

Supplementary Submission: Senate Community Affairs Committee

Inquiry into Excise Tariff Amendment (2009 Measures No 1) Bill 2009 and Customs Tariff Amendment (2009 Measures No 1) Bill 2009

Introduction

- The Distilled Spirits Industry Council of Australia (DSICA) appreciates the opportunity to make this supplementary submission to the Senate Community Affairs Committee (the Committee) regarding the *Excise Tariff Amendment (2009 Measures No 1) Bill 2009* and the *Customs Tariff Amendment (2009 Measures No 1) Bill 2009*. This supplementary submission should be read together with the initial submission lodged with the Committee.
- In this supplementary submission, DSICA would like to highlight the key results of a comprehensive study conducted by the independent research firm, Roy Morgan Research, into alcohol consumption trends during 2007 and 2008.
- DSICA believes that this data is vitally important in informing the Committee on the patterns of alcohol consumption especially amongst young people, since the tax increase on ready-to-drink alcoholic beverages (RTDs) in April 2008.

Roy Morgan Research

- Roy Morgan Research has prepared a detailed report into alcohol consumption trends over 2007 and 2008, with a specific focus on the July to December period. The key considerations in the study were:
 - how has overall alcohol consumption changed over the last two years;
 - which types of alcohol have been most affected by shifts in consumption;
 - which age groups are driving these shifts; and
 - how have attitudes towards drinking changed over the last two years?
- The results in the survey are based on Roy Morgan Single Source – a syndicated survey of Australians nationwide conducted 48 weeks out of every year since 1997. Questions around people's alcohol consumption have been tracked since 2001, with an annual sample of over 14,000 people over 18 years old who consume alcohol.

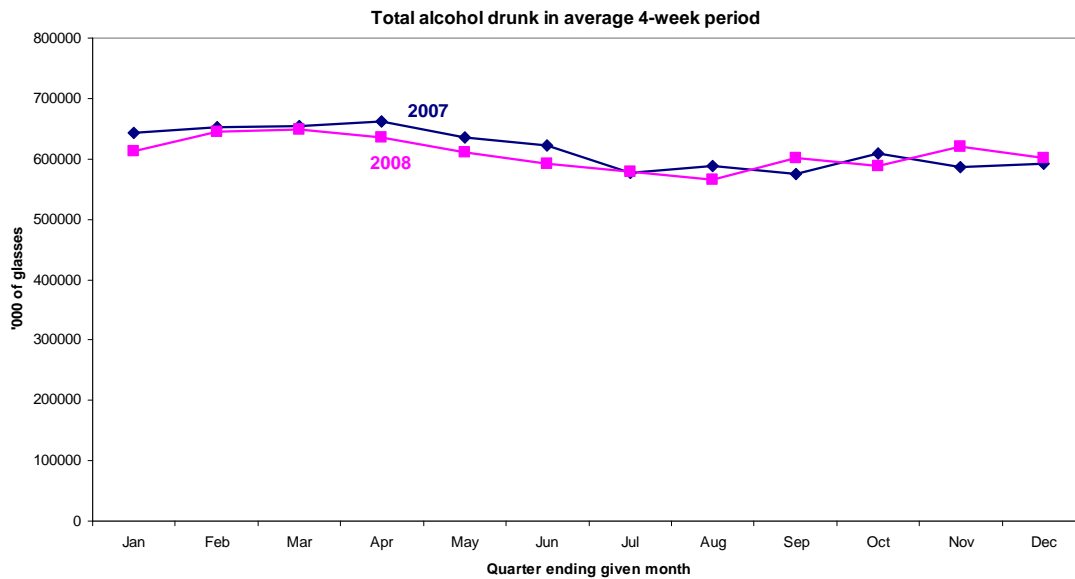
Key Findings

- DSICA submits that the Roy Morgan Research data demonstrates that the taxation increase on RTDs announced in April 2008 has completely failed to achieve its stated goal of reducing binge drinking among young people.
- The results are consistent with DSICA's position in its primary submission that the isolated RTD tax increase has not been effective in reducing harmful levels of alcohol consumption.

Finding #1: No overall increase in alcohol consumption since 2007

- Among drinkers, Roy Morgan Research analysis shows that the overall level of alcohol consumption has not changed significantly in 2008 compared to 2007.
- The graphic below illustrates that over a 12-month period, the total alcohol consumed on average in a 4-week period in 2008 have been relatively similar to the same 12-month period in 2007.

