



AUSTRALIAN HOTELS ASSOCIATION

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The Secretary
Senate Community Affairs Committee
PO Box 6100
Parliament House
Canberra ACT 2600

By email: community.affairs.sen@aph.gov.au

Dear Mr Humphery

**Re: Excise Tariff Amendment (2009 Measures No. 1) Bill 2009
Customs Tariff Amendment (2009 Measures No. 1) Bill 2009**

Please find attached a response from the Australian Hotels Association in relation to the Inquiry into the above Bills.

Introduction

The Australian Hotels Association has more than 5000 member hotels across Australia. It is a federally registered industrial organisation of employers and has a National Office, and branch offices in each State and Territory.

Our membership base is made up of general licensed premises and accommodation hotels. The overarching objective of the AHA is to contribute to the establishment and maintenance of an economic and social environment that fosters the business success of members and pubs and hotels generally.

In order to achieve such objectives, we are concerned with the stability, viability and growth of the hospitality and tourism sector.

AHA members operate in a highly regulated environment and are subject to significant penalties if they are found to have sold or supplied alcohol to underage or intoxicated persons. Licence arrangements vary from State to State and this leads to variations in opening hours and competitive arrangements.

Licensed premises supply alcohol for the following purposes:

- (i) On-premise consumption in bars, restaurants and functions rooms; and
- (ii) Take-away, through retail liquor outlets.

Hotels compete for alcohol sales with restaurants, retail liquor outlets, clubs, cellar door and on-line providers.

Over the last 30 years, reforms such as the introduction of random breath testing and the growth of discount liquor barns have seen the split between on and off premise consumption of alcohol change dramatically. Today, packaged alcohol accounts for around 70% of sales. This is predominately consumed away from licensed premises. While alcohol sales remain an important revenue source for hotels, they are supported by a number of other income streams, such as gaming and wagering, food, entertainment, accommodation, conventions and functions.

Background to the Inquiry

On the 12 February, 2009, the Senate referred the provisions of the above Bills to the Community Affairs Committee, together with 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:*

1. *The revenues raised under the alcopops tax measure;*
2. *Substitution effects flowing from the alcopops tax measure;*
3. *Changes in consumption patterns of ready-to-drink alcoholic beverages by sex and age group following the introduction of the alcopops tax;*
4. *Changes in consumption patterns of all alcoholic beverages by sex and age group following the introduction of the alcopops tax;*
5. *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);*
6. *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;*
7. *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;*
8. *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*
9. *The value of evidence-based decision-making in the taxation of alcoholic products.*

The Government’s Justification for the New Tax

The Minister made a number of comments in her second reading speech detailing the reasons for the tax increase. These included:

These bills will reverse a serious mistake made by the Liberals in 2000 that has led to “the growth in alcopop consumption, alongside their appeal to young and underage drinkers – and the role they play in encouraging binge-drinking.... Alcopops are targeted directly at young people and underage drinkers..... By using bright colours and sweet flavours, alcopops companies aim to hook young people on drinking early in their lives.

The AHA's Response

The AHA provided a submission and appeared before the Committee in relation to the previous Inquiry into Ready-to-Drink Alcohol Beverages undertaken in June, 2008. Much of the information provided at that time is relevant to the current inquiry. This submission needs to read in conjunction with this previous work, as well as the AHA's Submission to the National Preventative Taskforce Discussion Paper – Australia the Healthiest Country by 2020.

The AHA does not generally comment publicly on alcohol tax issues, however it is clear that an increase in tax on a particular category of alcohol is a blunt instrument. The AHA believes that rising prices merely leads to the substitution for other comparable products or substances. However, price reductions do encourage a positive shift in the consumption of lower alcoholic products particularly where discretionary spending is limited. This is evidenced by the level of sales in low and mid-strength beers.

Over the past 12 months, there have been a number of Government interventions in response to a perceived binge drinking crisis in Australia. Rarely have these been subjected to rigorous cost/benefit analysis. This has meant that not only have they failed to achieve the desired outcome of reducing harmful drinking, but have caused commercial detriment to the affected suppliers and retailers.

