the price signal would depend on the alcohol content of a drink, and that would be across the board"*². Most health groups promoted the view that volumetric taxation of alcohol was where they wanted to go from a public health perspective. And the reason given was invariably that such a system would discourage (through financial disincentive) drinking of higher alcohol content beverages in favour of lower priced, lower alcohol content beverages, with a shift in popularity towards lower alcohol products reducing the incidence of alcohol-related harm.

In the context of statements like those it is difficult to see this legislation as anything other than a step in the wrong direction from a public health policy point of view. That is assuming of course that the government's objective was indeed to reduce at risk levels of alcohol consumption and alcohol abuse related harm rather than mere revenue raising.

On a matter of process, the government should be embarrassed that this legislation to validate a tax that has been in effect for nearly a year is being considered by the Senate with only four days to go before the final deadline. The government should be ashamed that straight forward

¹ Associate Professor Christopher Doran, National Alcohol and Drug Research Centre, University of New South Wales, *Proof Committee Hansard*, 10 March 2009, p.CA43;

² Dr Rosanna Capolingua, National President of the AMA, *Proof Committee Hansard*, 10 March 2009, p.CA36;

questions submitted to Treasury during the inquiry, like how much actual revenue has been raised as a result of this measure to date still remain unanswered.

Budgetary Context of the 'Alcopops Tax'

The 70% increase in the excise on RTDs (or 'Alcopops') was the single biggest revenue measure in the Rudd Labor Government's first budget, with an estimated revenue (then) of \$3.1 billion.

The 'Alcopops measure' has to be considered in the budgetary and political context in which it was introduced.

Labor's first budget was a high taxing high spending budget, with an estimated \$15 billion increase in net spending and an increase in revenue through new tax measures of nearly \$20 billion.

The new Labor government had won the election less than six months earlier as 'economic and fiscal conservatives' and had not yet rediscovered the 'temporary' deficit.

Labor was intent on demonstrating that in government it was able to maintain a healthy surplus, at a level similar to the \$22 billion left behind by its predecessors. In order to achieve that, the staggering increase in net spending had to be masked through a range of revenue measures, preferably aimed at some (politically) easy targets.

Whether it was this \$3.1 billion tax on Alcopops or the \$2.5 billion additional tax grab on the North West Shelf gas project in Western Australia, the government was no doubt confident that the political strategy would work. The tax on alcopops could be sold as a health measure and the tax on the North West Shelf as a tax on big (read rich) oil and gas businesses.

Who could possibly disagree with a measure aimed at preventing young people in particular from binge drinking and alcohol abuse related harm?

If the Government had indeed put an effective strategy to tackle alcohol abuse and binge drinking on the table, no doubt there would have been broad support.

But of course it had not.

What did the Rudd government actually do?

From 27 April 2008, the Government in effect abolished the category 'other excisable beverages not exceeding 10 per cent by volume of alcohol'.

As such RTDs, even though much lower in alcohol content, have since been taxed at the same rate as full strength spirits.

In so doing the government removed the incentive, generally promoted by health groups, to encourage the consumption of comparatively lower strength alcoholic beverages.

The legislation before the Senate seeks to validate that decision by Government.

There has been much rhetoric from the government that this measure is designed to close a 'loophole' created by the previous government.

The reality, as is quite often the case under this Labor administration, is very different from the rhetoric. To make up for the abolition of the 37% wholesale sales tax from 1 July 2000, which applied to beer and other beverages with less than 10% alcohol, the relevant excise was increased. Given that the alcohol content of RTDs was comparable to the alcohol content of full strength beers they were taxed at the same rate. This achieved tax neutrality for substitute products with similar alcohol content.

The removal of that tax neutrality by the Rudd Government has resulted in marked increases in the sale of beers since May 2008 as well as the creation of so called malternatives. According to the AC Nielsen data, relied on by most health groups appearing before the inquiry, beer sales have been higher every month compared to the same month in the previous year except August 2008 (the relevant graph presenting AC Nielsen data and supplied by the Australian Drug Foundation can be found further below).

Evidence based policy development or just political rhetoric?

Coincidentally, the Prime Minister addressed Commonwealth heads of agencies and members of the senior executive service in the Great Hall in Parliament House a couple of days after the Alcopops measure was leaked and came into effect. In what clearly were unrelated comments the Prime Minister told senior officials that the Government as part of its agenda for the public service was committed:

"...to ensure a robust, evidence-based policy making process. Policy design and policy evaluation should be driven by analysis of all the available options, and not by ideology... the government will not adopt overseas models uncritically. We're interested in facts, not fads..."³

Coalition Senators identified very clearly in their dissenting report after the first Senate inquiry into this measure⁴ that the government had not followed the Prime Ministers advice about evidence-based policy development on this occasion.

To assess whether a particular policy measure has or hasn't worked, the first thing needed is an ability to review the policy targets and performance measures that were set when it was introduced.

The problem with the increased tax on RTDs is that the government in introducing the measure did not set any targets or performance measures⁵, other than the \$3.1 billion fiscal target specified in the 2008/09 budget papers.

Since the measure was first introduced, the government continues to adjust its objectives and how public health success is to be assessed. Apparently a temporary reduction in the sale of RTDs to the whole RTD drinking population now proves success. That is irrespective of

³ Prime Minister Kevin Rudd, Address to heads of agencies and members of the Senior Executive Service, Great Hall, Parliament House, Canberra – 30 April 2008;

⁴ Community Affairs Committee, Inquiry into Ready-to-Drink Alcohol Beverages, May-June 2008;

⁵ Ms Christine Barron, General Manager, Indirect Tax Division, Department of the Treasury, *Proof Committee Hansard*, 11 March 2009, p. CA55.

whether it is a reduction among 'at risk' drinkers or responsible drinkers, and irrespective as to whether the reduction is sustainable (and expected to be sustained).

The decision to implement a tax on ready-to-drink beverages was announced in a pre-budget leak on 27 April 2008 (timed for the Sunday papers).

Attributed to 'a senior government source'⁶, the leak followed the release of the 2007 National Drug Strategy Household Survey on 26 April 2008.