Graphic 1: Total alcohol drunk in average 4-week period, January to December, 2007 and 2008

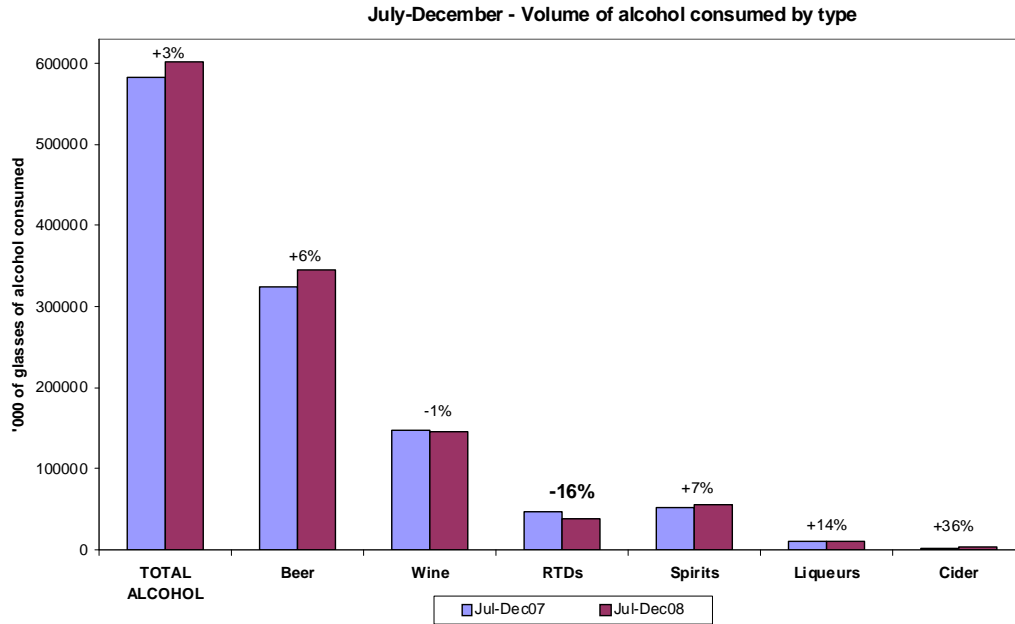


Source: Roy Morgan Single Source 2007-2008; respondents aged 18+ and drank alcohol in last 4 weeks average annual n=14,858

Finding #2: Decline in RTD consumption from tax change has been offset by increased consumption of other alcohol beverages

- The graphic below shows that in the period from July to December, RTDs fell in consumption by 16 per cent in 2008 compared to the previous year.
- However, consumption of other alcohol beverages has increased including beer (up 6 per cent), full-strength bottled spirits (up 7 per cent) and cider (up 36 per cent). This confirms DSICA’s long-held view that the RTD tax increase would drive consumption into full-strength spirits, beer and other cheaper and often stronger forms of alcohol.

Graphic 2: Volume of alcohol consumed by type, July to December, 2007 and 2008



Source: Roy Morgan Single Source July-December 2007/2008; respondents aged 18+ and drank alcohol in last 4 weeks average n=6,883

Finding #3: No significant decline in consumption among age groups

- In the July to December period post the implementation of the RTD tax increase, the graphic below shows that no age group has shown any significant decline in total alcohol consumption.

Graphic 3: Total alcohol consumed by age group, July to December, 2007 and 2008



Source: Roy Morgan Single Source July-December 2007/2008; respondents aged 18+ and drank alcohol in last 4 weeks average n=6,883

Finding #4: *No evidence of decline in total alcohol consumption by 18-24 year olds*

- A key finding in the survey revealed that there is no evidence to suggest a decline in alcohol beverages consumed by 18-24 year olds. This result extends to both men and women.
- DSICA believes that these results strongly affirm that the tax increase has not had the desired effect of reducing harmful alcohol consumption by young people.

