

The Public Health Perspective on Alcohol Excise and Taxation

A Submission to the Senate Economics Legislation Committee

Customs Amendment Bill 2006 and three related bills

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Submitted by:

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NB. This paper has drawn on a range of reputable studies relating to alcohol policy, pricing and taxation (see references), as well as the work of fellow alcohol taxation and health advocates including Prof Tim Stockwell (National Drug Research Institute) and Dr Alex Wodak (Director, St Vincents Hospital, Alcohol and Drug Services).

Introduction

Over the past 14 years I have made several submissions to government and specifically to the Senate Economics Legislation Committee on the issue of alcohol taxation. Rather than edit previous submissions, I would like to resubmit my previous submission to this committee (2002), and provide an addendum that briefly restates the core issues, considers changes over the last four years, and provides an edited set of recommendations. I have also included references drawn largely from the previous submission.

I would welcome an opportunity to discuss these changes in more detail.

Brief summary of the background issues

The following key points are largely beyond dispute having been established in a wide range of research studies in Australia and overseas, as well as in the findings of various committees and inquiries. (These issues are covered more fully in the attached 2002 submission).

- Alcohol is a major public concern
- Alcohol causes significant problems in the community
- Alcohol misuse has a significant economic impact on Australia
- Alcohol is a legitimate and accepted source of tax revenue
- Alcohol pricing impacts on consumption
- Alcohol taxes can improve public health and safety
- Redirected alcohol and excise can have a beneficial impact
- The current alcohol excise and taxation system is, at best, inconsistent
- Price based alcohol taxes (e.g. the W.E.T.) are unhealthy
- Current taxation favours products associated with high levels of harm
- Increased pre mixed spirit sales may not be harmful

Changes since 2002 relating to alcohol excise and taxation

There have been two major developments since 2002 that have significant relevance to any discussion of alcohol excise and taxation. The first, introduction of a higher excise on mid strength alcohol in combination with changes to State low alcohol subsidies effectively removing economic incentives to produce mid strength and low alcohol products at slightly higher alcohol content. This change is welcomed by all.

The second notable change has been a very significant rise in consumption of Ready To Drink products (RTDs) since the excise on these products was reduced. It is important to note that this increase has been largely at the expense of full strength beer, spirits and wine.

Despite some health concerns about marketing practices associated with these products and potential targeting of underage drinkers, there is little evidence that increased consumption of these products is associated with an increase in per capita consumption or higher levels of harm.

The primary trends in relation to alcohol consumption over the past fifteen years remains fairly static, although there has been an increase in the level of drinking by young females offset by a slight reduction in levels of drinking by young males.

From my perspective, and I would argue from a broader health perspective, there are really only three questions to be asked in relation to any proposed changes to alcohol excise and taxation.

The first question is ***'does the proposed change increase or reduce the floor price for alcohol?'*** The evidence increasingly suggests that increasing the price of the cheapest form of alcohol has a direct benefit in reduced alcohol related harm.

The second question is ***'does the proposed change provide incentives for consumers to choose lower alcohol products?'*** If people consume less alcohol in each drink, it has an impact on levels of intoxication and levels of harm.

The third question is ***'does the proposed change provide incentives for alcohol producers to develop and market lower alcohol products?'*** The development of better tasting and strongly marketed low alcohol beers in the early nineties has had a real impact on levels of alcohol related harm in Australia. These developments were largely driven by clear price incentives for alcohol producers. The price incentives provided to alcohol producers were achieved primarily through government concessions in relation to licensing (State) and taxation arrangements.

These same principles apply now as they did four years ago and are the basis of the following recommendations.

Recommendations

1. The Customs Amendment Bill 2006 and three related bills should be supported.
2. Further consideration should be given to offering a low alcohol exemption to all alcohol products under 10% provided that:
 - any reduction in alcohol taxation income is offset by increases in other alcohol taxes (revenue neutral),
 - the price differential between products above and below 3.5% does not result in the marketing of products that are significantly cheaper than low strength beer and other competitors (maintain existing minimum price),
 - any significant windfall to particular producers is significantly offset by a levy that would be redirected to the Alcohol Education and Rehabilitation Foundation (as occurred with excess beer excise).
3. The current Wine Equalisation Tax should be phased out over a period of time and replaced by an excise based on alcohol content with incentives for lower alcohol wine products.
4. Further consideration should be given to developing a comprehensive alcohol taxation reform strategy that is based on treating all alcohol products as alcohol products and taxing them volumetrically rather than the current system of individual products of similar strength being subject to separate taxation arrangements. Such a system would provide clearer incentives for consumers to choose lower alcohol content products. It would also promote the production of better low alcohol products, raise the price of cheap bulk products, continue to raise high levels of government revenue, save government expenditure on alcohol related problems, and would be administratively simple to apply.
5. Further consideration should be given to a small increase in overall alcohol taxation. Such a move would be strongly supported by the community if it were shown that the extra revenue was to be spent on prevention and treatment services. An extra cent levied for each standard drink (10g of alcohol) would raise approximately \$100 million per year. A levy of 5 cents per drink was introduced in the early 1990s in the Northern Territory and was estimated to have saved 129 lives, prevented over 2000 hospital admissions and saved \$124 million in health care costs and lost productivity.

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