



Public Health Association
AUSTRALIA

**Submission from the Public Health Association of Australia to
the Senate Standing Committee on Community Affairs**

Alcopops Tax Bills

In making this submission the Public Health Association of Australia emphasises the reality that many of the alcopops are deliberately designed and marketed to young people, often young women, to hide the distinctive taste of some alcohol products. Despite what the industry might argue, the result is to expose people to alcohol at a younger age, to get young people drunk quicker and to make them more vulnerable to all the harms associated with inappropriate use of alcohol.

Regardless of any other issues there is simply no case to continue allowing a loophole that reduces the tax on these easily consumed sweet and colourful products.

Committee Secretary
Senate Standing Committee on
Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Phone: +61 2 6277 3515

Fax: +61 2 6277 5829

Email: community.affairs.sen@aph.gov.au

24 February 2009

Contents

Introduction.....	3
Background.....	4
The Terms of Reference	6
General	6
Revenue raised.....	7
Substitution effects	7
Changes in consumption patterns - alcopops.....	8
Changes in consumption patterns - all.....	8
Unintended consequences	9
Reducing excessive consumption	9
At risk behaviour and health impacts.....	10
Data	11
Evidence based decision making.....	11
Polling with leading questions (about 80% against).....	12
When the questions are asked differently (about 80% for)	12
Important to make decisions even with limited evidence	13
Conclusion	14

Introduction

The Public Health Association of Australia Incorporated (PHAA) is recognised as the principal non-government organisation for public health in Australia and works to promote the health and well-being of all Australians. The Association seeks better population health outcomes based on prevention, the social determinants of health and equity principles.

The PHAA is a national organisation comprising around 1500 individual members and representing over 40 professional groups concerned with the promotion of health at a population level. This includes, but goes beyond the treatment of individuals to encompass health promotion, prevention of disease and disability, recovery and rehabilitation, and disability support. This framework, together with attention to the social, economic and environmental determinants of health, provides particular relevance to, and expertly informs the Association's role.

Key roles of the organisation include capacity building, advocacy and the development of policy. Core to our work is an evidence base drawn from a wide range of members working in public health practice, research, administration and related fields who volunteer their time to inform policy, support advocacy and assist in capacity building within the sector. The PHAA has been a key proponent of a preventive approach for better population health outcomes championing such policies and providing strong support for the government and for the Preventative Health Taskforce and NHMRC in their efforts to develop and strengthen research and actions in this area across Australia.

The PHAA has Branches in every State and Territory and a wide range of Special Interest Groups. The Branches work with the National Office in providing policy advice, in organising seminars and in mentoring public health professionals. This work is based on the agreed policies of the PHAA. Our Special Interest Groups provide specific expertise, peer review and professionalism in assisting the National Organisation to respond to issues and challenges as well as a close involvement in the development of policies. In addition to these groups the Australian New Zealand Journal of Public Health draws on individuals from with the PHAA who provide editorial advice, review and who edit the Journal.

In recent years the PHAA has further developed its role in advocacy to achieve the best possible health outcomes for the community, both through working with all aspects of government and promoting key policies and advocacy goals through the media and other means.

The PHAA acknowledges that it draws on information for this submission from a range of its members including Professor Allsop from the National Drug Research Institute in West Australia and Professor Howat who is Co-Director, WA Centre for Public Health and Co-Director, WA Centre for Health Promotion Research, School of Public Health at Curtin University.