Graphic 4: *Total alcohol consumed by 18-24 year old, Men and Women, July to December, 2007 and 2008*

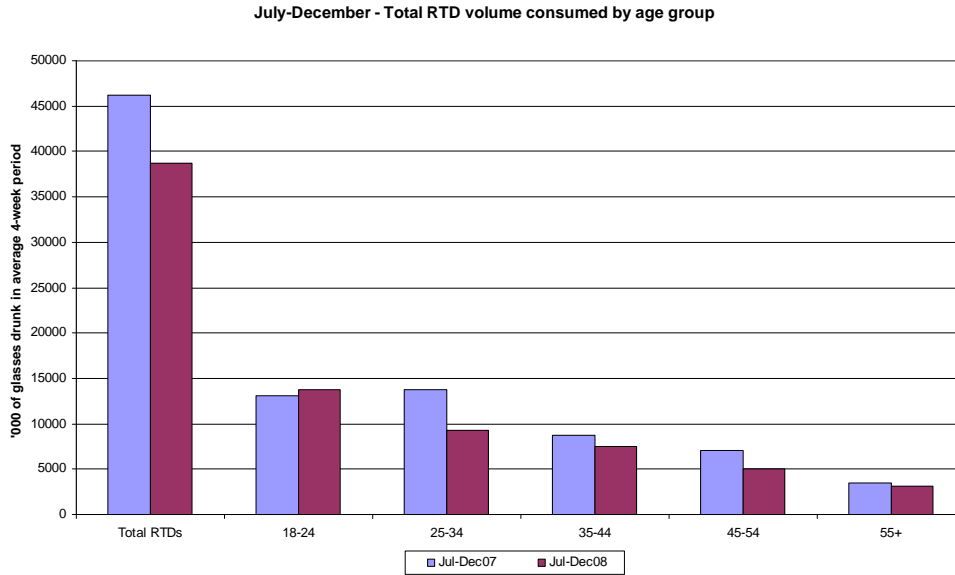


Source: Roy Morgan Single Source July-December 2007/2008; respondents aged 18-24 and drank alcohol in last 4 weeks average n=343

Finding #5: *The overall decline in RTDs has not come from 18-24 year olds*

- The Australian Government’s fundamental rationale for introducing the 69 per cent taxation increase on RTDs in April 2008 was to reduce binge drinking amongst young people.
- However, the results presented in the *Graphic 5* clearly demonstrate that the tax was not properly considered and is a social failure in addressing the problems associated with alcohol related harm. The data shows that in 2008, consumption of RTDs for 18 to 24 year olds has not fallen to any statistically significant degree in the July to December period when compared to the same period in 2007.
- In contrast, the tax has had an unintended consequence of only reducing the volume of RTDs consumed by older age groups, and it is these declines in volume that has resulted in a reduction in total RTD consumption. In other words, young people aged 18 to 24 year olds have **not** contributed to the overall decline in RTDs consumption since the RTD tax increase.

Graphic 5: Total RTD consumed by age group, July to December, 2007 and 2008

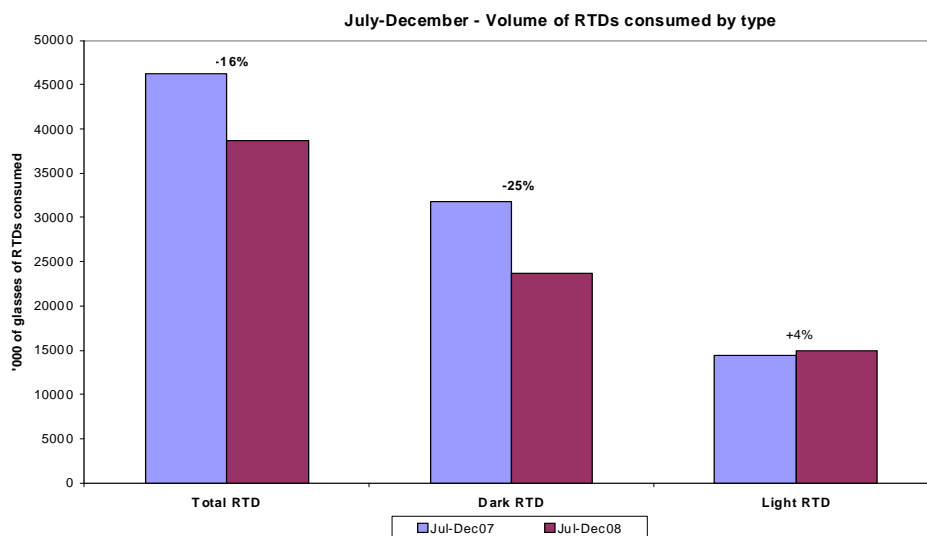


Source: Roy Morgan Single Source July-December 2007/2008; respondents aged 18+ and drank RTDs in last 4 weeks average n=1,688

Finding #6: No decrease in light spirit-based RTDs

- Since the implementation of the tax increase, there has been no decline in the volume of light spirit-based RTDs, but rather only in the more traditional dark spirit-based RTDs (such as bourbon, rum and Scotch-whisky based products).
- This means that light spirit-based RTDs which include “brightly coloured” variants that the Government is supposedly targeting with the tax measure, has not decreased to any statistically significant extent when compared to the previous year.