The key feature of the leak was the deliberate effort to present the tax increase as a health measure. At that point the revenue 'estimate' by the unnamed source was around \$2 billion.

A few days later this is what the Treasurer Wayne Swan told David Speers on Sky News on 30 April 2008:

***TREASURER:** I can't comment on budget decisions, that's for Budget night. I just make this point about the excise increase on RTDs: that was closing a loophole that was left open some years ago, and it also relates to teenage binge drinking. So, it was a very specific initiative for very specific reasons.*

***SPEERS:** But teenagers binge drink beer and other drinks as well.*

***TREASURER:** I think the evidence is pretty clear from all of the experts that this measure will have an impact on teenage binge drinking, and it should be seen in that light, not in the light of revenue.*

Another example of the government's political rhetoric was the Prime Minister's interview with Neil Mitchell on Radio 3AW, Melbourne, 2 May 2008:

***CALLER:** But, these prices are also affecting the prices that adults, that have paid taxes like myself for 30 years, we're just an average family, and mixed drinks like Johnny Walker and cola or Jim Beam and cola have all gone up.*

***PM:** Well, we've got a real problem when it comes to teenage binge drinking. Talk to any police commissioner across the country and they'll tell you that. Difficult to deal with this. Some of the data we've got from the National Household Drugs Survey says we've now got 30-40,000 teenage girls aged 14-19 and 23,000 boys the same age, consuming alcohol at a level that puts them at high risk of long term harm. And if you look at what they're drinking, take girls for example, in the year 2000, 14 per cent of female drinkers aged 15-17 were reported drinking these ready to drink drinks — I'll just finish this one other point — and by 2004, that had increased by 60 per cent. So there is a big linkage between binge drinking on the one hand and these forms of drinks.*

David, sorry it's hurting you. It's a blunt instrument. I understand that. But, we've got a responsibility to act when it comes to young people, and police commissioners across the country are crying out for action.

However, what were the facts? What was the evidence about at risk levels of alcohol consumption and alcohol abuse related harm collected by the Australian Institute of Health and Welfare (AIHW)?

According to its submission to the May 2008 Senate inquiry, the AIHW (a more independent point of reference than either the Prime Minister or the Treasurer), concluded based on the

⁶ Darrel Giles, Political Editor, *Alcopop tax rise to battle the binge*, Sunday Mail Brisbane, 27 April 2008, p.1; Kerry-Anne Walsh, Political correspondent, *Rudd declares war on alcopops with tax rise*, Sun Herald, 27 April 2008, p.3;

same evidence regarding alcohol consumption patterns across Australia as per the 2007 National Drug Strategy Household Survey that⁷:

- The overall drinking status of the Australian population had been stable over the past two decades;
- There had been a modest increase in the apparent consumption of RTD alcohol beverages over the past five years;
- The preference for RTDs had increased slightly over the period 2001-2007, particularly in older age groups;
- There had been virtually no change in the pattern of risky drinking over the period 2001-2007, including among young Australians;
- The increased availability of RTDs did not appear to have directly contributed to an increase in risky alcohol consumption;

Critically, in its very extensive surveys in 2001, 2004 and again in 2007, the Australian Institute of Health and Welfare identified that the drink of choice for those drinking alcohol at risky or high risk levels was⁸:

- full strength beer for males (for all age groups, including 14-19 year olds);
- full strength bottled spirits and liqueurs for females (14-29 year olds);
- wine for females 30 years and older;

Obviously David Speers from Sky News was onto something. So much for evidence-based policy development!

The evidence from the AIHW released the day before the government announced its increased tax on RTDs had demonstrated that the 2007 results of its National Drug Strategy Household survey were consistent with those in the previous two surveys. The alcoholic beverage of choice among those drinking at problem levels had remained the same in each one of those surveys and they weren't RTDs. But that didn't suit the government's political strategy so that's not what the Prime Minister and the Treasurer told the Australian people.

Nearly one year on - where is the evidence at?

The Government's stated objectives were to reduce binge drinking, particularly among young people, to reduce at risk levels of alcohol consumption and alcohol abuse related harm.

The stated objective was not to reduce overall sales in RTDs (in fact the government's 2008/09 budget estimates assumed increased sales of RTDs). Nor was it to increase the sale of full strength spirits by 17% between 1 May 2008 and 31 January 2009. Nor was it to create new loopholes to be exploited by the alcohol industry. Or to raise \$1.5 billion less in revenue than what was presented as the budget estimate to Parliament in the 2008/09 budget papers.

⁷ Australian Institute of Health and Welfare submission, Senate Community Affairs Committee Inquiry into Ready-to-Drink Alcohol Beverages, May 2008;

⁸ Australian Institute of Health and Welfare, 2007 National Drug Strategy Household Survey, Detailed findings, *Table 21.9: Trends in preferences for selected alcoholic drinks, males, 2001-2007* and *Table 21.10: Trends in preferences for selected alcoholic drinks, females, 2001-2007*, pp.115-116

In relation to the \$1.5 billion reduction in revenue from this measure since it was announced in the budget, the Rudd government is taking spin to new and unprecedented levels. Incredibly, Ministers are seeking to make a virtue of the fact that as a result of not doing their homework properly they have significantly overestimated the revenue the government would raise from this measure.

The Minister for Health and Ageing has been arguing with a straight face that the reduction in revenue was in fact evidence the measure was working because sales had been dropping faster and further than the government had anticipated.

This is after the government had refused Opposition requests to release information about how much revenue had been raised as a result of this tax increase for months. If the significant downward revisions in revenue forecasts from the increased tax on RTDs were such good news, why did the government not share it with us earlier? Does anyone really believe that the government would have sat for months on 'evidence' that its controversial tax slug on RTDs was 'working', and so much better than expected at that?

Government still expecting Alcopops sales to grow into the future

The reality is that even with its revised revenue estimate of \$1.6 billion the government continues to expect sales (and thus consumption) of RTDs to increase in the years ahead. So even by the government's latest measure of success (reduced sales of RTDs), the government does not expect its increased tax on RTDs to work. The graph below out of the MYEFO 2008/09 was provided by Treasury at the end of February 2009 in answer to a question about volume growth rates assumed by Treasury moving forward. It shows that for the years 2009/10 to 2011/12 the government expects RTD sales (and consumption) to grow by a compounded 7.8% each year from 2009/10 onwards.

