DSICA

Distilled Spirits Industry Council of Australia Inc.

Submission to the Senate Economics Legislation Committee

Customs Amendment (Fuel Tax Reform and Other Measures) Bill 2006 and other related bills

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DSICA

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DSICA

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Executive Summary

- DSICA is the peak industry body representing the interests of distilled spirit manufacturers and importers in Australia. DSICA appreciates the opportunity to make this submission on this package of bills with a view to demonstrating how tax *equity* and *efficiency* can be incorporated into these bills in addition to the enhanced tax *simplicity* that the bills encourage.

Customs Amendment (Fuel Tax Reform and Other Measures) Bill 2006 and three related bills

- DSICA congratulates the Federal Government for introducing these bills as a means of streamlining customs and excise legislation and removing unnecessary regulatory burdens on the spirits industry. We also commend the Government on maintaining a series of measures designed to protect standards in the production and sale of distilled spirits in Australia. DSICA supports the amendments in the bills in this regard and is not seeking amendment to any of their provisions.
- However, DSICA believes that the introduction of these bills provides the Government with an ideal opportunity to amend the taxation regime for beverages with less than 10% alcohol by volume (abv). In particular, it allows an opportunity to provide low and mid-strength packaged Ready to Drink beverages (RTDs) with the same taxation treatment that applies to low and mid-strength packaged beer.
- We hope that this Senate inquiry process, given that its terms of reference have been focussed on alcohol taxation measures, will provide the Government with a further opportunity to carefully consider this proposal.

Health policy aspects

- DSICA supports the development of Australia's *National Alcohol Strategy 2006-09* (the Strategy) as a plan for national action in developing drinking cultures that support a reduction on alcohol-related harm in Australia. A key recommendation of the Strategy is the use of price-related levers to reduce harmful consumption levels:

> The current system can result in the same tax for a 3.5% alcohol volume drink as a 6% alcohol volume drink. A new tax structure that **increases the affordability of low-strength alcoholic beverages is one potential way of achieving both health and economic benefits** (our emphasis) (MCDS 2006, p 29)

Recommendation

- DSICA submits that the current alcohol taxation system unfairly discriminates against RTDs in favour of beer.
- DSICA recommends that the excise and customs tariff laws be amended to provide that the taxation treatment that currently applies to low and mid-strength packaged beer also applies to low and mid-strength packaged RTDs.
- This will be achieved by:
  - applying the same tiered rates for low and mid-strength packaged beer to low and mid-strength packaged RTDs; and
  - providing for the 1.15% abv excise-free threshold that is currently applicable to all beer products to low and mid-strength packaged RTDs.

- Complete taxation equivalence between low and mid-strength packaged RTDs and packaged beer of similar strength is consistent with objectives of tax equity and efficiency and also with the health policy objectives outlined in the Strategy.
- DSICA strongly believes that the reduced incidence of excise costs associated with the fall in excise will increase the affordability of low and mid-strength RTDs and thereby encourage the consumption of lower strength alcohol beverages.
- DSICA's proposals are supported by a wide range of health and medical bodies, including:
  - National Alcohol Strategy 2006-2009;
  - Alcohol and other Drugs Council of Australia (ADCA);
  - Australian Medical Association (AMA);
  - Australian National Council on Drugs (ANCD);
  - National Drug Research Institute (NDRI);
  - Odyssey House Victoria;
  - Royal Australasian College of Physicians (RACP);
  - Royal Australian and New Zealand College of Psychiatrists (RANZCP);
  - Turning Point (treatment center);
  - Victorian Alcohol and Drug Association (VAADA);
  - Drugs and Crime Prevention Committee, Victorian Parliament (see Chapter 7).

Chapter 1: Introduction

1.1 Who is DSICA?

The Distilled Spirits Industry Council of Australia Inc (DSICA) is the peak body representing the interests of distilled spirit manufacturers and importers in Australia. DSICA was formed in 1982, and the current member companies are:

- Bacardi Lion Pty Ltd
- Brown-Forman Beverages Australia Pty Ltd
- Bundaberg Distilling Company
- Diageo Australia Limited
- Beam Global Spirits & Wine Inc.
- Maxxium Australia Pty Ltd
- Moet Hennessy Australia Pty Limited
- Suntory (Australia) Pty Ltd
- William Grant & Sons International Ltd.

DSICA's goals are:

- to create informed political and social environments that recognise the benefits of moderate alcohol intake and provide opportunities for balanced community discussion on alcohol issues; and
- to ensure public alcohol policies are soundly and objectively formed, that they include alcohol industry input, that they are based on the latest national and international scientific research and that they do not unfairly disadvantage the spirits sector.

DSICA members are committed to:

- responsible marketing and promotion of distilled spirits;
- supporting social programs aimed at reducing the harm associated with the excessive or inappropriate consumption of alcohol;
- supporting the current co-regulatory regime for alcohol advertising; and
- making a significant contribution to Australian industry through primary production, manufacturing, distribution and sales activities.

1.2 DSICA's views on the Bills being reviewed

DSICA appreciates the opportunity to provide this submission to the Senate Economics Legislation Committee review of the:

- *Customs Amendment (Fuel Tax Reform and Other Measures) Bill 2006;*
- *Customs Tariff Amendment (Fuel Tax Reform and Other Measures) Bill 2006;*
- *Excise Laws Amendment (Fuel Tax Reform and Other Measures) Bill 2006;* and
- *Excise Tariff Amendment (Fuel Tax Reform and Other Measures) Bill 2006.*

DSICA believes that this review provides an important opportunity to correct a small taxation anomaly in relation to the unequal taxation of low and mid-strength packaged RTDs and packaged beer products of similar alcohol content.

This submission is structured as follows:

- *Alcohol consumption patterns in Australia (Chapter 2):* this chapter highlights how alcohol consumption in Australia has fallen in recent decades. It also summarises the evidence that there has been no significant increase in harmful alcohol consumption amongst young people;
- *Background to alcohol taxation in Australia (Chapter 3):* this chapter provides a detailed analysis of the conceptual framework of alcohol taxation in Australia as outlined by Commonwealth Treasury. It highlights the unequal taxation of low and mid-strength packaged RTDs compared with packaged beer of similar alcohol content;
- *Beer market (Chapter 4)* and *RTDs market (Chapter 5):* these chapters provide the latest market data on these two alcohol markets. Chapter 5 highlights the extent to which packaged alcohol products of similar alcohol content compete against one another, and how small the current market is for mid-strength packaged RTDs (there are no low alcohol RTDs in the market);
- *RTD taxation and tax equivalence (Chapter 6):* this chapter highlights the unequal taxation burden that low and mid-strength RTDs carry compared with similar beer products;
- *Government revenue impacts and health and social impacts of RTD tax equivalence (Chapter 7):* this chapter highlights the wide-ranging health lobby support for lower tax on low and mid-strength alcohol products. It also highlights how this change is achievable at a minimum cost to Government revenue.