Graphic 6: Volume of RTDs consumed by type, 2007 and 2008



Source: Roy Morgan Single Source July-December 2007/2008; respondents aged 18+ and drank RTDs in last 4 weeks average n=1,688

Conclusion

- DSICA believes that the Roy Morgan Research study into alcohol consumption trends between 2007 and 2008 provides clear and conclusive evidence that the RTD tax increase has failed as a health policy measure.
- Indeed, the key findings show that:
 - there has been no overall decrease in alcohol consumption since 2007;
 - the decline in RTD consumption from tax change has been offset by increased consumption of other alcohol beverages including beer, spirits and cider;
 - there has been no significant decline in alcohol consumption among age groups;
 - there is no evidence of decline in total alcohol consumption by 18-24 year olds for both men and women;
 - the overall decline in RTDs has not come from 18-24 year olds; and
 - there has been no decrease in the consumption of light spirit-based RTDs.
- Accordingly and as stated in its primary submission, DSICA believes that the Senate should validate the RTD tax increase retrospectively for the period 27 April 2008 to the date of Royal Assent of the Amendment Bills. This will prevent any refund entitlements arising since the RTD tax increase of 27 April.
- A new rate for RTDs should be implemented prospectively from the day after Royal Assent which would see the RTD rate return to the previous rate applying to RTDs prior to 27 April 2008.

March 2009

Attachments:

1. Roy Morgan Research, *How we collect and process Single Source data in Australia*
2. Roy Morgan Research, *Data Accuracy: A compilation of various examples*



How we collect and process Single Source data in Australia.



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Single Source Flow Chart



How we obtain and interpret our information for Australia.

Questionnaire Design

This phase involves the design and production of what we call weekly Establishment Surveys (ES) which are Interviewer administered door to door. Also, at this stage we produce monthly Self-Completion Materials (SCM).

Questionnaire Production

At this stage, weekly collation and dispatch of assignments to approximately 150 Interviewers around Australia takes place.

Responses

A sampling frame is selected from 150 electorates and door to door interviewing is conducted each weekend. Our Interviewers administer ES and SCM's are left with people who have been interviewed. An Audit call and up to 3 reminder calls are made to participants.

Data Capture

At this point Interviewers return Establishment Survey assignments to Melbourne for Coding and Data Capture. This involves 55,000+ surveys annually. In addition, SCM's are completed and mailed to Melbourne for Data Capture there are 25,000+ annually.

Data Analysis

Data cleaning, processing and weighing takes place at this stage. Here we build Single Source databases for ASTEROID and create hardcopy reports. We then distribute reports and ASTEROID databases to local and international clients.



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The areas we cover when creating the *Sampling Plan*

Sample Size	<ul style="list-style-type: none"> • n=55,000+ pa • n=4,500+ per month
Coverage	<ul style="list-style-type: none"> • All States and Territories • 11 Geographic strata • Sydney • Melbourne • Brisbane • Adelaide • Perth • remaining areas of • NSW/ACT • Vic • Qld • SA/NT • WA and Tasmania • All Federal Electorates
Schedule/Timing	<ul style="list-style-type: none"> • Weekly • 48 weeks per year (4 quarters x 12 weeks) • Calls made during the day on Saturday and Sunday • Up to 3 reminder / audit calls
Household	<ul style="list-style-type: none"> • People 14+ • Private households • Individual selection – youngest male then youngest female • Auditing approximately 75% of all interviews
Sampling	<ul style="list-style-type: none"> • Random starting addresses • Up to 3 calls to establish contact (different times) • Clusters of 8 interviews • 1 interview per household • Double sampling for selected areas • Weekly and monthly reports on sample performance • Response Rate. One in three effective contacts results in an interview*
Weighting	<ul style="list-style-type: none"> • Monthly by: - Geography - Age - Sex - Household size • Source: ABS
Incentives	<ul style="list-style-type: none"> • Differential incentives for different subgroups • Rewards for survey completion. • Magazine Subscriptions • Donations • Movie Tickets • Computer Games • Prize Draws

* Telephone interviewing: one in five effective contacts results in an interview.