Table 2: 2008-09 MYEFO clearance growth rate estimates

| | 2008-09 Per cent | 2009-10 Per cent | 2010-11 Per cent | 2011-12 Per cent |
|----------------------------|---------------------|---------------------|---------------------|---------------------|
| Spirits | 6.6 | 1.4 | 2.9 | 2.8 |
| Other excisable beverages* | -15.3 | 7.8 | 7.8 | 7.8 |

*RTDs are only specifically modelled for excise as nearly all RTDs are produced domestically. A very small amount is imported, but the revenue raised is estimated along with other spirits.

Either this revised estimate is now accurate and the government's rhetoric about seeking to achieve reduced sales is just that – rhetoric, or the 7.8% estimated growth for RTD sales is still exaggerated. If it is the latter then the loss in revenue will be much more than what has been conceded by the government to this point.

The government's assumption of increased sales in alcohol products after an initial drop off is of course consistent with the international evidence, which was widely canvassed in the first Coalition Senators Dissenting Report last year. There it was noted for example that total teenage alcohol consumption in Germany increased between 2004 and 2007 after a 2004 tax increase⁹.

Since then it has also come to light that the (then) New Zealand Labor Government considered and rejected an increased tax on RTDs because *"there is no evidence*

⁹ Standing Committee on Community Affairs, Ready-to-Drink Alcohol Beverages, Coalition Senators Dissenting Report, p.68

internationally in support of targeted taxes on RTDs leading to a reduction in alcohol-related harm" and "overseas experience has shown that where there is a reduction in RTD consumption, this has led to an increase in the consumption of other liquor"¹⁰.

Is there any evidence of reduced consumption among problem drinkers?

The stated objective was to reduce consumption by those drinking at risky levels and to reduce alcohol abuse related harm. Is there any evidence that the measure is working given the government's originally stated objectives?

The short answer is no.

While there is evidence of a significant drop in sales of RTDs, nobody can say who is drinking less. Is the responsible consumer drinking less, with the risky drinker substituting RTDs with full strength spirits? Or is there reduced consumption across the whole 'drinking population'? Nobody knows, because nobody has collected the evidence.

The government by its own admission did not even try to get the evidence to demonstrate whether or not the measure had reduced at risk levels of alcohol consumption or alcohol abuse related harm.

In answers extracted from Treasury as a result of an Order of the Senate¹¹ the Government admitted that beyond the 2007 National Drug Strategy Household Survey (before the measure was introduced) it had:

"not collected any additional national consumption data on the reduction of risky or high risk and/or at risk behaviour since the introduction of the RTD excise increase in April 2008"

Given the public interest in this tax measure, and given the significant question marks over whether this measure would be effective this lack of effort by the government is at least surprising. At worst the government did not want to look for evidence which may not have fitted within its political (and high taxing, high spending) agenda.

Below is a representative sample of comments made by witnesses before the inquiry about the question of evidence whether the increased tax on RTDs had helped achieve a reduction in at risk levels of alcohol consumption or alcohol abuse related harm:

Professor Tanya Chikritzhs from the National Drug Research Institute:

Senator CORMANN—You talk about the close correlation between sales data and consumption data. Are you aware of any evidence, like looking at sales data that would indicate whether there has been a reduction in sales to risky drinkers—binge drinkers, people exposed to harm from at-risk levels of drinking?

¹⁰ Minutes of the New Zealand Ministerial Committee on Drug Policy Meeting, Hon Jim Anderton's Office, Level 7 Executive Wing, Parliament Buildings, Wellington, 2 September 2008;

¹¹ Orders of the Senate, No 30, Taxation - Alcohol – Order for Production of Documents, Motion of Senator Cormann agreed to on 4 February 2009;

Prof. Chikritzhs—Directly answering that question the answer is no. The sales data that we currently have addresses the overall population, so we are unable to determine exactly who is not doing the drinking of those RTDs, those alcopops, anymore.

Senator CORMANN—I am sorry; if I could just pin you down, because I am running out of time. Very specifically, this measure is a 70 per cent increase in the tax, in the excise on RTDs. How do we know that in Australia it has actually achieved a reduction in at-risk levels of binge drinking and alcohol abuse related harm?

Prof. Chikritzhs—The answer to that question is that we cannot be certain about who is drinking less and about whether they are in a high risk group.

Associate Professor Anthony Shakeshaft from the National Drug and Alcohol Research Centre at the University of New South Wales:

Prof. Shakeshaft—... Unfortunately, we just do not have the data that would tell us whether young people who were going out on Friday and Saturday nights—whatever it is—and getting really drunk are still doing that and, even if they are, whether they are doing it on some other type of alcohol.

Dr Rosanna Capolingua, National President of the AMA

Senator CORMANN—...what I am focused on at this point is evidence that consumption has reduced among those that the government tells us they were targeting—binge drinkers, particularly young Australians drinking at risky levels that are exposed to harm from alcohol abuse. Are you aware of any evidence about that category of Australians rather than those that are consuming alcohol, including RTDs, responsibly?

Dr Capolingua—The AMA advocates that data collection to obtain that evidence is required.

Mr David Templeman, CEO, Alcohol and Other Drugs Council of Australia

Senator CORMANN—Focussing very specifically on the type of target group, if I can call it that, such as those Australians dinking at risky or high risk levels and binge drinkers, are you aware of any evidence that would demonstrate that there has been a reduction in consumption in those target groups?

Mr Templeman—No, we are not.

Professor Ian Webster, Chair, Alcohol Education and Rehabilitation Foundation¹²:

Senator CORMANN—What evidence are you aware of that the incidence of alcohol abuse and of binge drinking has reduced as a result and since the introduction of the 70 per cent tax increase on RTDs?