Chapter 2: Alcohol Consumption Patterns in Australia

The Committee's review of the Bills provides an opportunity to review recent trends in alcohol consumption in Australia. DSICA believes that its recommendations for tax equivalence between low alcohol and mid-strength packaged RTDs and packaged beer of similar alcohol content, have the potential to further reduce overall per capita alcohol consumption rates in Australia.

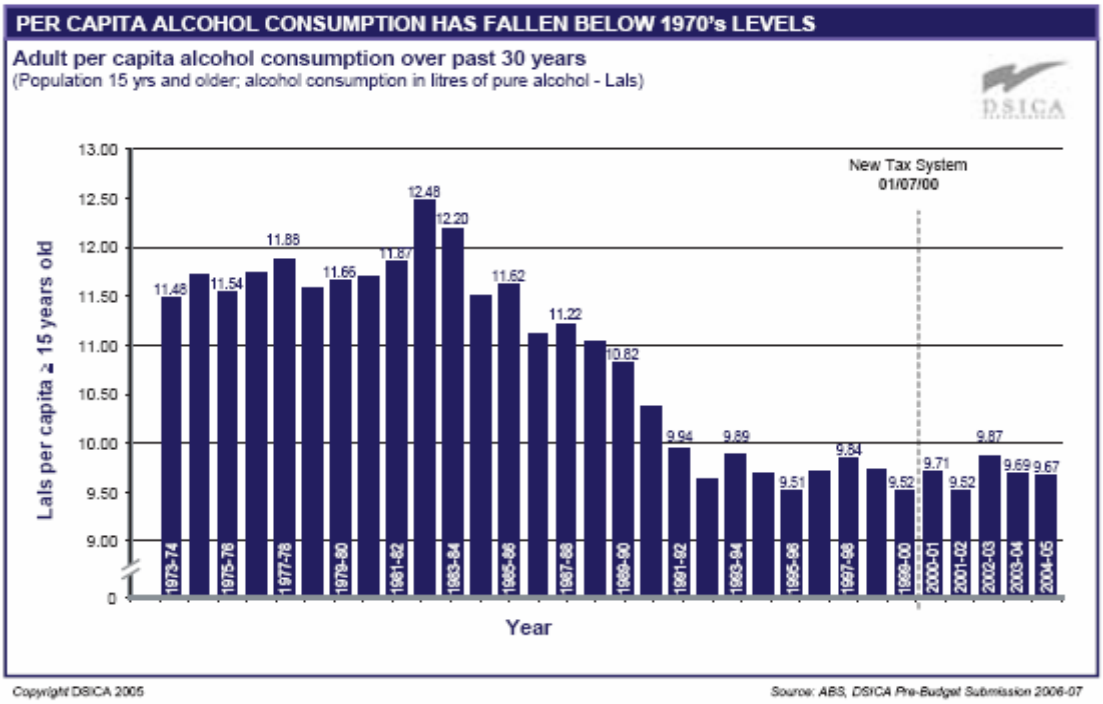
2.1 Per capita alcohol consumption

In 2004-05, DSICA estimates alcohol consumption in Australia at 9.67 litres of alcohol (lals) per capita (population 15 years and over). This is down slightly on 9.69 lals per capita in 2003-04.

DSICA has summarised a number of key facts in relation to overall alcohol consumption trends as follows:

- adult per capita alcohol consumption has fallen below 1970s levels;
- there has been no significant increase in adult per capita alcohol consumption after tax reform (1 July 2000).

Graphic 1: Historical Alcohol Adult per Capita Consumption (lals) 1973-74 to 2004-05



2.2 'Risk': categorising alcohol use amongst drinkers

DSICA strongly supports the use of the NHMRC *Australian Alcohol Guidelines* (the Guidelines) as the most appropriate method of measuring short-term and long-term risk when consuming alcohol (NHMRC 2001, pp. 2-3, 19-20).

The Guidelines rely on the concept of the "Australian Standard Drink" in their development and in the establishment of risk levels.

The Guidelines categorise drinkers into *Low Risk*, *Risky* and *High Risk* categories.

Each of these levels of risk is defined as follows:

- *Low risk:* this is a level of drinking at which there is only a minimal risk of harm, and for some, the likelihood of health benefits;
- *Risky:* this is a level of drinking at which risk of harm is significantly increased beyond any possible benefits;
- *High risk:* this is a level of drinking at which there is substantial risk of serious harm and above which risk continues to increase rapidly (NHMRC 2001, p.4).

DSICA believes that the highest priority should be given to reducing the levels of *high risk* drinking amongst vulnerable groups in our communities.

2.3 Underage drinking

DSICA acknowledges that the incidence of underage drinking is a significant concern in the community. There is a view that there are increasing levels of abuse of alcohol by underage persons and that the increasing popularity of RTDs is contributing to (if not causing) this occurrence.

This perception has arisen as a result of several widely publicised occasional surveys of drinking behaviour which are not reliable.

DSICA's position

DSICA wishes to emphasise that the spirits industry is capable of ensuring its products are manufactured and developed responsibly and in line with community expectations through the co-regulatory systems.

DSICA maintains constant dialogue with health groups, government agencies and relevant Ministers on strategies to reduce harmful levels of alcohol abuse in Australia. We welcome the Government's allocation of funding (in the 2006-07 Federal Budget) to DrinkWise Australia to contribute to responsible drinking education programs. We also welcome the Budget announcement of the introduction of the *National Safe Use of Alcohol Strategy* media campaign to discourage alcohol abuse and reduce alcohol-related harm in the community (Treasury 2006, pp 264, 273).

However, the dimensions and causes of underage drinking require further examination. The perception that an increased level of underage drinking is product-driven is not supported by reliable evidence. Policy options to address high-risk underage drinking need to consider broad youth issues and should be backed by sound research into effective delivery of initiatives that have real impacts on reducing problematic behaviour.

DSICA believes that the highest priority should be given to reducing the levels of *high-risk* drinking amongst vulnerable groups in our community, including amongst 12-17 year olds and young adult (18-24 year old) drinkers, and indigenous groups.

We collectively need to develop a comprehensive range of evidence-based harm-reduction strategies to achieve the goal of reducing the incidence of intoxication amongst young people.

Indicators of alcohol consumption amongst young people

In view of the significant number of survey findings regarding patterns of alcohol consumption, DSICA has engaged Professor Ian McAlister from the Australian National University (ANU) since 2003 to identify and evaluate the most reliable survey evidence on alcohol consumption in Australia. Professor McAllister also analysed patterns of risk in alcohol consumption across the Australian population, with a focus on young people. Professor McAllister has a long career in the area of drug research and analysis.