The decision to remove the tax concessions for RTDs was aimed at reducing a supposed alarming rise in risky drinking by young females. The facts are:

- The new tax regime was introduced to provide some parity between beer and RTDs of similar alcoholic content;
- Since 2000, there has been dramatic growth in the category predominately through men switching their preference from other products to dark spirit RTDs;
- The majority of these products are consumed by males over the age of 25;
- These products have been developed to be sold to people over the legal drinking age. The Government has provided no evidence that the AHA is aware of that indicates this product has been developed for, and are targeted at, underage drinkers;
- There is no evidence to indicate an alarming rise in risky drinking among young females;
- The substantial price increase has not decreased alcohol consumption but shifted sales to full bottles of spirits or other products like beer and wine;
- The shift to 750mL bottles of spirits in the off-premise environment requires the free pouring and mixing of spirit-based drinks. This 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; and
- The price increase has seen a move away from RTD purchases "on premise". A nip and post-mix provides a higher return to the hotel.

The AHA believes the market for alcoholic drinks waxes and wanes with fashion. To single out a particular product or segment range is simply bad policy unless there is clear evidence

to the contrary. The evidential link between increasing the tax on RTDs and a resulting reduction in binge drinking among young women is tenuous.

RTDs are no better or worse in terms of responsible drinking practice than other forms of alcohol. Consumed responsibly, they offer consumers choice and premium product. When it comes to responsible consumption, it is not what is consumed, it is the nature and volume of the consumption that leads to misuse.

The recent decision to increase the tax on RTDs also fails to take account of evidence from the most recent Australian Secondary Schools Study on Alcohol (ASSSA) survey that indicates that the level of underage drinking has declined since the RTD tax was reduced in the early part of this decade. The survey suggests that the overwhelming majority of underage drinkers obtain their alcohol from their parents and/or another closely related adult. The significant penalties for selling alcohol to underage drinkers have ensured that hotels and other licensed premises are extremely diligent in monitoring the age of their customers.

Any evidenced-based strategy aimed at reducing the level of risky drinking among young girls should lead to a reduction in the overall consumption level of alcohol not a shift to other products. Feedback from members indicates that the significant drop in RTDs sales that has followed the tax increase has been offset by a corresponding increase in other products. The AHA surveyed a selection of members to ascertain changes to the sale of RTDs and other alcoholic products since the introduction of the new tax. The results of this survey are found at Attachment 1.

In summary the survey, which covered over 1400 outlets, showed that since the removal of the tax concession:

1. The take-away sales of RTDs have decreased significantly;
2. The take-away sales of full bottles of spirits have increased;
3. The take-away sales of beer have increased slightly or stayed the same;
4. The take-away sales of wine have increased by around 20%;
5. The take-away sales of other alcohol products such as cider have increased; and
6. There has been no discernable drop in the overall sale of alcohol products.

Note: *One respondent indicated that in respect of RTDs, there has been a decrease in the sales of dark spirit-based RTDs (bourbon, whiskey, etc), however the drop in white spirit-based RTDs (e.g. breezers, etc) has only been approximately 2%.*

These findings are consistent with other surveys and suggest that while the removal of the tax concession has had a devastating impact on sales of the RTD product category, it has done little to achieve the stated objective of reducing the level of risky drinking among young females. This is understandable given the fact that the majority of this product is consumed by males over the age of 25. The price increase resulting from the tax has merely seen them move to full bottles or revert to other products.

Avoiding Unintended Consequences – The value of evidence-based decision-making in the taxation of alcoholic products

The Federal Labor Government is committed to establishing a culture of evidence-based policy development within the Australian Public Service. Such a culture needs to (i) establish if a significant problem exists (ii) identify the best way to address any problem and (iii) determine the anticipated costs and benefits of taking a particular course of action.

Hoteliers have a social and commercial interest in providing their products and services responsibly, consistent with their legal obligations.