Prof. Webster—None. I am a physician. I work with people with drug and alcohol problems. I think it is too early to make a judgment like that. In any case, I suppose the sorts of problems one sees in service are well-advanced problems in any case. I have not seen any evidence which has shown a decline in alcohol problems in the community since it was introduced. It would require very, very focused and very structured studies to define that. I probably do not need to elaborate on that, but even just collecting data from the emergency department.

Mr Geoff Munro, National Policy Manager, Australian Drug Foundation:

Senator CORMANN—But do you know whether the demand of the proportion who drink at dangerous levels has reduced as a result of the increase in the tax on alcopops, and have you got some data for that?

¹² Prof Ian Webster, Chair, Alcohol Education and Rehabilitation Foundation, *Proof Committee Hansard*, 10 March 2009, p. CA56.

Mr Munro—I do not think anyone has that data because it is simply too early to have collected it. That data will take some time to collect. As we have said in our submission, we cannot expect to have definitive data for some time. As I have tried to point out today, the evidence that we have so far indicates that alcopops have taken a huge hit—

Senator CORMANN—In terms of overall sales.

Mr Munro—Yes—and presumably some young people who drink alcopops will be affected.

Ms Lynne Pezzullo, Director, Access Economics:

Senator CORMANN—Are you aware of any evidence that harmful excessive alcohol consumption has reduced since the introduction of RTDs? You have told us that, in relation to alcohol related hospital use, there has been no change. But are you aware of any evidence that there has been a reduction in harm from alcohol related—

Ms Pezzullo—No, we are aware of no evidence of any reduction in harm.

Mr Hamish Arthur, National Corporate Affairs Manager for the Australian Hotels Association:

Senator CORMANN—Mr Arthur, are you aware of any evidence that the incidence of alcohol abuse or binge drinking has reduced as a result and since the introduction of the 70 per cent tax hike on RTDs?

Mr Arthur—Not specifically, no. We have not seen a measurable change. It has only been 11 months since it came in. It goes back to my point about major cultural change in that we think there are far more effective measures of bringing about cultural change when it comes to responsible consumption of alcohol than the tax increase. So the answer to that is no.

Adjunct Professor Michael Moore, CEO of the Public Health Association:

"There has been a significant debate over evidence. We like to base our policy as far as possible on evidence...it is difficult because one of the things that the industry seems to be demanding is that a causal link be established between a taxation measure and a health outcome. Whilst you can look at evidence, to then also work towards a causal link is difficult."

Ms Melanie WALKER, Health Policy Officer, Public Health Association:

Ms Walker—An important distinction Michael was making in his comments is that while at this early stage, given that we have had less than a year of the legislation, it might be difficult to measure outcomes as such in terms of overall reductions of binge drinking or reductions within particular age groups, there are some indicators in the data that has been collected in terms of outputs: reductions in sales.

What about alcohol abuse related hospital use?

One of the measures identified by a number of witnesses as a performance measure to assess whether the increased tax on RTDs had been effective in helping to reduce alcohol abuse related harm was the analysis of alcohol related hospital use.

Access Economics conducted analysis on behalf of DSICA of available information on trends in hospital use – admissions to both public and private hospitals as well as visits to

emergency departments¹³. Its conclusion was that there was "little change to alcohol-related hospitalisations for young people following the introduction of the new tax"¹⁴.

The Secretary of the Department of Health and Ageing went for a stinging and unwarranted attack on the analysis conducted by Access Economics describing the original report during Senate Additional Estimates as "one of the shoddiest pieces of work" she had ever seen¹⁵. That would seem like very inappropriate and disparaging language from the Secretary of a major Commonwealth Department. Particularly given Access Economics evidence that the data had been compiled in the same way as it would have been if the work had been commissioned by the Department for Health and Ageing.

Furthermore, the Access Economics conclusions and the Department of Health and Ageing conclusions about whether or not the increased tax on RTDs had any effect on alcohol abuse related hospitalisations so far are very similar (if not the same).

Indeed, in his opening statement to the inquiry, Mr David Kalisch, Deputy Secretary of the Department of Health and Ageing had to say this about alcohol abuse related ED presentations¹⁶:

"The other aspect that I would also draw to your attention is that anecdotal evidence we have received from ED departments suggests that there has been no change to ED presentations since the change in the excise." (emphasis added).

That sounds very similar to the Access Economics findings indeed.

¹³ Executive Summary, *Alcohol related hospital use: analysis of newly available months of data*, Report by Access Economics Pty Ltd for Distilled Spirits Industry Council of Australia, 10 March 2009;

¹⁴ Same Access Economics Report Executive Summary;

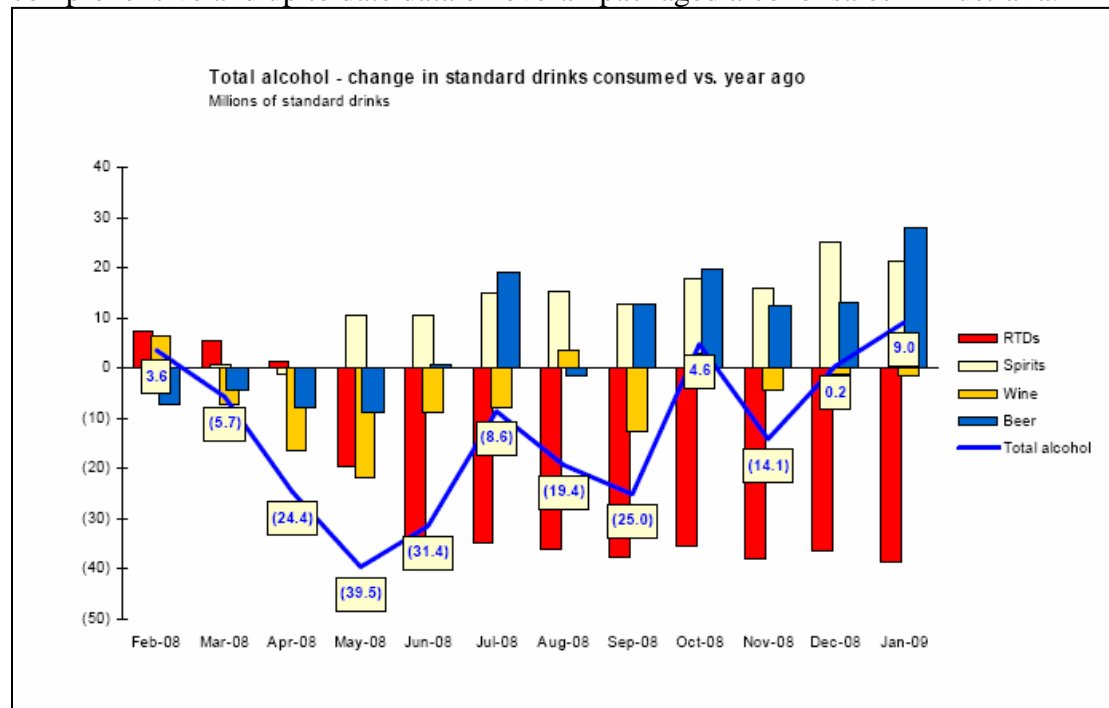
¹⁵ Ms Jane Halton, Secretary, Department of Health and Ageing, *Senate Estimates, Proof Committee Hansard*, 25 February 2009, p.C15;