As a result of Professor McAllister's research, DSICA has developed a new reference tool – *Indicators of alcohol consumption amongst young people* (the Indicators), which consists of six key indicators on the consumption patterns of young people. This tool seeks to identify:

- A **"snapshot fact"** in relation to the Indicator (ie a measure at a particular point in time); and
- A **"trend"** regarding the Indicator over a timeframe.

Data for the Indicators is drawn from the best available survey evidence as identified by Professor Ian McAllister.

The Indicators have been well received by many industry and health stakeholders as providing a useful summary and insight into alcohol consumption trends amongst young people. As a result of the level of interest, DSICA plans to update the Indicators regularly, as new data becomes available.

A detailed explanation of the current state and trends of each of the Indicators is provided in a comprehensive DSICA publication: *Indicators of Alcohol Consumption Amongst Young People (Third Release, April 2006)*. See *Appendix 1*.

This is the Third Release of the Indicators, and the summary Indicators Table is set out on the following page.

The items measured by the Indicators remain unchanged since the First Release and are as follows:

Indicator 1: *Age of initiation:* at what age is alcohol most commonly first consumed?

Indicator 2: *Prevalence:* what proportion of young people are current drinkers?

Indicator 3: *High risk drinking:* what proportion of young people engage in high risk drinking?

Indicator 4: *Standard drinks consumed:* what is the average number of standard drinks being consumed by high risk drinkers on each drinking occasion?

Indicator 5: *Alcohol-attributable deaths:* how many underage drinkers are dying from alcohol-attributable deaths?

Indicator 6: *Product preference:* what is the product most commonly consumed by young high risk drinkers?

Graphic 2: Indicators of alcohol consumption amongst young people

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INDICATORS OF ALCOHOL CONSUMPTION AMONGST YOUNG PEOPLE

April 2006

Indicators	Snapshot		Trend	
	Facts	Timeframe (Source)	Facts	Timeframe (Source)
Indicator 1: Age of initiation At what age is alcohol most commonly first consumed?	**Males = 16.6 yrs** (mean age of initiation, 20 yr olds and over) **Females = 17.9 yrs** (mean age of initiation, 20 yr olds and over)	2004 NDSHS[1]	**Trendless fluctuation**	1991-2004 NDSHS[2]
Indicator 2: Prevalence What proportion are current drinkers?	**Males** **37% of 12-17 yr olds** (are current drinkers - past week) **Females** **31% of 12-17 yr olds** (are current drinkers - past week)	2002 ASSSA[3]	**No increase: 12-15 yr olds** **Slight decrease: 16-17 yr olds**	1984, 1999, 2002 1999-2002 ASSSA[4]
Indicator 3: High risk drinkers What proportion engage in high risk drinking?	***Short-term (single day):*** **9.4% of 14-17 yr olds** (are high risk drinkers) **19.1% of 18-24 yr olds** (are high risk drinkers) ***Long-term (regular weekly pattern)*** **1.8% of 14-17 yr olds** (are high risk drinkers) **8.0% of 18-24 yr olds** (are high risk drinkers)	2004 2004 NDSHS[5]	**Decrease: 14-17 yr olds** **Increase: 18-24 yr olds** **Decrease: 14-17 yr olds** **Decrease: 18-24 yr olds**	2001-2004 NDSHS[6]
Indicator 4: Standard drinks consumed What is the average number of standard drinks being consumed by risky and high risk drinkers on each drinking occasion?	***Males: Short-term (last drinking occasion):*** **12.4 std drinks for 15-17 yr olds** (average consumed by risky and high risk drinkers) ***Females: Short-term (last drinking occasion)*** **9.0 std drinks for 15-17 yr olds** (average consumed by risky and high risk drinkers)	2004 2004 NAC[7]	**Slight decrease: 15-17 yr old males** **Decrease: 5% fall for 15-17 yr old females**	Feb 2000-Feb 2004 NAC[8]
Indicator 5: Alcohol attributable deaths How many are dying from alcohol attributable deaths?	**One 14-17 yr old dies per week** (from alcohol-attributable injury and disease caused by risky/high risk drinking) (501 deaths over 10 yrs 1993-2002))	2002 Other[9]	**Declined markedly: 41% fall 14-17 yr old males** **46% fall 14-17 yr old females**	1993-2002 Other[10]
Indicator 6: Product preference What is the product most commonly consumed by high risk drinkers?	**Full-strength beer** (preferred by risky and high risk males **14-19** yrs) **Spirits** (preferred by risky and high risk females **14-19** yrs)	2004 NDSHS[11]	**No Change**	2001-2004 NDSHS[11]

(Please refer to Appendix 1 for full references of the footnotes in the Table)

Conclusion

Several key insights can be derived from the Indicators table:

- **Prevalence:** The proportion of underage drinkers is NOT INCREASING (*see Indicator 2)*;
- **Quantity:** The amount of alcohol consumed by underage drinkers is NOT INCREASING (*see Indicator 4)*; and
- **High Risk Drinkers:** There has been a DECREASE in underage male drinkers drinking at higher risk levels and NO SIGNIFICANT INCREASE for female drinkers at higher risk levels (*see Indicator 3*).

The Indicators also provide evidence that in relation to the market for RTD beverages:

- There is *no correlation* between the growth in the market for RTDs and the number of current underage drinkers (Appendix 1).
- There is *no correlation* between the growth in the market for RTDs and the number of underage drinkers consuming alcohol at high risk levels (Appendix 1).

DSICA submits that, on the basis of the best available evidence, there is no reason to believe that there are worsening trends of underage drinking nor is there reason to believe that the increased popularity of RTDs is causing such a situation.

Chapter 3: Background to Alcohol Taxation in Australia

Australia's system of alcohol taxation has developed on an ad hoc basis over the last 100 years. There has never been an independent and comprehensive review of the alcohol tax system which has allowed for implementation of an all-inclusive conceptually based and consistent approach for alcohol taxation.

This also means that there has never been a single conceptual framework developed for the taxation of alcohol in Australia. DSICA believes that the closest precedent is a framework laid down in the Commonwealth Treasury publication *Tax Expenditure Statement.* This framework is consistent with the DSICA proposition that "alcohol is alcohol" and that products of similar alcohol strength should be taxed at a similar rate. This is no less the case with mid and low-strength RTDs which are not taxed at the same rate as mid and low strength beer.

3.1 Alcohol tax structure in Australia

DSICA believes that any discussion regarding a change to alcohol taxation first requires a sound understanding of the existing conceptual framework of alcohol taxation in Australia.