The AHA is committed to playing an active role in the development and implementation of an effective National Alcohol Strategy. This strategy cannot focus solely on health issues and must take account of the broader economic, social and community cost and benefits of any recommended course of action.

Strategies must address demonstrable areas of concern in a way that will achieve sustainable improvements and have a net overall benefit to the community. Real change will only emerge when all key stakeholders provide an appropriate environment for individuals and the broader community to adopt the necessary lifestyle choices to achieve a responsible drinking culture.

The AHA does not believe there is a “binge drinking crisis in Australia”. We note that the National Alcohol Strategy 2006-2009 indicates that there has been a significant reduction in per-capita consumption of alcohol over the last two decades (page 9). We accept that despite this reduced consumption, there has been a change in drinking patterns and there is a perception in the community that the level of high-risk drinking has increased, especially among women and young people.

A paper commissioned for National Drug Strategy (NDS): “The costs of tobacco, alcohol and illicit drug abuse to Australian Society in 2004/05” confirms that the majority of health cost associated with the consumption of alcohol are a consequence of short term, high-risk drinking, e.g. assaults and accidents linked to intoxication. The analysis of the \$15.3 billion cost attributed to alcohol shows:

Estimated Costs

<i>\$4.48 billion</i>	<i>Intangible cost due to loss of life and pain and suffering</i>
<i>\$3.5 billion</i>	<i>Net labour costs – loss productivity</i>
<i>\$1.9 billion</i>	<i>Health costs (chronic long-term health costs around \$750 million)</i>
<i>\$2.2 billion</i>	<i>Cost of road accidents</i>
<i>\$1.4 billion</i>	<i>Crime</i>
<i>\$1.6 billion</i>	<i>Abusive behaviour</i>

Note:

- *Tax income from alcohol = \$5.1 billion*
- *Cost of crime associated with illicit drugs is double alcohol at \$3.5 billion*
- *Annual deaths attributed to alcohol = 3500. Lives saved around 2000 lives.*
- *The review by Access Economics commissioned by the National Alcohol Beverage Industry Council (NABIC) raises significant questions about the validity of the work of Collins and Lapsley*

The AHA is a member of NABIC. NABIC recently commissioned Access Economics to review the Collins and Lapsley paper, "The avoidable cost of alcohol abuse in Australia and the potential benefits of effective policies to reduce the social cost of alcohol".

The work of Collins and Lapsley has been used extensively to justify the highly publicised \$15.3 billion cost of the inappropriate use of alcohol to the Australian community. The Access Economics paper reinforces the need for appropriate industry involvement in any national prevention agency. It found: *"We concluded that the costing analysis displayed a paucity of evidence and supporting evidence, incomplete references for claims, lack of transparency in calculation processes and a singularly poor methodology and data use."*

Real solutions will only emerge when stakeholders focus on shared outcomes not power and control. There is a need to build and maintain trust across stakeholders. This will require an accepted, standardised process to evaluate the benefits of proposed initiatives. The AHA recommends that the cost/benefit analysis methodology advocated by the Australian Government Office of Best Practice.

The AHA is unaware if the current tax increase has been subjected to this rigorous process.

The Need for a National Partnership to Promote a Responsible Drinking Culture

Real solutions are not only about individual choice and personal responsibility but also about the role of Government, business and industry and non-government organisations.

The AHA is committed to working with Government and the broader community to develop a comprehensive national responsible consumption of alcohol strategy that promotes workable solutions to real problems. We were actively involved in the development of the current National Alcohol Strategy. We believe this provides an effective plan to support the emergence of a responsible drinking culture in Australia. We are disappointed that there has been little attempt by the Federal and State Governments to develop a comprehensive implementation plan to advance this strategy.

The AHA has developed an industry plan to support the responsible consumption of alcohol based on this strategy. Elements of this plan are outlined in Attachment 2.