¹⁶ Mr David Kalisch, Deputy Secretary, Department of Health and Ageing, *Proof Committee Hansard*, 11 March 2009, p. CA54.

Are Australians drinking less?

The answer to that question is that Australians overall have consumed less alcohol in 2008 than they have the year before. As previously stated, the AC Nielsen data does not identify how that reduced consumption is spread across responsible and problem drinkers.

The AC Nielsen data presented by the Aust Drug Foundation (ADF) is the most comprehensive and up to date data on overall packaged alcohol sales in Australia.



This data shows that the substitution into beer and full strength spirits is now accelerating. This has resulted in a net increase in total alcohol consumed in both Dec, and Jan (compared to the previous year). This is consistent with the international experience, for example in Germany.

According to the AC Nielsen data overall sales of alcohol were trending down for the first four months of 2008, with May 2008 (the month the RTD tax increase came into effect) the lowest overall alcohol sales/consumption for the year. Since May it is obvious that the sale of RTDs has dropped significantly. However it is also obvious that the sale of beers and spirits has increased. Importantly, the blue line indicating overall alcohol sales has been persistently trending up ever since May 2008.

As this data compares every month with the same month in the previous year, seasonal variations can not be said to be significantly at play.

It is clear that within eight months, the AC Nielsen data is indicating that overall alcohol sales are higher than what they were at the same time in the previous year.

The relevant point is that if there has been no reduction in ED presentations in the first 8-10 months since the tax increase, then there is no likelihood that there will ever be such a reduction. This is because total alcohol consumption is now in a net increase phase (month vs month of the previous year) after the initial net decrease response.

What should happen to the revenue collected so far?

Coalition Senators are of the view that increasing the tax on a single alcohol product category in isolation is not an effective way to reduce at risk levels of alcohol consumption and alcohol abuse related harm.

It is the role of the Senate to examine policy changes such that the increased tax on RTDs, and if it deems that tax to have been ill-considered, to reject those changes.

However, it is not practical, nor is it desirable to return all the revenue collected as a result of the increased tax on RTDs to the distributors of RTD products.

Whilst the current circumstances are by no means ideal, they are of the governments own making. The Senate can move to correct this mistake, and there is some historical precedent to draw from.

During the process of negotiating *A New Tax System* through Parliament in 2000 the Howard government introduced the *Excise Tariff Proposal No.2* (2000), which was designed to offset the repeal of the sales tax legislation on alcoholic beverages.

The legislation enacting the proposed excise rate – *Customs Amendment (Alcoholic Beverages) Bill* 2000 – was defeated in the Senate – in part because it was considered that it went against an election promise not to increase ‘ordinary beer’ taxes by more than 1.9 per cent.

Following negotiations in the Senate, an agreement was reached with the Australian Democrats for a lower rate, which was introduced from 4 April 2001 through the *Excise Tariff Amendment Act (No. 1)* 2001. As a part of this agreement, the revenue collected in excess of this lower rate was directed as indicated in the Bills Digest (pp.2-3)¹⁷:

Alcohol Education and Rehabilitation Foundation to be established

On 3 April 2001, in the midst of prolonged debate in the Senate over the Excise Tariff Amendment Bill (No 1) 2001, the Government announced it had reached agreement with the Democrats to prospectively reduce the excise rate on draught beer to no more than a 1.9 per cent increase. The Democrats agreed to legislation that would validate the excise collected on draught beer from 1 July 2000 to 3 April 2001, and allocate most of the amount collected in excess of the new reduced excise rate to establish a new independent foundation, the Alcohol Education and Rehabilitation Foundation (the Foundation). Five million dollars from the excise surplus would be allocated to the Historic Hotels initiative, which provides dollar-for-dollar grants to preserve historic hotels in regional and country areas which do not have gaming machines.

According to the Memorandum of Understanding signed by the Government and the Democrats, the objectives of the Foundation will be to:

- *prevent alcohol and other licit substance abuse, including petrol sniffing, particularly among vulnerable population groups such as indigenous Australians and youth*
- *support evidence-based alcohol and other licit substance abuse treatment, rehabilitation, research and prevention programs*
- *promote community education encouraging responsible consumption of alcohol and highlighting the dangers of licit substance abuse*
- *provide funding grants to organisations with appropriate community linkages to deliver the above-mentioned services on behalf of the Foundation, and*
- *promote public awareness of the work of the Foundation and raise funds from the private sector for the ongoing work of the Foundation.*

This series of events clearly demonstrates that if it is the will of the Senate, the current impasse of an ineffective tax not having been validated by the Parliament but been collected

¹⁷ Bills Digest No. 171 2000–01, *Alcohol Education and Rehabilitation Account Bill* 2001, pp.2-3.

by government for nearly a year can be resolved. That is without the tax collected being returned to the distributors or retailers of RTDs.

This was confirmed by Ms Christine Barron, General Manager, Indirect Tax Division, Department of the Treasury:

Senator CORMANN— ...parliament could validate funds collected up until this point and make a decision as to how those funds ought to be allocated. That would technically be possible and surely then the government would have to act according to that instruction—or that legislation and the way it is passed; is that right?