Architecture of alcohol taxation

Alcohol beverages are taxed by the Commonwealth Government as follows:

- **Excise duty**: Excise is levied on locally produced beer, spirits and RTDs. Tax is applied at a certain rate according to the alcohol content of the product, measured in litres of alcohol (ie. $x per litre of alcohol).
- **Customs duty**: Relevant imported beverages can pay a composite tax:
  - an ad valorem component, based on a percentage of the customs "value of duty"; and
  - a volumetric component, based on alcohol content. (This component mirrors the excise duty levied on locally produced product).
- **Wine Equalisation Tax (WET):** Relevant beverages (whether locally produced or imported) pay an ad valorem tax based on a fixed rate (currently 29%) of their wholesale sale value.
- **Goods and Services Tax (GST):** All beverages pay a 10% GST.

Graphic 3 below summarises the application of the various schemes of taxation:

Graphic 3: Taxation of alcohol in Australia

	Beer	Spirits + RTDs	Wine	Cider
Excise duty	✓	✓		
Customs duty (ad valorem)		✓ (imported)	✓ (imported)	
Customs duty (volumetric)	✓ (imported)	✓ (imported)		
WET			✓	✓
GST	✓	✓	✓	✓

3.2 Alcohol taxation revenue estimates

DSICA estimates that Federal and State Governments will collect approximately $5.67 billion in taxation revenue from the production and consumption of alcohol beverages, comprising:

- $3,576 million in customs and excise duty;
- $721 million in WET; and
- $1,373 million in GST revenue.

Graphic 4: DSICA estimates of non-GST Commonwealth revenue from alcohol taxation (2005-06)

NON-GST REVENUE ESTIMATE 2005-06 ($ MILLIONS)

Product category	Customs Duty	Excise Duty	WET	TOTAL	%
Beer low-strength	–	$90	–	$90	2.1%
Beer mid-strength	–	$200	–	$200	4.7%
Beer full-strength	$40	$1,484	–	$1,523	35.5%
Total Beer	$40	$1,813	–	$1,814	42.2%
Spirits	$1,001	$162	–	$1,163	27.1%
RTDs	$4	$595	–	$599	13.9%
Total Spirits	$1,004	$758		$1,762	41.0%
Wine	–	–	$714	$714	16.6%
Cider	–	–	$7	$7	0.2%
Grand Total	$1,044	$2,532	$721	$4,297	100.0%

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Graphic 5: DSICA estimates of State and Territory GST revenue from alcohol taxation (2005-06)

GST REVENUE ESTIMATE, 2005-06 ($ MILLIONS)

Product category	Retail Sales ($m GST inc.)	GST Revenue ($m)	% of GST Revenue
Beer low-strength	$679	$62	4.5%
Beer mid-strength	$818	$74	5.4%
Beer full-strength	$5,004	$455	33.1%
Total Beer	$6,501	$591	43.0%
Spirits	$2,068	$188	13.17%
RTDs	$2,409	$219	15.9%
Total Spirits	$4,477	$407	29.6%
Wine	$4,069	$370	26.9%
Cider	$62	$6	0.4%
Total Wine/Cider	$4,131	$376	27.4%
Grand Total	$15,109	$1,374	100%

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3.3 A conceptual framework for taxation of alcohol products

Alcohol is Alcohol – similar rates for products of similar alcohol content

DSICA believes that an equitable alcohol taxation system should tax competing alcohol products of similar alcohol content at a similar rate. This does not always occur under the current system, either because different products are subject to different tax rates (eg. Full strength beer vs full strength RTDs) or completely different regimes of taxation apply (eg under 10% alcohol products and over 10% alcohol products).

A conceptual framework

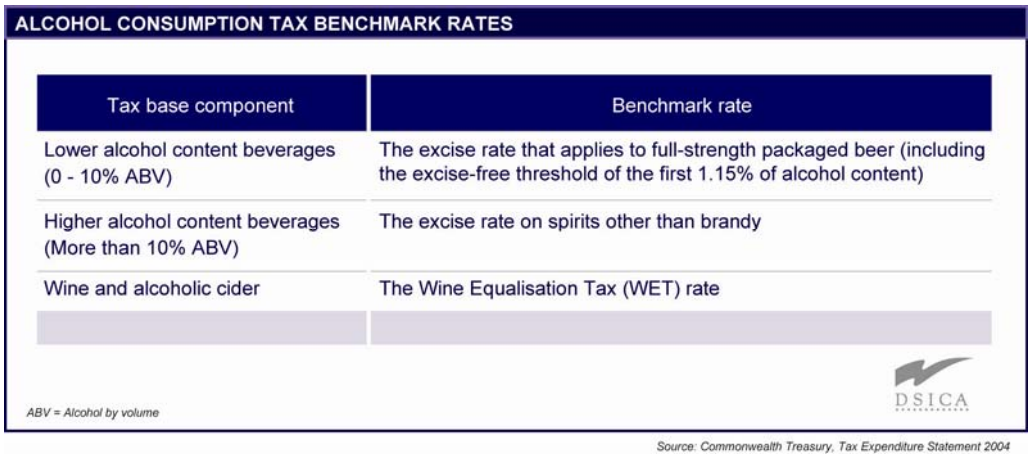
Any review or change to the alcohol taxation system in Australia should be conducted in the context of the conceptual framework of alcohol taxation outlined in the Commonwealth Treasury's *Tax Expenditure Statement* (TES).

Assessing "tax expenditures" requires identification and definition of "tax bases" and "tax benchmarks" for the taxation treatment of various commodities as follows:

- a "tax base" is defined as the activity or transaction subject to tax. In the case of alcohol beverages, the tax base is the consumption of the beverage;
- a "tax benchmark" constitutes a reference point for Treasury analysis. A benchmark comprises the regular taxation arrangement that applies to similar taxpayers or types of activity (Treasury 2005, p. 19).

In compiling statistics in the TES for alcohol products, Treasury has developed three tax base components for alcohol products and has established "tax benchmarks" for each tax base component. These tax base components and benchmarks are as follows.

Graphic 6: Categories of alcohol product and tax benchmarks applying



ALCOHOL CONSUMPTION TAX BENCHMARK RATES

Tax base component	Benchmark rate
Lower alcohol content beverages (0 - 10% ABV)	The excise rate that applies to full-strength packaged beer (including the excise-free threshold of the first 1.15% of alcohol content)
Higher alcohol content beverages (More than 10% ABV)	The excise rate on spirits other than brandy
Wine and alcoholic cider	The Wine Equalisation Tax (WET) rate

ABV = Alcohol by volume

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Source: Commonwealth Treasury, Tax Expenditure Statement 2004

DSICA supports the logical foundations of the framework in that alcohol beverages of similar content within each of the three components of the tax base should be taxed at similar rates as other products in that component, regardless of the form of alcohol.