Background

The PHAA has been involved in the debate on alcopops from the day of the announcement by Minister Roxon. The PHAA made a submission to the Senate Community Affairs Committee in March of 2008 with regard to the Alcohol Toll Bill 2007 and in May of 2008 with regard to the Alcopops issue. Much of this submission reinforces the main points made in those submissions. These include:

- Support for the approach taken by the government regarding alcopops (or RTDs) as a first step in a comprehensive package
- Advocacy for a comprehensive approach to dealing with harmful and hazardous use of alcohol. We note the commitment of government in already undertaking:
 - funding of a significant marketing campaign through community groups to address binge drinking amongst young people (\$53.5 million)
 - media campaign directly aimed at young binge drinkers *Don't Turn a Night Out into a Nightmare*
- Approaches that are specifically targeted to 'at risk groups' including Indigenous and young people
- A comprehensive approach to taxation taking into account the use of taxation measures as a lever to discourage harmful and hazardous use of alcohol
- Taxation measures on alcohol should be used to invest in comprehensive preventative programs based on public health methodologies that have proved successful in areas such as tobacco and HIV/AIDS. These include methods such as:
 - Community awareness campaigns
 - Funding levers
 - Broad community education with specifically focused peer education programs
- The PHAA seeks a systematic 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.
- The PHAA makes this submission in the community interest in contrast to many of the submissions that represent sectional interests with a financial imperative to resist any increase in taxation. In this case the change specifically targeted a taxation loophole that had benefit for this particular section of the distilling industry - emphasising the importance of a need for a more comprehensive re-assessment of the alcohol taxation system.

Professor Peter Howat has provided the following additional background information:

Senate Standing Committee on Community Affairs Inquiry - Alcopops Tax

- *Alcohol is the most important risk factor for fatal and non-fatal injuries in Australia, with around 1,100 injury deaths and 27,000 injury hospitalisations attributed to alcohol every year between 1990 and 2001.*¹
- *In Australia, alcohol is the most commonly used licit and illicit substance among young people.*² *According to the 2005 Australian School Students' Alcohol and Drug (ASSAD) survey data, 86% of 14 year olds had tried alcohol, and 70% of 17 year olds had consumed alcohol in the month prior to the survey. The proportion of students drinking in the week prior to the survey increased with age from 10% of 12 year olds to a peak of 49% among 17 year olds.*
- *The Australian Alcohol Guidelines*³ *recommend against adults and adolescents drinking seven or more drinks in one day for males and five or more drinks in one day for females. In Australia, among current drinkers, 30% of 15 year olds and 44% of 17 year olds had consumed alcohol at these levels in the previous week.*⁴ *Similarly, a series of studies conducted between 2000 and 2004 found that more than 40% of 15-17 year olds had consumed alcohol at these unsafe levels on their last drinking occasion.*⁵
- *In Australia, around 90% of 18-24 year olds have drinking patterns that place them at high risk of acute harm, such as assault, sexual exploitation and accidental injuries.*⁶ *Data from longitudinal studies suggest that adolescents who drink excessive amounts of alcohol are at increased risk of becoming heavy users of alcohol in adulthood.*⁷

References

1. Bauman KE, Foshee VA, Ennett ST, et al. Family matters: A family-directed program designed to prevent adolescent tobacco and alcohol use. *Health Promotion Practice* 2001;2(1):81-96.
2. AIHW. 2004 National Drug Strategy Household Survey. AIHW cat no. PHE 66, Canberra, 2005.
3. NHMRC. Australian Alcohol Guidelines: Health Risks and Benefits. Canberra: NHMRC, 2001.
4. White V, Hayman J. [Monograph 58: Australian secondary school students' use of alcohol in 2005](#). Australian Government Department of Health and Ageing (Drug Strategy Branch), Canberra, 2006.
5. King E, Taylor J, Carroll T. Alcohol consumption patterns among Australian 15-17 year olds from 2000 to 2004. Sydney: Australian Government Department of Health and Ageing, 2005.
6. Bonomo YA, Bowes G, Coffey C, et al. Teenage drinking and the onset of alcohol dependence: a cohort study over seven years. *Addict* 2004;99:1520-1528.
7. Anderson A, Due P, Holstein BE, Iversen L. Tracking drinking behaviour from age 15–19 years. *Addict* 2003;98(11):1505–1511

The Terms of Reference

The PHAA will attempt to respond to the Committee by specifically addressing the terms of reference (TORs) as far as possible. However, where appropriate we elaborate to drive our point of view or to respond to an issue that is not directly linked to the TORs.