The AHA believes that “ultimately it is communities, families and individuals who must change behaviours if we are to become a healthier nation”. Former British (Blair) Health Minister Alan Milburn has foreshadowed the need for greater personal accountability and an evolving role for Government if we are to achieve meaningful change in a modern society. In a recent article in the “Sydney Morning Herald”, he said:

“Cutting the size of central Government and moving power to the individual should be the progressive political narrative of the 21st Century. Ours remains a “them and us” political system framed in an era of elitism. Rulers ruled and the ruled were grateful.....equity demands empowerment.... Real equality of opportunity means giving people real control over their lives and a fairer share in power.

The modern state has to step forward where citizens individually are weak – providing collective security and opportunity – but step back where citizens individually are strong, exercising personal choice and responsibility.

The modern state should not just enable. It should empower so that more people can realise their individual aspirations to progress.

The right wrongly rejects the state. The trick is to transform it so that the state controls less and empowers more.”

Any plan must ensure consumers have the skills, knowledge and incentive to manage their drinking in a responsible way and make informed choices. The focus of the strategy therefore must be on reshaping attitudes and behaviours, rather than prohibiting them.

This will require a new approach from Government agencies. Mr Ken Henry, the Secretary of The Treasury, has acknowledged that *“many of the policy problems that we face today have a whole-of-government character. There is no room for silos between central, line and operational agencies, nor between levels of government”*.

Conclusions

Hotels believe that an effective National Alcohol Strategy must clearly focus on reducing the level of harmful drinking in the community. It must distinguish between the responsible consumption of alcohol and the social and health consequences of “getting drunk”. A failure to provide a clear focus will dull the message and alienate the majority of Australians who drink in a responsible manner. The key is not to regulate or deregulate, but to find the most appropriate level of regulation. We believe that we should ensure consumers and suppliers self-regulate if and where they can.

A reduction in risky drinking requires a comprehensive strategy based on thorough research. Any change will take time and require a co-ordinated set of strategies aimed at reducing community acceptance of risky drinking and the anti-social behaviour that often accompanies

it. The success of ongoing drink-driving campaigns, particularly among young people, shows that change can be achieved.

Any change must also be underpinned by community recognition that ultimately every individual is responsible for monitoring his or her consumption of alcohol and any subsequent behaviour that ensues if they drink too much and become intoxicated. Abuse of alcohol is no excuse for anti-social behaviour, violence or putting the safety of an individual at risk.

Alcohol is not a normal product and hence we accept the need to regulate its sale and purchase. The industry was critical of the National Competition Council (NCC) and the pressure it put on States to deregulate the alcohol market in the late 90s. The evidence is that opening the market has commoditised alcohol and undermined community understanding of the need to treat the product differently. In 2005, the NCC commissioned a review, "Identifying a framework for the regulation in packaged liquor retailing". This review found, among other things, that *"the majority of international literature appears to support the availability hypothesis, i.e. that availability is correlated with consumption and harm levels"* (para 94).

A recent report, "Rules of Engagement", published by the NSW Bureau of Crime Statistics and Research looked at policing and alcohol-related violence around licensed premises. It found that:

"Alcohol-related violence and anti-social behaviour in public places is a complex policy problem for Australian Governments, which seek a balance between acknowledging the significant contribution made by the liquor industry to Australia's economy and the harms and costs associated with alcohol consumption..... The report sees it as a 'wicked problem' This is one that spans a number of policy arenas, is difficult to resolve and the responsibility of which stretches across several stakeholders with different perspectives on how such a problem should be addressed.

It went on to say that:

"There are limits to the possible. These limits are identified in this report as 'wicked problems', National Competition Policy and political short-termism..... Most complex policy problems require long-term strategies and solutions. In many ways, police and other stakeholders have circumvented these limits to the possible (by responding quickly to problems). However these limits cannot be formally changed by police. State and federal legislators are those who are in a position to change the rules of engagement in this area."

The report recommends:

"The use of partnership in all its forms, but suggests that the police and other public sector agencies need more formal support from senior management and governments if they are to reap the benefits of partnership work."

It is incumbent on Government, regulators, the industry and the broader community to work collaboratively to find ways of creating a responsible drinking culture. This will not be achieved by pointing the finger of blame at a product or particular sector. Kneejerk reactions by Government are inconsistent with evidence-based policy making. They undermine trust and make people cynical about the depth of commitment a Government may have in finding effective solutions to real problems.