In relation to this submission, DSICA will limit its comments to the first tax base component: that is, *Lower alcohol content beverages (0 – 10% abv).*

3.4 Nominal taxation rates

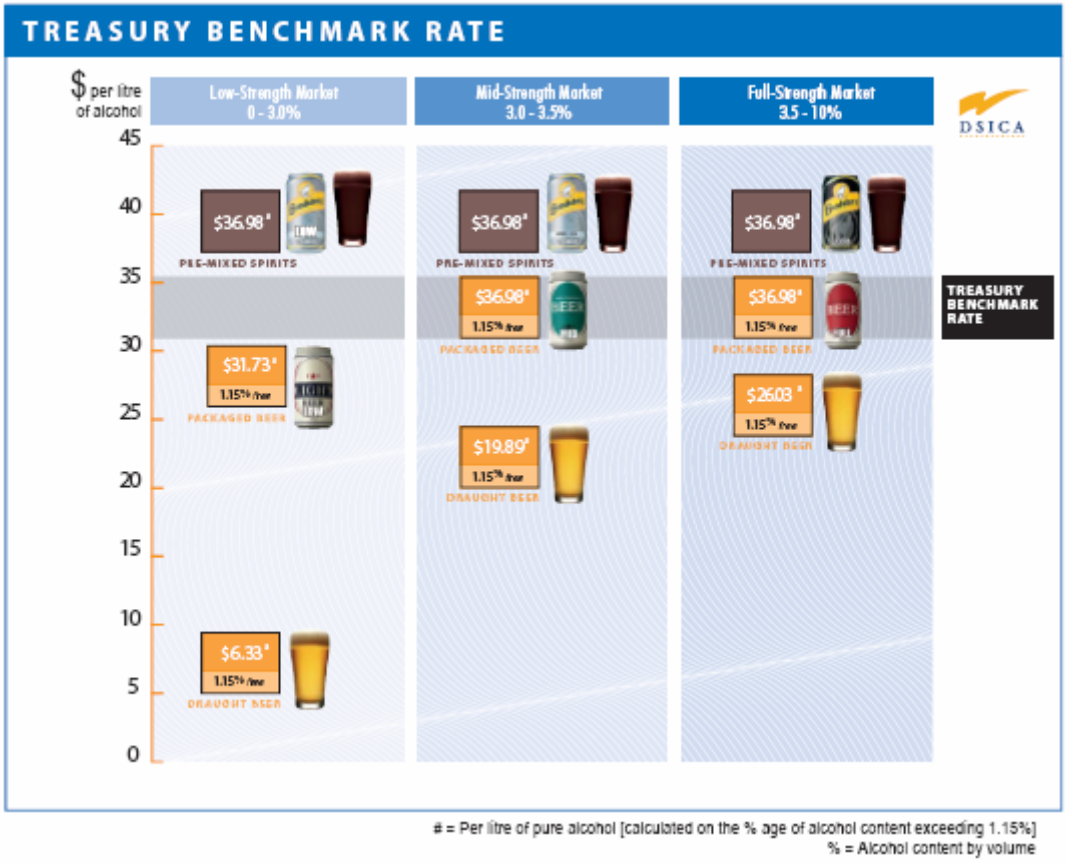
Where excise duty applies to a particular product, the tax is levied at a certain dollar rate according to the level of alcohol by volume (abv). Rates are indexed twice yearly – on 1 February and 1 August – according to movements in the consumer price index (CPI). The current excise rates are set out in *Graphic 7.*

Graphic 7: Alcohol excise rates (1 February 2006)

Product:	$/Lal
Beer* (per litre of alcohol over 1.15 % abv)	Current
Packaged beer, low strength	31.73*
Packaged beer, mid strength	36.98*
Packaged beer, full strength	36.98*
Draught beer, low strength	6.33*
Draught beer, mid strength	19.89*
Draught beer, full strength	26.03*
Ready-to-drink (RTDs) - per litre of alcohol	36.98
Spirits (per litre of alcohol)	
Brandy	58.48
General rate for other spirits (over 10% abv)	62.64

The differences in the taxation rates between beer and RTD products can be demonstrated by *Graphic 8*, which categorises packaged beer, draught beer and RTDs in their respective alcoholic strengths against Treasury's benchmark for low alcohol content beverages.

Graphic 8: Alcohol excise rates (1 February 2006)



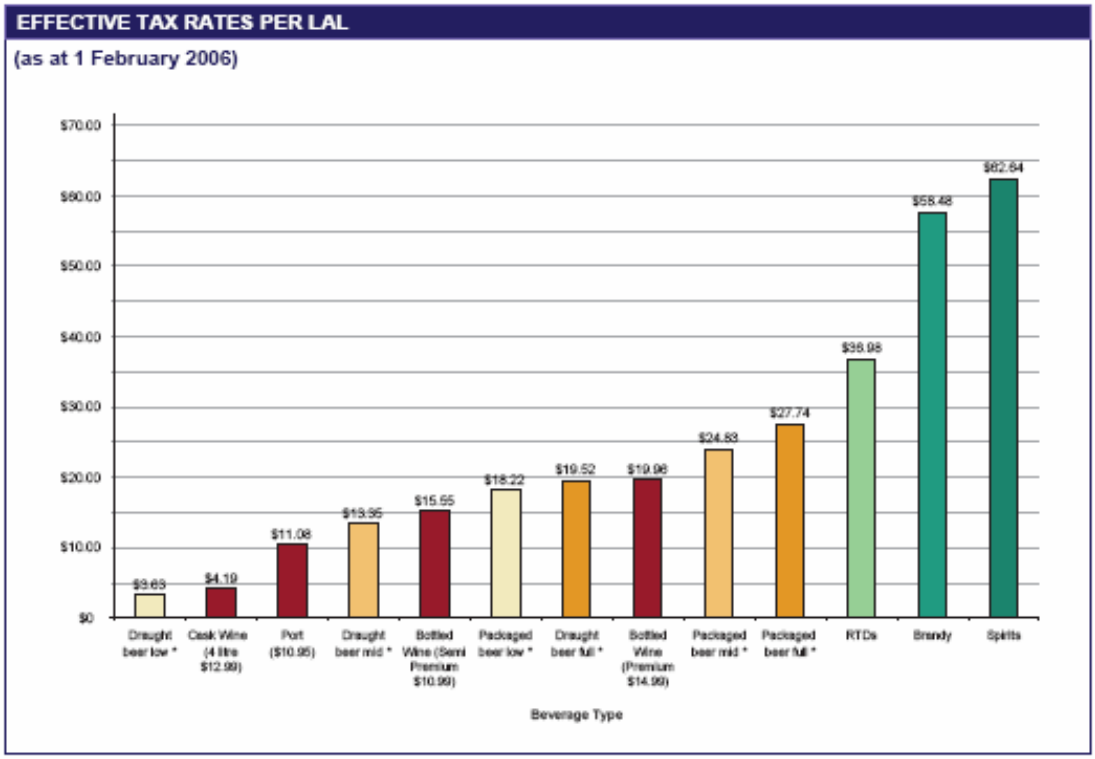
DSICA does not support the lower taxation rates for draught beer compared with packaged beer. Although there are a small number of draught RTD products on the market, DSICA does not call for equal tax treatment with draught beer, as this would be inconsistent with our position against differential rates for draught product (compared with packaged product).