However, the PHAA considers it important to identify general issues around evidence and research that are identified in a series of the TORs. Any such research will be plagued with confounding factors and difficult to use to draw conclusions because of the very limited time since the introduction of the revenue raising measures.

Some of the confounding factors could include:

- Campaigns by sellers to draw young people to self-mixed drinks as an alternative
- The massive advertising and promotional campaigns run by the drinks industry (both producers and vendors) for their products and product ranges
- Marketing campaigns in the media by the Distilled Spirits Industry Council of Australia (DSICA) and the ongoing debates in the media including the distribution of selective evidence
- Advertising associated with sport
- The attempt at the introduction of beer based alternatives to alcopops

These are just a few of the factors that make evidence difficult to gather and difficult to interpret.

General

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

The tax loophole allowed by the previous government has meant a rapid increase in both sales and in use of alcopops by young people.

The bills being considered by the Committee verify in legislation the increase in the excise and customs duty rate applying from 27 April 2008 to other excisable beverages not exceeding 10 per cent by volume of alcohol. These are commonly referred to as alcopops.

The PHAA views this legislation as finally closing a loophole created in 2000 at the time of the introduction of the GST. We disagree with those elements of the industry that have attempted to reframe this excise as a new tax. Sweet sugary drinks with up to 10% alcohol specifically targeted at young women in particular are not an appropriate beverage to attract a tax break.

Senate Standing Committee on Community Affairs Inquiry - Alcopops Tax

With reduced sales of alcopops the government is still predicting an increase in taxation of around \$1.6 billion over the forward estimates. When viewed as a tax break this means that the previous government was subsidising this type of beverage in the order of half a million a year. No wonder the distillers have been screaming unfair and using a range of techniques to undermine this tax.

On closing a tax loophole for this sort of sum of money the government would have a good argument that would be supported by the PHAA on the grounds of equity. Considering the health problems associated with alcohol and the specific target group of these colourful, sugary sweet beverages the government has double the reason for this action.

And it has worked. Tax Office figures for the first nine months of this measure show that alcopops sales have dropped by 35 per cent compared to the previous year.

Revenue raised

a. the revenues raised under the alcopops tax measure;

The reduced prediction of revenue raised is one indication that the health goals of reduced alcohol consumption by young people are being met.

The Minister has predicted that the alcopops measure will raise \$1.6 billion from 27 April 2008 and over the forward estimates. This is significantly less than the predictions in the forward estimates at the time of the budget. The predicted revenue at the time of the introduction of these pieces of legislation had fallen sharply from the original prediction of \$3.1 billion over four years in the May budget.

On the one hand this illustrates that the government believed that there would be larger sums of money flowing from this taxation. On the other hand the predictions provide the strongest indication that closing this loophole has actually been working.

Substitution effects

b. substitution effects flowing from the alcopops tax measure;

Since the announcement of the tax in April 2008 there have been a series of special promotions designed to have young people substitute spirit mixing for pre-prepared alcopops. Despite these substitution has been minor.

In spite of these programs by retailers there has been a significant drop in the sales of alcopops that had been one of the flagships of increasing sales since the loophole was created in 2000. The industry has identified that their sales grew by 250% since 2000. Whilst there has been a

small increase in the sales of spirits on the back of these unconscionable campaigns focused at young people there has actually been an overall drop in the sales of spirit drinks by 8%.

Decisions of this type, however, are made on a cost-benefit basis and it would be naive to expect no substitution. The distilling industry has campaigned to move those affected by price to self-mixed spirit based drinks. No doubt other parts of the alcohol industry are hoping that some of the drinkers will move to wine or spirits and there is some anecdotal evidence that this is the case. The overall reduction in spirit consumption, however, is a positive indication. Furthermore, the other spirits have not had the same gateway effect for young women as the brightly coloured, very sweet drinks that screen the taste of the alcohol.

