

March 2009

Mr Elton Humphery  
Committee Secretary  
Senate Community Affairs Committee  
Parliament House  
CANBERRA ACT 2600  
[community.affairs.sen@aph.gov.au](mailto:community.affairs.sen@aph.gov.au)

– BY EMAIL –

Dear Mr Humphery

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

This legislation seeks to implement the Government's preferred tax rate for ready-to-drink (RTD) beverages – 'alcopops'. Evidence to related inquiries undertaken by this Committee<sup>1</sup> shows that this is a policy that has also been adopted by some other governments, the table below provides examples:

Country	Date of Tax Policy Changes	Overview
Denmark	2005	Additional duty on spirit-based RTDs.
France	2004	Doubled the tax on spirit-based RTDs.
Germany	2004	Increased tax on spirit-based RTDs.
Ireland	2002	RTDs taxed at spirit-equivalent rate.
Luxembourg	2002	Increased tax on spirit-based RTDs.
Switzerland	2004	Increased tax on spirit-based RTDs.
United Kingdom	2002	RTDs taxed at spirit-equivalent rate.

The Brewers Association of Australia and New Zealand has looked carefully at the terms of reference and believe we can contribute to two areas of nominated interest – statistics relating to beer production, and 'malternatives'.

<sup>1</sup> E.g. Professor Robin Room, 11/06/08, p.CA12, Senate Inquiry into RTD beverages.

## Beer Data

Our Association does not collect, nor does it subscribe to commercial services which compile, data on the sales of non-beer products. However, we do maintain a series showing beer deliveries into the Australian market by our members. As our member companies account for well over 95% of all beer in this market, these figures may be useful for detecting *general* trends in deliveries over time which may serve as a viable proxy for overall consumption. Of course, we must emphasise to the Committee 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*.

Nevertheless, beer delivery figures (i.e. past the factory gate) show that when comparing a three month period of deliveries either side of the introduction of the tax increase, i.e. February-April 2008 to May-July 2008, there was a 0.4 percent *increase* in beer delivery volumes. However, when comparing a six month period of deliveries either side of the introduction of the tax increase, there was a 10.4 percent *decrease* in beer delivery volumes.

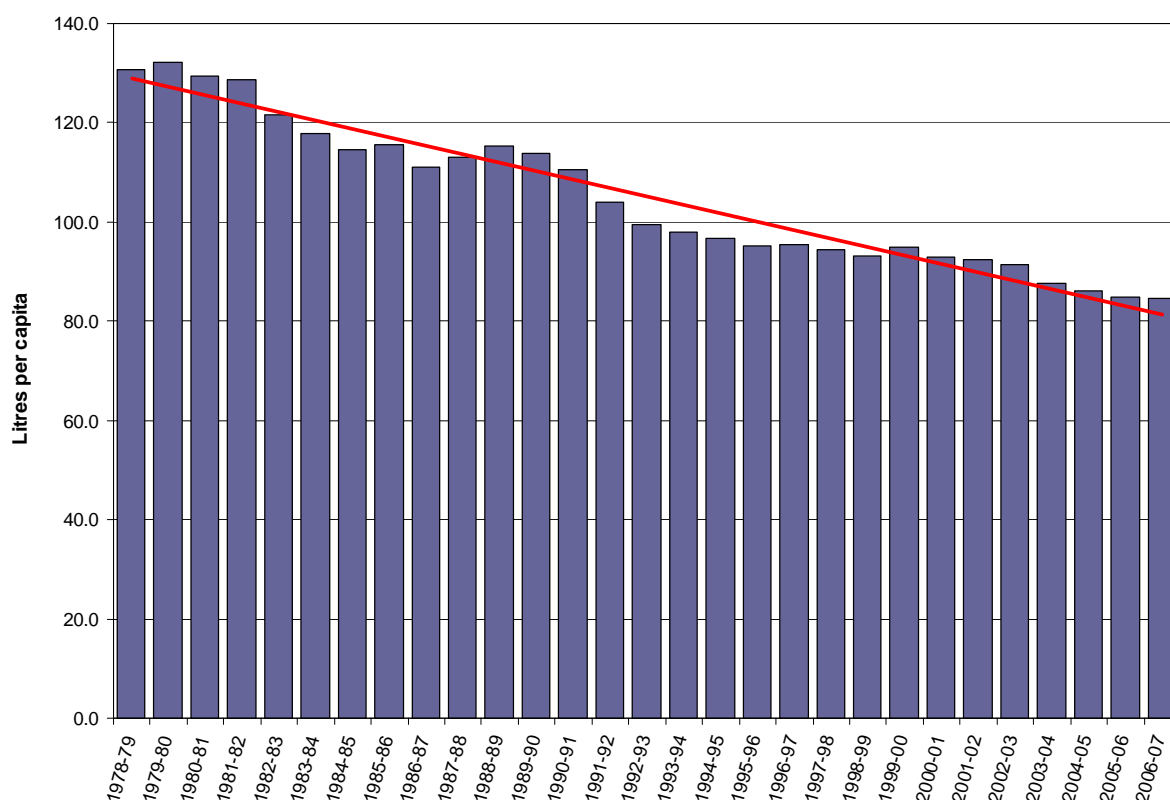
Correlation and causation should not be confused – in reality we cannot reliably infer anything from these data, there is simply too much short-term fluctuation. Such a small move in the data, either way, may be influenced by many factors including seasonal (or unseasonal) weather conditions; community events/festivals or major sporting events; improved product offerings or successful marketing initiatives.