3.5 Effective taxation rates

It is important to highlight that care must be taken when referring to the excise rate on beer. This is because packaged and draught beer have a 1.15% abv exemption which has the effect of levying the rate applicable to the beer product only after the first 1.15% of alcohol volume. No other alcohol product enjoys this excise-free concession.

To therefore obtain a more comparable picture of the taxation on alcohol products, DSICA has calculated the *effective* non-GST excise rates that currently apply to the various beverages. *Graphic 9* demonstrates that spirits have the highest effective tax rate per litre of pure alcohol (lal), and RTDs are taxed considerably higher than beer of a similar alcohol content. For instance, a mid-strength RTD pays $36.98 per lal whereas a mid-strength packaged beer pays an effective rate of only $24.83 per lal.

Graphic 9: Effective tax rates for different alcohol products

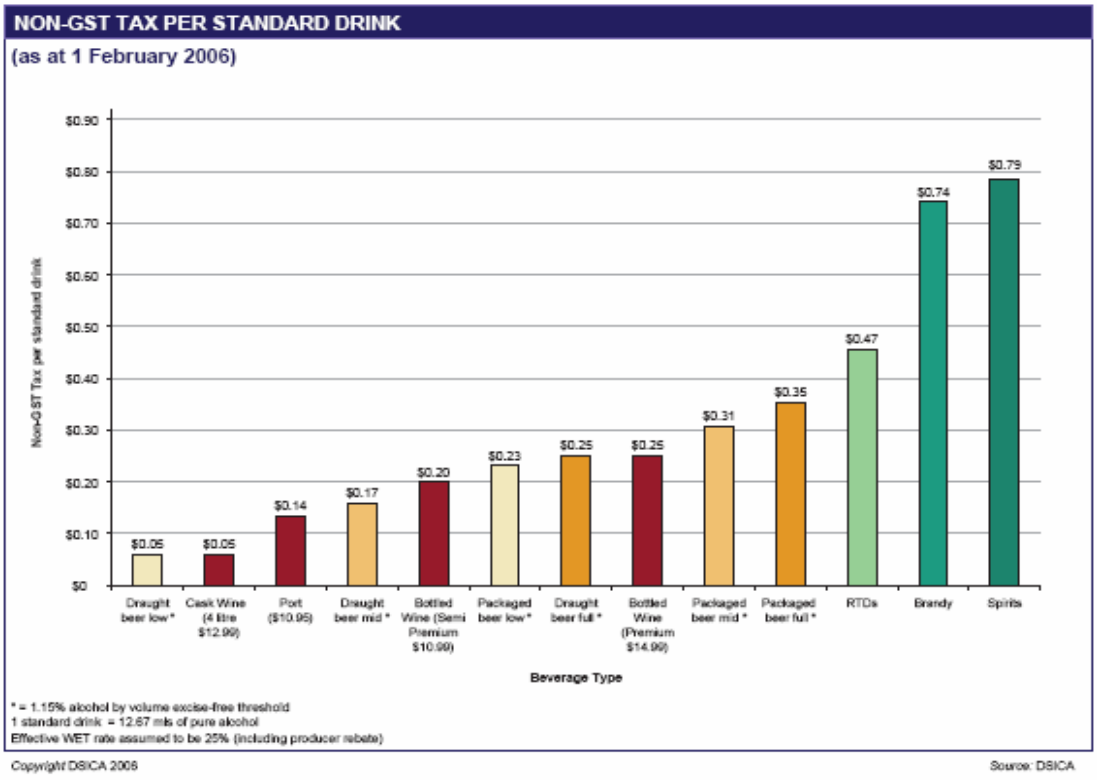


3.6 Non-GST taxation per standard drink

DSICA has also compared the amount of non-GST taxation revenue collected on a per standard drink basis for each category of alcohol product.

In Australia, a standard drink contains 10 grams of pure alcohol (equivalent to 12.67mls). The concept of a standard drink allows a uniform means of comparison of the amount of pure alcohol in various alcohol beverages of different alcohol strengths. See *Graphic 10.*

Graphic 10: Non-GST Tax Per Standard Drink as at 1 February 2006



DSICA's non-GST taxation per standard drink comparison highlights the failure of the current system to recognise a lower rate of taxation for mid-strength (and low-strength) packaged RTDs in the same way as the system provides lower effective rates for mid-strength and low-strength packaged beer:

- *packaged beer:* $0.23 (low-strength) and $0.31 (mid-strength) in excise per standard drink; and
- *packaged RTDs:* $0.47 (all-strengths below 10% abv) in excise per standard drink.

3.7 Conclusion

DSICA supports the broad conceptual framework of Australia's current taxation system (as set out in Treasury's TES) in which alcohol beverages of similar content should be taxed at similar rates as other products in that tax base component, regardless of the form of alcohol. However, in reference to lower alcohol beverages (below 10% abv), the present regime considerably discriminates against RTDs in favour of beer. DSICA submits that this inconsistency is not justified from a taxation or health perspective.

Chapter 4: Beer market

Beer is the most popular alcohol beverage in Australia, despite its declining market share over the past few years. While the overall beer market has been declining, the market for mid-strength beer has been increasing. Over time, tax concessions have been introduced to encourage the consumption of lower strength beer. The policy that underlies these concessions should apply equally to lower strength RTDs.

4.1 Key insights about the beer market

The following facts are in relation to DSICA estimates for the beer market in 2005-06:

- The total beer market (in lals) is 5 times the size of the total RTD market;
- Beer comprises 45.9% of the total alcohol market;
- Taxation from beer is 42.2% of total alcohol taxation revenue;
- Low and mid-strength beer make up only 20% of the total beer market;
- Mid-strength beer (over 3% – 3.5% abv) is 99% of the total mid-strength alcohol market.