It is unlikely that collaboration will be enhanced by this tax increase and the way that it has been imposed on the industry.

Yours sincerely

Bill Healey
National Chief Executive Officer
Australian Hotels Association

Attachment 1

Ready to Drink Questionnaire

The AHA has been asked to appear before the Senate Inquiry into the new Tax on Ready to Drink Products (Excise Tariff Amendment (2009 Measures No. 1) Bill 2009 and Customs Tariff Amendment (2009 Measures No. 1) Bill 2009).

The purpose of the inquiry is to assess the impact of the tax on ready-to-drink alcoholic beverages, the so-called “alcopops” tax, since its introduction on 27 April, 2008. To assist our submission, we are seeking feedback on the experience of alcohol sales in your business since the introduction of the tax. The information will be aggregated and used in the AHA’s submission to the inquiry.

Business Name (optional)

Number of Outlets: 1424 (total)

Since the introduction of the RTD tax, the sales of this product have:

- | | |
|-----------------------------|-----|
| 1. Dropped by more than 25% | 43% |
| 2. Dropped by more than 10% | 33% |
| 3. Dropped by less than 10% | 24% |
| 4. Stayed the same | 0% |
| 5. Increased | 0% |

Since the introduction of the RTD tax, the take-away sales of full bottles of spirits have:

- | | |
|-------------------------------|-----|
| 1. Increased by more than 25% | 25% |
| 2. Increased by more than 10% | 33% |
| 3. Increased by less than 10% | 42% |
| 4. Stayed the same | 0% |
| 5. Decreased | 0% |

Since the introduction of the RTD tax, the take-away sales of beer have:

- | | |
|-------------------------------|-----|
| 1. Increased by more than 25% | 0% |
| 2. Increased by more than 10% | 0% |
| 3. Increased by less than 10% | 25% |
| 4. Stayed the same | 75% |
| 5. Decreased | 0% |

Since the introduction of the RTD tax, the take-away sales of wine have:

- | | |
|-------------------------------|-----|
| 1. Increased by more than 25% | 0% |
| 2. Increased by more than 10% | 38% |
| 3. Increased by less than 10% | 63% |
| 4. Stayed the same | 0% |
| 5. Decreased | 0% |

Since the introduction of the RTD tax, the take-away sales of other alcohol products:

- | | |
|-------------------------------|-----|
| 1. Increased by more than 25% | 0% |
| 2. Increased by more than 10% | 14% |
| 3. Increased by less than 10% | 0% |
| 4. Stayed the same | 86% |
| 5. Decreased | 0% |

Please indicate what beverages have increased:

- 1. In respect of RTDs there has been a decrease in the sales of dark spirit-based RTDs (bourbon, whiskey, etc), however the drop in white spirit-based RTDs (e.g. breezers, etc) has only been approximately 2%. Given that one of the aims of the tax is to reduce "binge drinking", particularly in young women, this statistic clearly shows that it is not effective. (360 venues)*
- 2. Cask wine (1)*
- 3. Cider – overall sales decreased (on-premise not so bad, take-away sales drastic!)*
- 4. Bulk spirit sales have increased*
- 5. Bulk spirit sales have increased*
- 6. Cider (190)*
- 7. Cask wines*
- 8. Low cost spirits*
- 9. Cider and brew-based alcohols (10)*

The experience of our business is that since the introduction of the RTD tax, the total sales of alcohol has:

- | | |
|----------------------------|-----|
| 1. Increased substantially | 1% |
| 2. Increased | 24% |
| 3. Stayed the same | 33% |
| 4. Decreased | 42% |
| 5. Decreased substantially | 0% |

Thank you for completing the survey. Could you please email your response to healey@aha.org.au.

Attachment 2

The AHA Approach to Creating a Responsible Drinking Culture

The AHA is committed to working with all sides of politics to implement evidenced-based solutions to real problems. This requires a culture that leaves the blame game behind, seeks to identify the extent and causes of a problem and endeavours to find effective solutions that don't unnecessarily impact on third parties.