Changes in consumption patterns - alcopops

- c. changes in consumption patterns of ready-to-drink alcoholic beverages by sex and age group following the introduction of the alcopops tax;**

This term of reference implies an impact for a new tax rather than the impact of closing a loophole from the time of the introduction of the GST.

There is ample evidence from the public health literature that price levers do play a significant role, and especially when they are part of a comprehensive approach. Tobacco taxation provides one clear illustration. The initial nine months of the alcopops tax also illustrates the efficacy of pricing in influencing purchasing behaviour.

However, this issue should not be examined in isolation from a comprehensive approach.

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.

Changes in consumption patterns - all

- d. changes in consumption patterns of all alcoholic beverages by sex and age group following the introduction of the alcopops tax;**

Campaigns by industry have deliberately targeted young people to substitute self-mixed spirits and soft drink in order replace alcopops sales so that industry can maintain profits.

After such a short period it will be difficult to extrapolate to possible long term changes in patterns of purchasing and drinking behaviour amongst specific groups of people. However, the significant reduction of sales of alcopops – in the order of 35% - does provide an indicator.

As mentioned earlier, it is important to be aware that any such research will be plagued with confounding factors. For example, there is anecdotal evidence that young people are no longer able to buy 'shots' so readily. In a number of cities there have been changes to times at which alcohol can be sold. Closing the bar for specific periods has been introduced in some areas. Campaigns have been conducted to move young people to self-mixed soft drink and spirits. All these confounders diminish the effectiveness of definitive research particularly when it is also over such a short time frame.

Unintended consequences

- 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);**

With the introduction of new revenue measures it is not uncommon for governments to make adjustments as industry seeks ways to (albeit legally) minimise their tax exposure.

The introduction of measures to close the loophole created in 2000 has generated some alternatives to alcopops. These sweet drinks would have the same impact as the alcopops within a very short period. As it turned out the loopholes seemed to be too elusive for the industry as the tax office ruled that they also came under the excise. It should not be surprising.

The other significant unintended consequence is that the government would be forced to pay back to the distillers in the order of \$300 million should this legislation fail. This amount highlights the driver behind the campaigns and distortions that have been part and parcel of the lobbying efforts of the industry. It will be impossible for the industry to hand this windfall back to all those individuals who have purchased the drinks since late April of 2008.

Reducing excessive consumption

- 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;**

Government programs have been undermined by the industry campaigns in advertising, special offers and in sport marketing.

Whilst there is evidence from Tax Office figures of a 35% reduction in the use of alcopops and an 8% overall reduction in the use of spirits it is difficult to measure reductions or increases in the short time frames since the introduction of the legislation.

Seeking such evidence in the short term is simply setting up a straw man. Such goals are long term and it is inappropriate to expect such rapid changes in behaviour. It is important to note that Collins and Lapsley reported “that young people are more influenced by the price of alcohol so that increasing the tax rate on alcoholic drinks which are specifically targeted at the youth market is likely to be effective.” They did not provide a time frame in which to measure such success. However, they were specific about this revenue measure, “there would appear to be strong justification for the April 2008 increase in the Australian tax on pre-mixed drinks (alcopops) by 70%.”

As these researchers indicate, the evidence suggests that price levers within the context of a comprehensive program do have an impact – however, it is not one that can necessarily be measured in the short term.

It is worth noting that the content of this submission is consistent with the conclusions/recommendations of the 2008 Collins and Lapsley report *The avoidable costs of alcohol abuse in Australia and the potential benefits of effective policies to reduce the social costs of alcohol*, published by the Australian Government.

At risk behaviour and health impacts

- 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;**

Health promotion campaigns are effective over the long term and require a comprehensive approach employing such tools as education directed into specific settings, marketing campaigns and tax levers

Sustained behavioural change in populations is not something that is likely to be achieved in the short term. Over 80% of Australian males were smokers in the years following WWII. The figure is now below 20%. Should the health impacts have been measured over any nine month period in the last 60 years it would have been difficult to find evidence of changed behaviour. It is unrealistic to expect substantive evidence after such a short time.