4.2 Taxation of beer

There are four primary features of excise duty on beer:

- *Tax based on alcohol content:* Excise on all beer products is applied on the basis of alcohol content (dollar rate per litre of alcohol);
- *1.15% excise-free exemption:* The amount of excise is calculated on the volume of alcohol which exceeds the first 1.15% abv.
- *Three-tier system:* Beer excise is structured into three categories based on the level of alcohol contained in the product: -
    - exceeding 1.15% and up to 3% abv (low-strength);
    - above 3% and up to 3.5% abv (mid-strength); and
    - exceeding 3.5% abv and up to 10% abv (full-strength).
- *Packaged v draught beer:* The taxation rates favour draught beer (product packaged in containers exceeding 48 litres) over packaged beer (product packaged in containers not exceeding 48 litres). For instance, the current nominal rate on mid-strength packaged beer is almost twice the rate of mid-strength draught beer. Draught beer also has a progressive scale according to alcohol content – the lower the content, the lower the rate.

History of the 1.15% abv threshold

DSICA appreciates that the current excise regime for beer has been the result of significant amendments beginning from the 1984 Budget when the Government divided beer into low and full strength categories for taxation purposes. At this stage, beer was excisable on the basis of per litre of beverage.

In 1988, this distinction was replaced by a single excise rate levied on the basis of alcohol content and the 1.15% abv duty free exemption was introduced for all beer beverages. An examination of the debates in Parliament indicates that the rationale for this new arrangement was to encourage the consumption of low alcohol beverages. The net cost to Commonwealth

revenue was $400 million (comprising a decrease in excise duty of $730 million and increased wholesale sales tax of $330 million) (Parliament 1989).

This single rate for beer with the excise-free threshold continued until 2000 when the Commonwealth implemented the current three-tiered excise structure for beer under the New Tax System.

Chapter 5: Market for ready to drink alcohol products (RTDs)

It is DSICA's experience that the RTD market is frequently misunderstood. In this Chapter, we seek to "demystify" RTDs and demonstrate their similarities with beer. We also highlight that despite the rapid growth of RTDs in the last 10 years, their market share of the total alcohol market is still comparatively small. We further highlight that the mid-strength RTD market is currently insignificant when compared to that of mid-strength beer.

5.1 Key insights about the RTD market

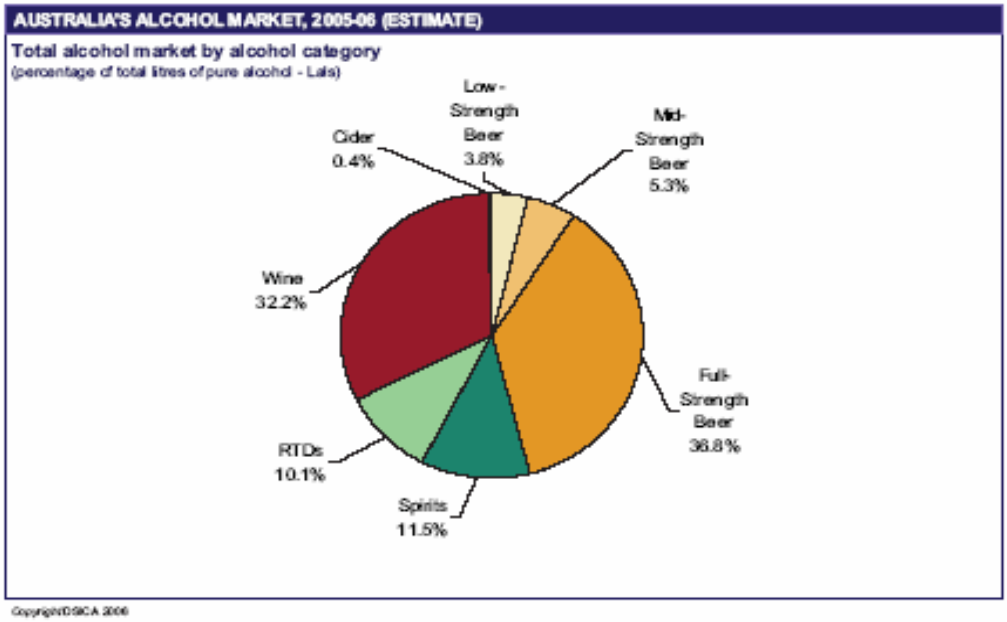
DSICA believes that there is considerable misunderstanding regarding the RTD market in Australia. DSICA outlines a number of key facts about RTDs which "set the record straight":

- RTDs comprise only 10.1% of the total alcohol market;
- Taxation from RTDs comprises 14% of total alcohol taxation revenue;
- Increases in adult per capita consumption of RTDs have been growing at the expense of per capita consumption of beer and spirits and *not* due to an increase in alcohol consumption;
- Most RTDs have the same alcohol content as packaged beer;
- Mid-strength packaged RTDs represent only 2% of the mid-strength packaged alcohol market;
- More than 75% of total RTDs consumed in Australia are dark spirit-based and are preferred by over 24 year old males;
- The rate of RTD growth has slowed dramatically since 1999; and
- Low and mid-strength RTDs make up only 0.8% of the total RTD market.

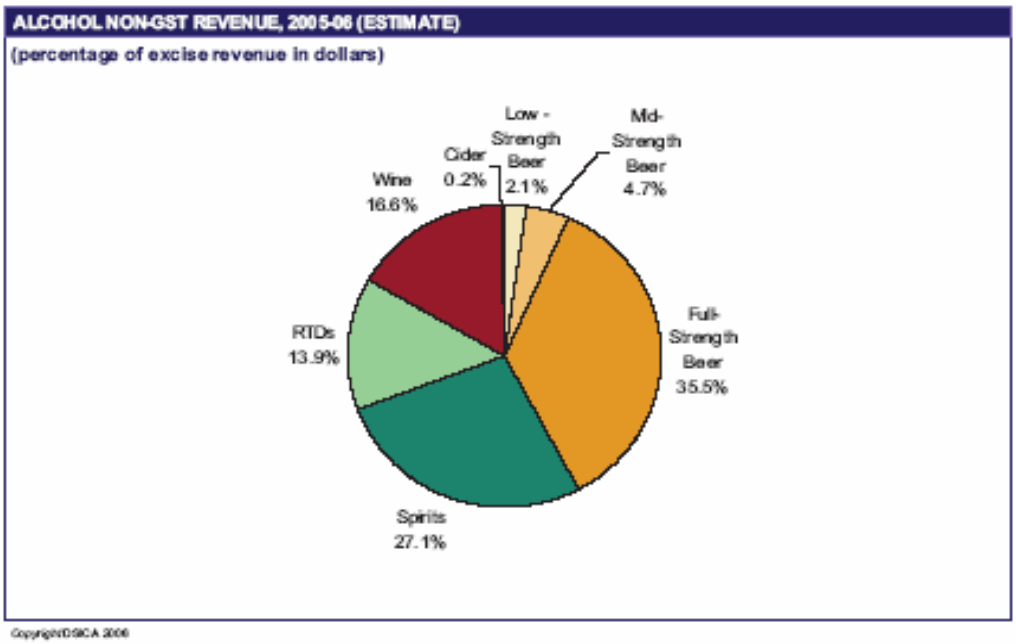
The RTD market

RTD beverages comprise only 10.1% of the total alcohol market and contribute 13.9% to total non-GST taxation revenue. See *Graphics 11* and *12*.