How Roy Morgan collates and interprets data *Processing*

<p>Establishment Survey</p>	<ul style="list-style-type: none"> • All material printed in Melbourne office • Interviews conducted face to face • Variations by state • Survey content • Survey & Incentive explanation • Demographics • Readership • Finance • Roy Morgan Values Segments* • Weekly rotations of answer-lists • Vehicle for placement of SCM
<p>Interviewers</p>	<ul style="list-style-type: none"> • Experienced face to face Interviewers • 75% of interviews conducted by interviewers with more than 12 months experience • Fully briefed • Confidentiality agreements • Approximately 75% of interviews audited by telephone • Weekly and monthly reports on Interviewer Performance from Field Management and Quality Systems
<p>Self-Completion Material (SCM)</p>	<ul style="list-style-type: none"> • All material printed in Melbourne Office • Placed by Interviewer at end of Establishment Survey Interview • Completed by Respondent • Separate Media diaries for each state
<p>Return Procedure</p>	<ul style="list-style-type: none"> • Up to 3 CATI reminder calls used to improve response rate for SCM • Reminder letter for those not contacted by phone • 1800 help line available to participants • Returns recorded, sorted and graded • Unique identifying barcode recorded on return • Interviewers return assignments early in the week after the interview • Respondents return SCM by reply paid post
<p>Data Capture</p>	<ul style="list-style-type: none"> • Melbourne, Australia • Stringent quality checks & balances throughout scanning process • Polls less than 50% complete not used • Utilise ReadSoft's Eyes & Hands data capture software. • 3 x Fujitsu scanners • Data Capture - Mark fields 96% of all fields (100% accurate after verification) - Numeric fields 3% of all fields (99% accurate after verification) - Alpha fields 1% of all fields (98% accurate after verification) • On screen operator verification • All pages stored in image storage system
<p>Data Processing</p>	<ul style="list-style-type: none"> • Establishment interview matched to returned Self-Completion questionnaires • Logical edit checks on the data • Data cleaning according to documented procedures • Questionnaire images examined to resolve data inconsistencies • Provision for imputation of missing data • Data projected according to latest ABS estimates • Results validated against known industry statistics • ASTEROID database delivery allows easy data retrieval

* Developed in conjunction with Colin Benjamin of the Horizons Network



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The most extensive, inter-related Survey Content

Establishment Survey <i>n</i> = 55,000+	
<ul style="list-style-type: none"> • Newspaper Readership • Magazine Readership • Cinema Attendance • TV Viewing • Radio Listening • Financial Institutions 	<ul style="list-style-type: none"> • Credit Cards • Loans • Accounts • Business Decisions • Demographics • Roy Morgan Values Segments*
Self-Completion Material <i>n</i> = 25,000+	
<ul style="list-style-type: none"> • Activities and Interests • Alcoholic Beverages • Attitudes and Lifestyles • Food Purchases / Consumption • Gambling and Gaming • Holidays and Travel • Household Items / Appliances • Household Products Bought • Internet Behaviour and Preferences • Job Satisfaction • Motor Vehicles • Non-Alcoholic Beverages • Personal Services • Retail – Non-food Purchasing • Shares • Shopping Centres 	<ul style="list-style-type: none"> • Sporting Participation • Supermarkets • Take Away Food • Telecommunications • Utilities • Catalogues • Location TV • Media Most Useful • Media Preference by Daypart • Media Usage • Pay TV Channel Involvement • Radio Diary • Sectional Reading • TV Attention Level • TV Diary • TV Program Involvement • Website Visitation