The introduction of the alcopops tax should not be seen in isolation. On the one hand there have been accompanying government campaigns designed to reduce binge drinking particularly amongst young women. On the other hand there have also been industry campaigns that are designed to sell more of their product or alternatives to the alcopops that by their very nature undermine the goals of the government in reducing the amount of alcohol use by young people.

Data

- 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**

Short term data on health promotion impact provides a poor indicator of success.

Health promotion programs should be seen within a framework of long term outcomes rather than the impact of an immediate response. It is of some concern to the PHAA that it is much too early to look at the data and consider it evidence of good or poor outcomes. Had such an impact been applied to taxation measures on tobacco it is highly likely that pricing arguments on tobacco would not have been sustained.

Pricing data is simply a part of a comprehensive health promotion strategy that should have measureable long term goals. Although short term success indicators can be developed they are much more likely to be based on 'outputs' rather than 'outcomes'. Therefore, too great an emphasis on data collected after just nine months is likely to distort the evidence being considered by the Committee.

Evidence based decision making

- i. the value of evidence-based decision-making in the taxation of alcoholic products.**

Although decision making ought to be based on evidence where possible, it is also important that lack of evidence, questions over research or commitment to further research should not be used as an excuse for inaction.

Tackling binge drinking should neither be dismissed as wowsersism nor taken lightly by some who think that 'it has always been part of Australian culture'. It is a major social problem, requiring determined action.

Where evidence is available it is important for governments, MPs and Senators to weigh the evidence available and to make the best possible decision on that basis. However, it is also important to understand that vested interests will use any method available to delay a decision on matters that impact on their bottom line. The tobacco industry for many years made an art form of questioning evidence about the harms of tobacco and later the evidence about passive smoking. Over the last nine months the distillers have played the same games as they have selectively released information purporting to be evidence.

The PHAA is aware that an Access Economics report has recently been released by the Distillers purporting to make a case against action on the Alcopops Tax. The report has been roundly and

heavily criticised; it is methodologically flawed; the Secretary of the Commonwealth Department of Health and Ageing, Ms Jane Halton, has described it as "an incredibly poor piece of work"; and the report itself cautions against drawing any firm conclusions from it. This report should not have been released in this form, and its inadequacies and expressed uncertainties are such that it should not play in current policy debates.

Polling with leading questions (about 80% against)

The Galaxy Poll of late January 2009 that was commissioned by the Distillers found "78 per cent believed the tax hike had been ineffective in reducing binge drinking". This illustrates the effectiveness of the way their questions were framed and the effectiveness of their campaigns rather than any sensible evidence about the impacts. The questions asked clearly led the respondents in the specific direction that the Distilled Spirits Industry Council of Australia (DSICA) sought:

"A1. Thinking now about some recent issues. To address binge-drinking amongst young people the Federal Government has increased the tax on Ready to Drink alcoholic drinks or so-called alcopops by 70%. This tax has now been in place for months. From what you have seen, read or heard, do you think this has been an effective or ineffective measure to actually solve binge-drinking amongst young people?"

"A2. Even though the Government will collect approximately \$1.7 billion with this so-called 'alcopops' tax, some people have suggested that it should be scrapped or voted down by the Australian Senate in favour of a wider and more comprehensive strategy to tackle binge-drinking amongst young people. Do you agree or disagree with this suggestion that the Australian Senate should effectively scrap or vote down the 'alcopops tax' in favour of a wider and more comprehensive strategy to tackle binge drinking amongst young people?"

The results are not surprising under the circumstances. The questions specifically took an either or approach rather than the comprehensive approach that had already been announced and embarked upon by government.

When the questions are asked differently (about 80% for)

Australians would overwhelmingly support increased alcopops and tobacco tax if funds raised were used for preventive health programs, according to Newspoll research published on the 24th of September 2008. This research was commissioned by the Heart Foundation, Cancer Council, Public Health Association of Australia and Action on Smoking and Health (ASH).