We have established the following key principles to promote the responsible consumption of the product and services we provide:

- Interventions should promote personal responsibility and accountability;
- Results will emerge from effective partnerships with Government, key stakeholders and the community;
- Hoteliers should acknowledge problems and fix our own backyard first; and
- The industry should expect policy decisions to be based on sound evidence.

AHA members understand that there are no quick fixes to many of the social problems that currently exist in the community. Addressing them will require a commitment to continuous improvement. The focus needs to be on local solutions for local problems.

We have developed a national approach to the responsible consumption of alcohol. This recognises that this issue is regulated at the State level and needs to be dealt with by AHA branches.

Hotels and the alcohol industry are already subject to substantial regulation in relation to alcohol and generally seek to comply with their obligations. It is therefore timely to assess current obligations and consider additional strategies that may assist in achieving the National Alcohol Strategy's goal of creating a drinking not a drunken culture.

There needs to be a long-term commitment to achieve this goal. The success of the drink-driving campaign in changing the behaviour of young people should engender confidence that the required change can be achieved.

Key elements in the AHA strategy to address community concerns include:

1. Ensuring personal accountability

Studies show that Australians are often unaware of what constitutes a standard drink and are ignorant of the effects that alcohol consumption may have on their behaviour. Public information on the impact of alcohol does not disaggregate direct health costs from the physical harm and injury that results from intoxication.

The AHA believes that increased effort is required to create a culture of personal responsibility for one's level of alcohol consumption. There needs to be greater recognition that this is a "whole of community" issue, especially in relation to underage drinking, which is often facilitated or condoned by parents and other related adults. Strategies should:

- Increase community awareness of the standard drink concept and logo;
- Support a culture that expects drinkers to monitor and moderate their consumption to avoid drunkenness; and
- Advocate for the introduction and enforcement of "on-the-spot" penalties for public drunkenness and anti-social behaviour.

The AHA is working to introduce a Hotel Patron Charter of Rights and Responsibilities that will outline expected behaviours in licensed venues.

2. Promote responsible consumption and eliminate practices that encourage risky drinking

Hoteliers are required by licensing laws to comply with responsible service practices. This involves identifying products and/or practices that encourage risky drinking and, where necessary, taking appropriate action, such as:

- Working with suppliers to ensure the alcoholic content of products supports responsible drinking;
- Ceasing service practices that contribute to risky drinking;
- Supporting interventions that eliminate aggressive promotion of alcohol consumption, such as aggressive price discounting of alcoholic products; and
- Encourage responsible service initiatives, such as the provision of water and other non-alcoholic beverages.

We are committed to implementing a nationally consistent responsible service of alcohol (RSA) program. This will be required by all frontline staff and focus on patron care and personal management, as well as providing an understanding of compliance obligations.

3. Build community capacity to deal with alcohol-related issues

Across Australia, AHA members work constructively with the Police, the community and local government bodies to ensure tailored responses to the needs of local communities. Local liquor accords can provide a holistic strategy to reduce the potential for anti-social behaviour in entertainment precincts.

The AHA is concerned that a number of problems arise because some patrons consume large amounts of alcohol and/or other substances prior to entering a venue. Refusing entry can often leave an intoxicated and disgruntled individual on the street.

The AHA actively supports the development of effective Local Accords. However, it is also important that other stakeholders contribute to the development of workable local strategies to minimise potential problems. These may include ensuring the availability of adequate transport, the presence of visible policing in key areas and the development of appropriate public amenity, e.g. proper lighting.

4. Encourage high quality research

The AHA has a seat on the board of DrinkWise Australia and is keen to ensure it becomes the pre-eminent body for the provision of quality research on alcohol in Australia.

The AHA believes it is essential that government policy and practice in relation to alcohol must be evidence-based.

5. Support the development of a better informed population

The community view on alcohol-related issues is heavily influenced by negative media coverage. Communication strategies must promote a balanced debate.