* Developed in conjunction with Colin Benjamin of the Horizons Network





Roy Morgan Single Source Results & Comparisons

Comparative Statistics		External Data Source (All Ages Unless Otherwise Stated)	Roy Morgan Single Source (Aged 14+ Unless Otherwise Stated)
1.	Labour Force (Number of Employed Persons)	10.0 million (Aged 15+) Australian Bureau of Statistics Catalogue No. 6202.0 October 2005	9.8 million Qtr to September 2005
2.	Average Weekly Income - Full Time Employed Annualised	\$55,739 (Aged 21+) Australian Bureau of Statistics Catalogue No. 6302.0 August 2005	\$56,103 (Aged 20+) Qtr to September 2005
3.	Percentage of Employed People Who Earn \$78,000 or More Per Annum	7.1% (Aged 20-64) Australian Bureau of Statistics August 2001 Census	11.7% (\$80K+) (Aged 20-64) 12 months to September 2005 (7.1% 12 months to August 2001- Aged 20-64)
4.	People with a Tertiary Degree or Higher Education	2.4 million (Aged 15-64) May 2003 ABS Year Book 2005	3.0 million (Aged 14-64) Qtr to September 2005
5.	Total Deposits - Banks	\$264.2 billion Australian Prudential Regulation Authority (APRA) September 2005	\$270.2 billion 12 months to September 2005
6.	Superannuation Assets Held	\$627.2 billion Reserve Bank September 2005	\$717.1 billion 12 months to September 2005
7.	Population with Private Health Insurance	44% (Aged 20+) Private Health Insurance Admin Council December 2005	43% (Aged 20+) 12 months to September 2005
8.	Internet Users	11.3 million International Telecommunication Union 2003	12.8 million 12 months to September 2005 (11.7 million - 12 months to September 2003)
9.	Households with Broadband Connection	1.4 million Australian Bureau of Statistics Catalogue No. 8153.0 March 2005	1.8 million Qtr to September 2005 (1.3 million - Qtr to Mar 2005)
10.	Households with a Computer	67% Australian Bureau of Statistics Catalogue No. 8146.0 August 2004 - June 2005	73% 12 months to September 2005
11.	Cinema Attendance - annual visits	91.5 million Motion Picture Distributors Assoc. of Australia 2004	92.3 million 12 months to September 2005
12.	Pay TV Penetration (TV Households)	22 - 23% Australian Film Commission 2003	22% 12 months to September 2005
13.	Percentage of Population with an Overweight Body Mass Index	Males - 40.5% Females - 24.9% (Aged 18+) Australian Bureau of Statistics Catalogue No. 4364.0 2004 - 2005	Males - 42.0% Females - 27.7% (Aged 18+) 12 months to September 2005
14.	Participation in Sport and Physical Activity	62% (Aged 18+) ABS Catalogue No. 4177.0 March 2002	66% (Aged 18+) Regularly participate 12 months to September 2005
15.	Fly Buy Cards - Number of Cardholders	5.4 million members Coles Myer Ltd News Release August 2003	5.4 million members 12 months to September 2005



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— Research —

Data Accuracy

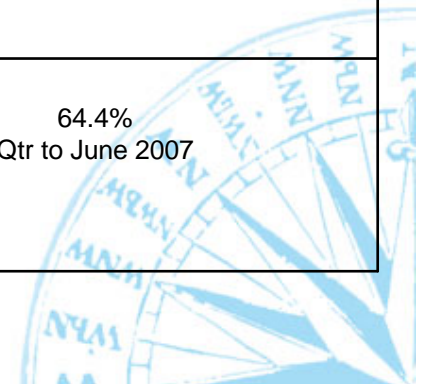
A compilation of various examples

Australia

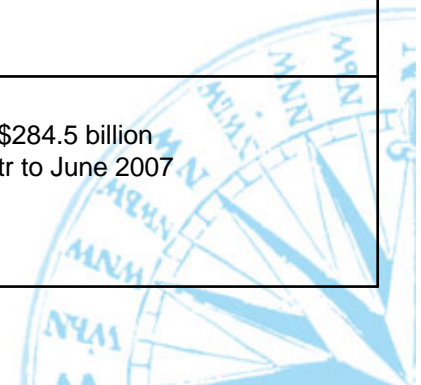
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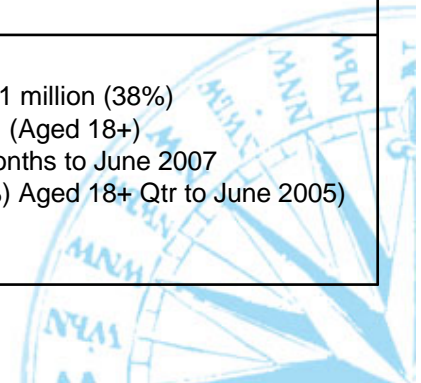
COMPARATIVE STATISTICS		EXTERNAL DATA SOURCE (ALL AGES UNLESS OTHERWISE STATED)	ROY MORGAN SINGLE SOURCE (AGED 14+ UNLESS OTHERWISE STATED)
1	Country of Birth	<p>Australia - 76.1% Asia - 6.7% Canada - 0.2% Greece - 0.6% Italy - 1.1% Other Europe - 2.8% New Zealand - 2.1% United Kingdom - 5.6% USA - 0.3% Other - 4.5%</p> <p>Australian Bureau of Statistics Cat. No. 2068.0 August 2006</p>	<p>Australia – 74.2% Asia - 7.7% Canada - 0.3% Greece - 0.3% Italy - 0.8% Other Europe - 3.5% New Zealand - 2.6% United Kingdom - 7.4% USA - 0.4% Other - 2.9%</p> <p>12 months to June 2007</p>
2	Labour Force (Number of Employed Persons)	<p>10.5 million (Aged 15+)</p> <p>Australian Bureau of Statistics Catalogue No. 6202.0 June 2007</p>	<p>10.4 million Qtr to June 2007</p>
3	Labour Force Participation Rate	<p>64.9% (Aged 15+)</p> <p>Australian Bureau of Statistics Catalogue No. 6202.0 June 2007</p>	<p>64.4% Qtr to June 2007</p>