Ms Barron—The Senate would need to make a request to the House, yes, and if the House agreed it could come back to the Senate, yes.

Senator CORMANN—If the parliament as a whole supported that approach, the government would not be returning funds to alcohol suppliers, they would actually be allocating it according to the instructions of parliament; is that right?

Ms Barron—Yes, that is correct, because parliament would have agreed to the increase, yes.

It should also be noted that the Alcohol Education and Rehabilitation Foundation has funded a series of research initiatives, including those undertaken by NDARC, NDRI, ADCA, and many other groups working in the field of substance abuse.

Conclusion

Coalition Senators were always suspicious that this measure was nothing more than a tax dressed up as a health measure. The evidence heard during the most recent inquiry confirmed that.

During two days of evidence into the tax grab on RTDs not one witness was able to point to any evidence that it had been successful in reducing alcohol consumption by binge drinkers or others consuming alcohol at risky levels.

Nobody was able to point to any evidence that there had been a reduction in alcohol abuse related harm since the tax increase was implemented last year.

Officials had to admit that contrary to best practice the Government never put any performance measures in place to ensure the effectiveness of the increased tax could be properly assessed from a public health point of view.

Furthermore, there is clear evidence (acknowledged by Treasury) that there has been substitution of RTDs with other alcohol products (including more lethal ones). The trend in the AC Nielsen survey data shows that substitution is increasing, with levels of overall alcohol sales (and consumption) higher in both December 2008 and January 2009 than the same month in the previous year.

This is an ad hoc measure, with the Government already scrambling to close a number of loopholes, when what we need is a comprehensive and strategic approach to the serious problem of alcohol abuse.

Coalition Senators recommend that:

- 1) The increased tax on RTDs not be supported moving forward;
- 2) The revenue collected from 27 April 2008 until Royal Assent of the Bill be validated by the Parliament;
- 3) That all the revenue collected by the Federal Government since 27 April 2008 as a result of the increased tax on RTDs be invested in an alcohol abuse prevention, research, education and treatment package.

Senator Gary Humphries

Senator Mathias Cormann

Senator Simon Birmingham

Excise Tariff Amendment (2009 Measures no.1) Bill 2009
Custom Tariff Amendment (2009 Measures no.1) Bill 2009
Minority Report by the Australian Greens

Senator Rachel Siewert

The Australian Greens agree with the findings of the majority report in so far as the evidence of sales of RTDs have dropped and it is fair to assume that this has had to date a positive impact on the drinking behaviour of young people, particularly women. However, we are deeply concerned that unless this taxation measure is part of a more comprehensive approach the effect of this decrease will only be temporary.

The Greens remain concerned by the consistently high levels of alcohol-related harm experienced in Australia. Australia experiences relatively high levels of harm by comparison to international levels, and has done for a considerable period of time. Alcohol-related harm, in terms of increased levels of alcohol-related chronic illness, alcohol-related injuries including motor vehicle accidents, and alcohol-related violence, costs our community in excess of \$15.3 billion per year¹.

At the same time alcohol is a significant source of taxation revenue for the Commonwealth Government. The proposed excise on ready to drink alcoholic beverages is estimated to deliver \$1.6 Billion over the next four years. This is in addition to the over \$7.1 Billion per year of estimated revenue² already contributed by taxes on alcohol sales.

The Australian Greens believe that Australian Government needs to be devoting a much higher proportion of the revenue that it secures from alcohol to reducing the significant costs of alcohol to our community. As evidence to the committee inquiry demonstrated, not only do we have a good understanding of the harm that alcohol is doing to our community (particularly the young, the marginalised and the vulnerable) but we know a lot about the kinds of public health interventions that have proven effective internationally and within Australia in reducing this harm. Our governments continue however to under-resource existing efforts to minimise harmful drinking and to pull back from implementing the evidence-based policies that would help ameliorate the sorrowful impacts of a pervasive culture of drunkenness.

¹ Australian Institute of Health and Welfare, *Alcohol and Other Drug Treatment Services in Australia 2005-06*, 2007, p.14.

² Estimated figure for 2008/09, joint submission to *Australia's Future Taxation System* review panel from health organisations, submission 15.

We already have a good understanding of what works to reduce the consumption of alcohol, tobacco and junk-food, and there is a suite of positive evidence-based measures readily at hand that we believe the Government should be pursuing. Currently the Commonwealth is profiting from high levels of alcohol consumption, is aware of the significant costs to our health and criminal justice systems and the significant distress and grief this causes to our community. However, it is offering only partial measures and holding back from tackling some of the more substantial issues – like stopping alcohol being advertised to children, phasing out alcohol sponsorship of sport, mandating warning messages and hazard labelling, resourcing hard-hitting and effective social marketing campaigns and investing in early identification, counselling and rehabilitation services.

High levels of risky alcohol consumption and of alcohol-related harm among young Australians do not represent a sudden crisis. Risky drinking levels have been alarmingly high for some time, and the high risks of harm are not confined to the young, but spread across a substantial proportion of our population. We note the evidence to the committee that the real rapid growth in risky drinking occurred predominantly during the 1980's, and that rates of alcohol consumption have remained at high but relatively static levels since then.

While the evidence presented to the committee (as discussed in the committee report) indicates that the RTD excise has had a welcome impact on reducing the sales of RTDs and has led to an overall reduction in alcohol consumption (with relatively low levels of substitution taking place), we remained concerned that the failure to integrate the RTD tax into a more comprehensive strategy is undermining the effectiveness of this clear price signal. We remain concerned that in isolation these measures will not achieve the desired sustained reduction in risky drinking among young Australians, and the window of opportunity this intervention has offered may be squandered.

There has been a consistent theme throughout the evidence presented to this inquiry by public health researchers and drug and alcohol experts that an integrated and sustained national campaign similar in the scale and longevity to previous campaigns addressing the harms caused by tobacco is required to change our drinking culture and reduce the level of alcohol-related harm and violence, especially among the young and those at greatest risk of harm.