The constantly shifting microeconomic environment also influences the beer market as consistently as it does the market for wine or spirits. It is beyond doubt that consumer preferences change to suit the prevailing economic conditions. For example, during periods of macroeconomic downturn and contracting disposable income consumers will be less likely to ‘eat out’ or consume beverages in licensed premises, potentially transferring demand to take-away/packaged products.

Undoubtedly, in seeking to interpret the practical effect of any policy, the temptation arises to create trends from inconclusive short-term data. Whilst this may be safer for very large, dramatic shifts in consumption, e.g. the shifts reported by others in RTD and full spirits consumption, it is very unsafe for minor or negligible shifts in consumption, e.g. the shifts in beer which may be attributable to many factors. The folly of doing so is shown clearly by the chart on the following page, which is dotted with short-term consumption increases only to be offset by long-term trends. Short-term data must be kept in perspective.

From our own delivery figures and the trend line for beer over time, we can see that per capita beer consumption has seen a slow decline in Australia. The available information suggests that, 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.

### Australian Beer Consumption per capita 1978-2007



Sources: World Advertising Research Centre, ABS.

### Malternatives

The term ‘malternative’ entered into the Australian political lexicon very quickly indeed. It is used to describe an alcopop which can be passed off as a beer for taxation purposes. This term is widely used in the United States where many of these (and some wine-based) products exist. In Australia, most alcopops use ethanol sourced from spirits.

The Brewers Association identified ‘malternatives’ as a potential unintended consequence of the government’s policy announcement very early in the debate. We announced our intention to work with government in a media release entitled “*Non spirit based alcopops ruled out by local industry*” in June 2008<sup>2</sup>.

On 25 February 2009 the government introduced amendments to the two bills which are the subject of this inquiry to narrow the definition of beer. We support these amendments which we believe will close the unintended ‘malternative’ loophole while maintaining the current range of long-established beer styles.

At the core of these amendments is the sweet/bitter debate. We note that the government, in the second reading speech by the Minister for Health and Ageing, argued that this sweetness has a particular appeal to underage female drinkers.

<sup>2</sup> The release was issued jointly with the Winemakers Federation of Australia.

Notwithstanding, we will leave the role of sweetness in the appeal (or otherwise) of these drinks for others to debate.

Our point of interest here is the simple fact that alcopops are more characteristically sweet than beer, which is characteristically bitter. These different characteristics provide one means of objectively drawing a line between beer and alcopops for taxation purposes.

Our members and their many regional suppliers and shareholders are interested in certainty in matters such as the tax definition of beer, for obvious reasons: Beer excise in the current year is running at \$1.96 billion of revenue<sup>3</sup>.

The Brewers Association welcomes the very objective definitional tests outlined in the legislation.

### **Summary**

To conclude, the government has announced a new policy for alcopop taxation, in line with other governments, for which it seeks Senate support.

There have been a number of inquiries which have canvassed the issue of alcopops by both this Committee and the Economics Committees over the past few years and the Brewers Association has made submissions to them all.

The Brewers Association has only two points to make which relate to the specific terms of reference of this Inquiry:

1. Accurate conclusions about the effects of the alcopop tax on beer consumption cannot be made at this stage; and
2. The proposed new definition of beer to avoid 'malternatives' is supported by our members.

The Brewers Association thanks the Committee for consideration of our views.

Yours sincerely



Stephen Swift  
Executive Director

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<sup>3</sup> Australian Budget 2008-09 MYEFO.