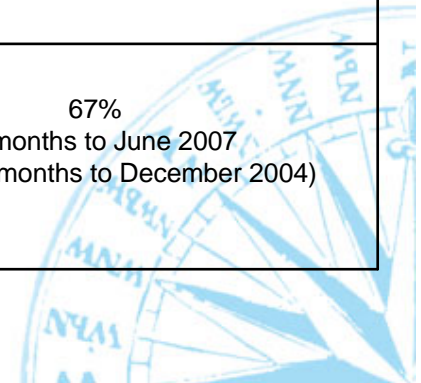
	COMPARATIVE STATISTICS	EXTERNAL DATA SOURCE (ALL AGES UNLESS OTHERWISE STATED)	ROY MORGAN SINGLE SOURCE (AGED 14+ UNLESS OTHERWISE STATED)
4	Average Weekly Income - Full Time Employed Annualised	\$58,984 (Aged 21+) Australian Bureau of Statistics Catalogue No. 6302.0 May 2007	\$59,640 (Aged 20+) 12 months to June 2007
5	Percentage of Employed People Who Earn \$83,000 or More Per Annum	8.2% (\$83K+) (Aged 20-64) Australian Bureau of Statistics August 2006 Census	11.0% (\$80K+) (Aged 20-64) 12 months to June 2007
6	Persons with a Tertiary Degree or Higher Education	2.8 million (Aged 15-64) Australian Bureau of Statistics Catalogue No. 6227.0 May 2006	3.4 million (Aged 14-64) Qtr to June 2007
7	Total Deposits - Banks	\$302.7 billion Australian Prudential Regulation Authority (APRA) June 2007	\$284.5 billion Qtr to June 2007



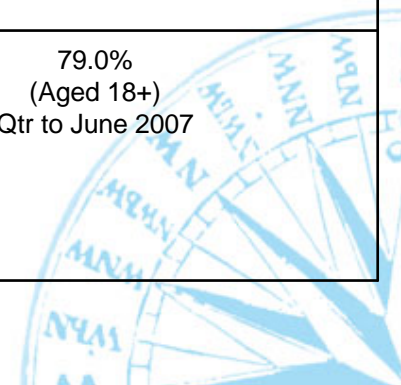
COMPARATIVE STATISTICS		EXTERNAL DATA SOURCE (ALL AGES UNLESS OTHERWISE STATED)	ROY MORGAN SINGLE SOURCE (AGED 14+ UNLESS OTHERWISE STATED)
8	Superannuation Assets Held	\$933.4 billion Reserve Bank of Australia (RBA) June 2007	\$847.4 billion 12 months to June 2007
9	Population with Private Health Insurance	44.7% (Aged 20+) Private Health Insurance Admin Council Qtr to June 2007	41.4% (20+) Qtr to June 2007
10	Internet Users	15.3 million International Telecommunication Union 2006	14.2 million users 12 months to June 2007
11	Persons purchasing or ordering goods or services via the Internet for private use	4.7 million (31%) (Aged 18+) Australian Bureau of Statistics Catalogue No. 8146.0 August 2004 - June 2005	6.1 million (38%) (Aged 18+) 12 months to June 2007 (5.0 million (33%) Aged 18+ Qtr to June 2005)