The Australian Greens believe we urgently need to address the issue of alcohol advertising. We believe that in the longer term Australia should be moving to ban all alcohol advertising, sponsorship and promotions. We think that much greater regulation of alcohol advertising is needed as a first step, together with the phasing out of alcohol sponsorship over a period of five years. We advocate a model similar to that used to replace tobacco sponsorship, using a proportion of alcohol revenues

to provide substitution sponsorship of sport and cultural events and the promotion of public health messages.

We need mandated health warning messages in all alcohol advertising with these warning messages also clearly visible at the point of sale.

In light of a decade of evidence that attempts to reform the process of self-regulation have made little difference to the preponderance of inappropriate advertising of alcohol, we believe that as a minimum course of action the Government should move to enforceable regulation of alcohol advertising, sponsorship and promotions, including compulsory pre-vetting of alcohol ads by an independent panel of public health experts.

The Greens want to close the loophole that allows alcohol advertising during live daytime sports telecasts. We believe that it clearly contradicts the logic and the intent of the restrictions on advertising alcohol to children as contained within the code and there is no justification for this loophole. However, we also note evidence on the viewing patterns of 14-19 year olds suggests that merely restricting television alcohol advertising until after 9pm at night (and failing to address pay TV) will do little to reduce their exposure to these ads and more comprehensive advertising and sponsorship bans are clearly needed.

We believe that there is already sufficient evidence on which to act, and the high levels of alcohol-related harm mean that we should act quickly and comprehensively. We also note in passing the failure of the previous government to act on this pressing issue during its eleven years in office, and the manner in which the amendments it introduced in 2000 that reduced the excise rates on RTDs created the opportunity for the distillation industry to achieve substantial market penetration of 'alcopops'.

The Australian Greens believe that public opinion has shifted substantially on the issue of alcohol in sport, as was recently demonstrated by the public response to a number of high profile stories involving binge-drinking celebrity sports stars, violence and sexual abuse. Australian kids look up to their sporting heroes, and Australian families want to see our major sporting events remain financially viable – but they are becoming increasingly fed up with bad behaviour off the field or their enjoyment of their events being ruined by drunken yobbos in the stands.

The experience of tobacco shows us clearly that it is possible to use substitution funding to support the phasing out of alcohol sponsorship of sporting and cultural events. We believe that this is an idea that's time has come – the Rudd Government needs to show leadership in this area, and begin to move towards phasing out alcohol sponsorship.

The Greens remain concerned that too many of the resources currently devoted to preventative public health strategies is poorly targeted. While we welcome the commitment by the Commonwealth to invest \$800M over six years to the National Partnership on Prevention through COAG, we remain concerned that a significant proportion of this funding will be direct transfers to States and Territories to prop up existing programs. While a minority of these programs are well targeted and effective measures, we are disappointed that on the whole this is simply more of the same. Unless the Commonwealth is prepared to tackle the big issues of alcohol and junk food advertising and promotions, these efforts are likely to prove ineffective by comparison to the much greater resources industry is able to bring to bear to promote harmful products that are attractive to children and young Australians.

We believe that large, well designed health warning labels with strong and well-targeted messages can play a key role in reminding drinkers at the point of consumption of strong health and safety messages.

The Australian Greens believe that reducing the availability of alcohol through restricting the number of alcohol outlets and trading hours should be backed up by place-based strategies to reducing alcohol-related harm and violence and improve the safety and public amenity of late night entertainment precincts and other problem areas. We need to promote a culture of responsible alcohol consumption, not a culture of drunkenness.

We believe that we need a more joined-up and better resourced approach to referral, treatment and rehabilitation services for problem drinkers that maximises the benefits of early intervention, and ensures that those seeking help can access appropriate support in a timely and effective fashion.

The Australian Greens advocate a sustained, comprehensive, long-term strategy to reduce alcohol-related harm, decrease the incidence of underage drinking and alcohol-related violence, improve referral, treatment and support for problem drinkers, and promote a culture of safe and responsible alcohol consumption.

Recommendations:

- 1. The RTD excise needs to be part of a more comprehensive approach to reducing alcohol-related harm.**
- 2. More of the revenue raised from the RTD excise should be directed to addressing alcohol-related harm through evidence based measures.**
- 3. The phasing out alcohol sponsorship over 5 years and its replacement with substitute funding that promotes public health messages.**

4. Mandated safe drinking messages on all alcohol advertisements and at point of sale.
5. Better regulation of alcohol advertising: – to remove industry self-regulation, to close the loophole that allows advertising alcohol to children during sport, and to require mandatory pre-vetting of alcohol ads by a panel of independent public health experts.
6. Alcohol labelling regulations that stipulate distinctive, graphic and well-designed health warning labels.
7. Promote a national drug and alcohol helpline as part of this campaign that links through to existing drug and alcohol counselling and advice services in States and Territories.
8. Support a joined-up client-focussed approach to alcohol referral, treatment and rehabilitation that ensures that those seeking services can access them in a timely fashion and are seamlessly supported throughout their rehabilitation process.
9. All states and territories should mandate the collection of alcohol sales data from licensees.
10. Resource an early warning monitoring system which regularly assesses consumption and harm among sentinel groups of young at-risk people across Australia.
11. Emergency department electronic recording procedures should be standardised across the country and allow identification of alcohol-related events as is currently the case for hospital admissions, and Police reports of violence, road crashes and disorderly offences should be flagged where they are alcohol-related.
12. Develop early identification and referral services for at-risk drinkers to maximise the benefits of early intervention, particularly among younger drinkers.
13. Resource dedicated brief intervention nurses in hospital emergency departments to identify and respond to alcohol-related harm.
14. Resource state and local governments to introduce place-based strategies in late-night entertainment precincts and other problem drinking areas to reduce alcohol-related harm and violence and improve public safety and amenity.
15. Well-resourced and targeted evidence-based public education and social marketing campaigns to educate at-risk groups of the risks associated with problem drinking and promote a culture of responsible drinking.

16. States and Territories should reduce the availability of alcohol through tighter restrictions on the number of alcohol outlets and tighter limits on trading hours.