In this case the research was couched in terms of the revenue going to preventative health. A survey of more than 1200 Australian adults showed 84 per cent supported the Government's proposed alcopops tax 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.

In the minds of public health advocates 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.

Important to make decisions even with limited evidence

Some of the most important decisions on health have been made on limited evidence.

When Westminster agreed to introduce proper sanitation into London during the "great stink" there was just the epidemiological evidence of John Snow that identified cholera as being associated with sanitation. Many dismissed his evidence as insufficient. The London Times argued in an editorial, "We would rather take our chances of cholera and the rest than be bullied into health by Mr. Snow....". However, action was taken; many, many lives were saved; and the sanitary measures introduced against some opposition were speedily accepted and welcomed, and recognised as essential to a civilised society. The impact of poor sanitation is being repeated in Zimbabwe.

In Australia with the advent of the AIDS epidemic Health Minister Neal Blewitt with the support of Opposition Health Spokesman Peter Baume introduced a comprehensive approach including needle and syringe programs in Australia. There was very little evidence available but it was clear that action (although politically risky) needed to be taken to stem the spread of the disease. The non-partisan approach that was focussed on health outcomes should serve as a model. The way that HIV/AIDS was contained in Australia compared to most parts of the world emphasises the importance of making decisions even when there is limited evidence available.

Had the Government decision on the success of the Needle and Syringe Programs been dependent on evidence gathered after nine months it is highly likely that the program would have been shut down. The spread of HIV/AIDS would have mushroomed as it did in other countries.

There is no doubt that Australia now has a problem with excessive use of alcohol amongst the population and particularly amongst young people. It is not critical whether this is a new problem or one that has been in existence and has just caught the attention of health professionals. There is plenty of evidence of a problem with excessive alcohol use, particularly amongst young people.

Decisions are required by governments who should be making decisions and taking action on the best evidence available. The PHAA believes that this is how the government has proceeded and supports the actions which have included employing price levers through the alcopops tax as part of a comprehensive long term strategy.

Conclusion

Tens of thousands of Australians die each year from preventable diseases, with much more ill health and suffering, yet less than two per cent of health system expenditure goes towards prevention programs. The PHAA is pleased that the government has earmarked a large part of this alcopops revenue to go into preventive health measures. The Association is also pleased that around \$870 million has already been committed in developing and delivering a comprehensive program. The Association would welcome a significant further input of funding for prevention in areas such as alcohol, as well as other measures to reduce harmful and hazardous use of alcohol.

In making this submission the Public Health Association of Australia emphasises that while some of these products are not particularly interesting to kids, the reality is that many of the alcopops are deliberately designed and marketed to young people, often young women, to hide the distinctive taste of some alcohol products. Despite what the industry might argue, the result is to expose people to alcohol at a younger age, to get young people drunk quicker and to make them more vulnerable to all the harms associated with inappropriate use of alcohol. Regardless of any other issues there is simply no case to continue allowing a loophole that reduces the tax on these easily consumed sweet and colourful products. The industry has got away with this for too long already.

The government has collected in the order of \$300 million dollars that will have to be handed back to industry (not the purchasers who paid the tax) if these revenue measures fail. It is telling that the revenue predictions have been substantially reviewed to almost half of the original budget predictions reflecting a significant drop in sales. The reduction of 8% overall in purchase of spirits is a further indication that the price levers available to government do have an impact. However, these are indications! It is very difficult, if not nigh on impossible, to accurately interpret data in a health promotion campaign after such a short period. At this stage it is appropriate to measure some of the outputs but the measure of outcomes will invariably take longer.

The PHAA appreciates the opportunity to be able to present its views to the Senate Committee on Community Affairs and is willing to elaborate on this submission should it suit the Committee. Regardless of any other issues there is simply no case for a loophole that reduces the tax on these products.



24 February 2009
Michael Moore BA, Dip Ed, MPH
Chief Executive Officer
Public Health Association of Australia