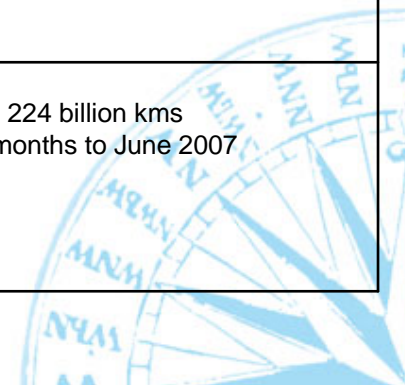
COMPARATIVE STATISTICS		EXTERNAL DATA SOURCE (ALL AGES UNLESS OTHERWISE STATED)	ROY MORGAN SINGLE SOURCE (AGED 14+ UNLESS OTHERWISE STATED)
12	Households with Broadband Connection	3.8 million Australian Bureau of Statistics Catalogue No. 8153.0 Qtr to March 2007	3.5 million Qtr to June 2007
13	Households with access to a computer	70% Australian Bureau of Statistics Catalogue No. 8146.0 June 2005 - July 2006	76% 12 months to June 2007 (74% - 12 months to June 2006)
14	Households with a DVD player	62% OzTAM (Australian Film Commission website) 2004	75% 12 months to June 2007 (56% - 12 months to December 2004)
15	Households with a VCR	86% OzTAM (Australian Film Commission website) 2004	67% 12 months to June 2007 (79% - 12 months to December 2004)



COMPARATIVE STATISTICS		EXTERNAL DATA SOURCE (ALL AGES UNLESS OTHERWISE STATED)	ROY MORGAN SINGLE SOURCE (AGED 14+ UNLESS OTHERWISE STATED)
16	Mobile Phone Penetration	88% Australian Mobile Telecommunications Association June 2007	82% Qtr to June 2007
17	Cinema Attendance - annual visits	83.6 million Motion Picture Distributors Association of Australia 2006	87.1 million 12 months to June 2007
18	Pay TV Penetration (% of Households)	26.1% Australian Film Commission June 2007	24.6% Qtr to June 2007
19	Alcohol Consumption	83.6% (Aged 14+) National Drug Strategy Household Survey (NDSHS) Australian Institute of Health and Welfare (AIHW) 2004	79.0% (Aged 18+) Qtr to June 2007



COMPARATIVE STATISTICS		EXTERNAL DATA SOURCE (ALL AGES UNLESS OTHERWISE STATED)	ROY MORGAN SINGLE SOURCE (AGED 14+ UNLESS OTHERWISE STATED)
20	Smoking Incidence	23.3% (Aged 18+) Australian Bureau of Statistics Catalogue No. 4364.0 August 2004 - June 2005	22.6% (Aged 18+) 12 months to June 2007
21	Percentage of Population with an Overweight Body Mass Index	Males - 40.5% Females - 24.9% (Aged 18+) Australian Bureau of Statistics Catalogue No. 4364.0 August 2004 - June 2005	Males - 41.5% Females - 26.6% (Aged 18+) 12 months to June 2007
22	No. of Registered Vehicles (Passenger and Light Commercial Vehicles)	13.4 million Motor Vehicle Census Australian Bureau of Statistics Catalogue No. 9208.0 12 months to October 2006	13.3 million Qtr to June 2007
23	Total Kilometres Driven in Last 12 Months	209 billion kms Survey of Motor Vehicle Use Australian Bureau of Statistics Catalogue No. 9208.0 12 months to October 2006	224 billion kms 12 months to June 2007



COMPARATIVE STATISTICS		EXTERNAL DATA SOURCE (ALL AGES UNLESS OTHERWISE STATED)	ROY MORGAN SINGLE SOURCE (AGED 14+ UNLESS OTHERWISE STATED)
24	Most Popular Holiday Destination	345,000 holiday departures to New Zealand* Australian Bureau of Statistics Catalogue No. 3401.0 12 Months to January 2007	445,000 Australians travelled to New Zealand 12 months to June 2007
25	Participation in Sport and Physical Activity	66% (Aged 15+) Australian Bureau of Statistics Catalogue No. 4177.0 2005-2006	66% (Aged 14+) Regularly participate 12 months to June 2007
26	Fly Buy Cards - Number of Cardholders	5.4 million members Coles Myer Ltd News Release August 2003	5.4 million members 12 months to June 2007