A handwritten signature in black ink, reading "Rachel Siewert". The signature is written in a cursive, flowing style with a long tail on the final letter.

Senator Rachel Siewert
Australian Greens Whip

APPENDIX 1

Submissions received by the Committee

- 1 Alcohol and other Drugs Council of Australia (ADCA) (ACT)
Additional information
 - Copy of opening statement and charts of standard drink numbers for spirits, beer and wine, tabled at hearing 10.3.09
- 2 Public Health Association of Australia (ACT)
Additional information
 - Response to question on notice arising from hearing received 10.3.09
- 3 National Health Foundation of Australia (VIC)
- 4 Angove Family Winemakers (SA)
- 5 National Drug Research Institute (NDRI) (WA)
Additional information
 - Responses to questions on notice at hearing 10.3.09, received 12.3.09
- 6 Australian Drug Foundation and VicHealth (VIC)
Additional information
 - Graphs, information sheets on alcopops and ad copies, tabled at hearing 10.3.09
 - Response to questions on notice at hearing 10.3.09, received 13.3.09
- 7 Australian Chronic Disease Prevention Alliance (NSW)
- 8 Australian Taxpayers' Union (ACT)
- 9 Cancer Council Australia (NSW)
- 10 Independent Distillers Australia (VIC)
- 11 Winemakers' Federation of Australia (WFA) (SA)
Additional information
 - Sales growth charts by Nielson, tabled at hearing 11.3.09
- 12 Distilled Spirits Industry Council of Australia (VIC)
Additional information
 - Supplementary submission received 10.3.09

Tabled at hearing, 11.3.09:

 - *Alcohol related hospital use: analysis of newly available months of data*, Report by Access Economics, dated 10 March 2009
 - Alcohol consumption shifts charts
 - Advertising examples
 - DVD presentation – The RTD Tax Experiment

- 13 Australian Hotels Association (ACT)
- 14 Thurgood, Ms Amy (NSW)
- 15 Alcohol Education and Rehabilitation Foundation (AER) (ACT)
Additional information
- *International Guide for Monitoring Alcohol consumption and Related Harm*, Report, World Health Organisation 2000, received 13.3.09
 - A Selection of AER Funded Projects, dated 13.3.09
- 16 Brewers Association of Australia and New Zealand (ACT)
Additional information
- Media releases from Lion Nathan and Fosters re ceasing production of energy RTDs dated 20 March 2008, tabled at hearing 11.3.09
- 17 Department of the Treasury (ACT)
Additional information
- Responses to questions on notice arising from hearing 11.3.09
- 18 Royal Australasian College of Physicians (NSW)
- 19 ICLEI Oceania (VIC)
- 20 Department of Health and Ageing (ACT)
Additional information
- Responses to questions on notice arising from hearing 11.3.09

Additional information

Australian Institute of Health and Welfare

Response to invitation to provide a submission dated 26.2.09

Senator Cormann

List of Australian beers with alcohol content over 5 per cent, tabled at hearing 11.3.09

Australian Medical Association

Response to question on notice arising from hearing, received 13.3.09

APPENDIX 2

Public Hearings

Tuesday, 10 March 2009

Parliament House, Canberra

Committee Members in attendance

Senator Claire Moore (Chair)

Senator Rachel Siewert (Deputy Chair)

Senator Catryna Bilyk

Senator Carol Brown

Senator Mark Furner

Senator Gary Humphries

Senator Simon Birmingham

Senator Mathias Cormann

Senator Nick Xenophon

Witnesses

Australian Hotels Association

Mr Hamish Arthur, National Corporate Affairs Manager

Public Health Association of Australia

Adjunct Professor Michael Moore, Chief Executive Officer

Ms Melanie Walker, Health Policy Officer

National Drug Research Institute (*via teleconference*)

Professor Steve Allsop, Director

Associate Professor Tanya Chikritzhs

Australian Medical Association

Dr Rosanna Capolingua, President

Mr Francis Sullivan, Secretary General

National Drug and Alcohol Research Centre

Associate Professor Anthony Shakeshaft, Senior Lecturer

Associate Professor Chris Doran, Health Economist

Australian Drug Foundation

Mr Geoffrey Munro, National Policy Manager

Ms Amanda Place, National Communication and Marketing Manager

Alcohol Education and Rehabilitation Foundation

Professor Ian Webster, Chair

Mr Scott Wilson, Deputy Chairperson

Alcohol and other Drugs Council of Australia

Mr David Templeman, Chief Executive Officer

Professor Ian Webster, Patron

Angove Family Winemakers

Mr John Angove, Managing Director

Wednesday, 11 March 2009

Parliament House, Canberra

Committee Members in attendance

Senator Claire Moore (Chair)

Senator Rachel Siewert (Deputy Chair)

Senator Catryna Bilyk

Senator Carol Brown

Senator Mark Furner

Senator Gary Humphries

Senator Simon Birmingham

Senator Doug Cameron

Senator Jacinta Collins

Senator Mathias Cormann

Witnesses

Brewers Association of Australia and New Zealand

Mr Stephen Swift, Executive Director

Winemakers' Federation of Australia

Mr Stephen Strachan, Chief Executive Officer

Mr Paul van der Lee, Manager Economics and Policy

Independent Distillers Australia

Mr Doug McKay, Executive Chairman

Distilled Spirits Industry Council of Australia

Mr Michael McShane, Chairman

Mr Gordon Broderick, Executive Director

Ms Lynne Pezzullo, Director, Access Economics

Mr Warwick Ryan, Consultant

Preventative Health Taskforce

Professor Rob Moodie, Chair

Department of Health and Ageing

Mr David Kalisch, Deputy Secretary

Ms Jennifer Bryant, First Assistant Secretary, Population Health Division

Dr Mark Doverty, Senior Advisor, Population Health Division

Department of Treasury

Ms Christine Barron, General Manager, Indirect Tax Division

Mr Colin Brown, Manager, Costing and Quantitative Analysis Unit

Mr Damian White, Manager, Revenue Analysis Unit

Mr Glen McCrea, Manager, Indirect Tax Unit