Graphic 11: Australia's Alcohol Market 2005-06



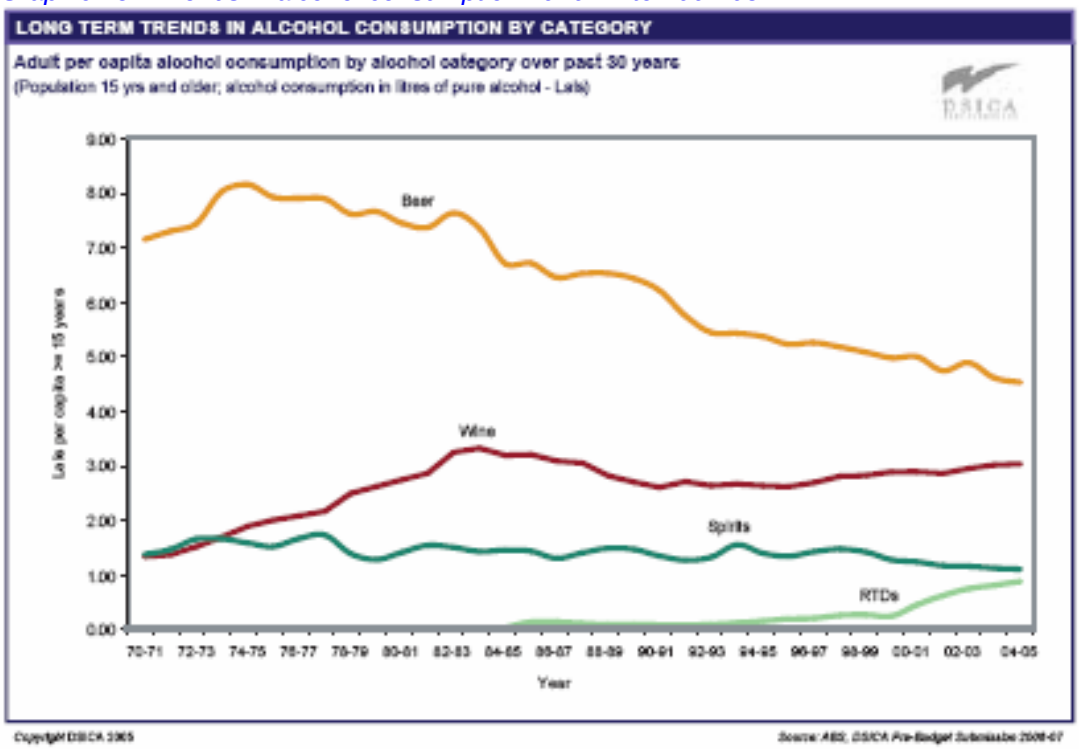
Graphic 12: Alcohol Non-GST Revenue (2005-06) (estimate)



RTD consumption

In response to claims that the appeal of RTDs has led to increases in the consumption of alcohol in the community, DSICA has analysed the consumption of alcohol in Australia on a lals per capita basis (population 15 years and over). *Graphic 12* and the discussion provided in *Chapter 2* illustrate that adult per capita alcohol consumption has fallen significantly below 1970s levels and increases in RTD consumption have been as a result of reduced consumption of beer and full strength bottled spirits.

Graphic 13: Trends in alcohol consumption 1970-71 to 2004-05



Alcohol content of RTDs

Most RTDs are approximately 5.0% abv and some of the largest selling RTD brands are 4.6% alcohol by volume. This is comparable with full strength beer which is generally between 4.6% abv and 4.9% abv. *Bundaberg Rum Mid 3.5* is among the popular mid-strength RTDs and is 3.5% abv, which is the same alcohol strength as mid-strength beers, such as its main competitor *XXXX Gold*.

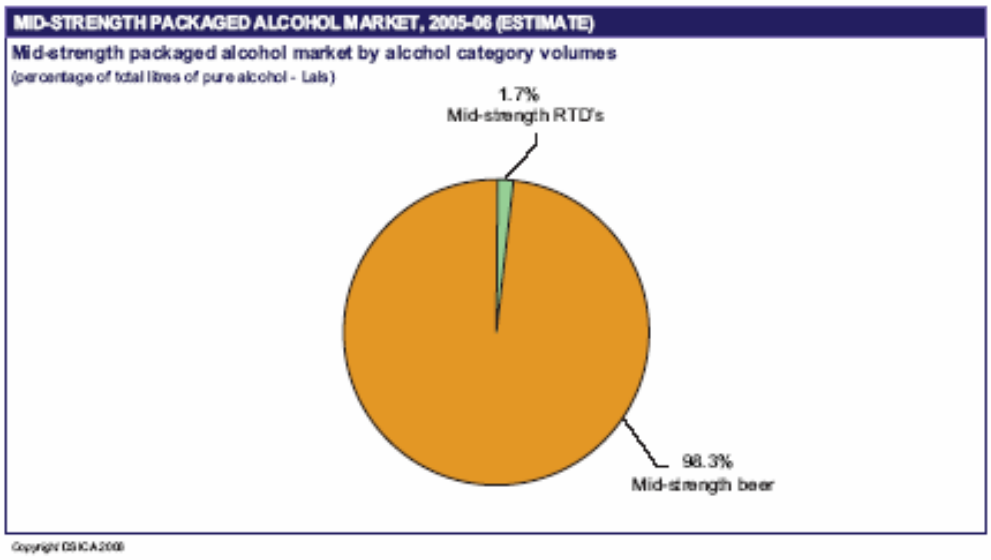
Mid-strength packaged RTDs

The current taxation system does not provide incentives to produce lower alcohol content RTDs due to the increased production costs associated with a higher rate of effective excise compared with beer.

In relation to the mid-strength market, a representative case (9 litres of product) of mid-strength packaged beer normally retails for $30, whilst a representative case of mid-strength packaged RTD sells for $45. In other words, while 26% of the retail price for both products is paid in excise, the cost of a case of RTDs to the consumer is 1.5 times that of a case of mid-strength beer.

As a result, mid-strength packaged beer accounts for 98% of the mid-strength packaged alcohol market *(Graphic 14*).

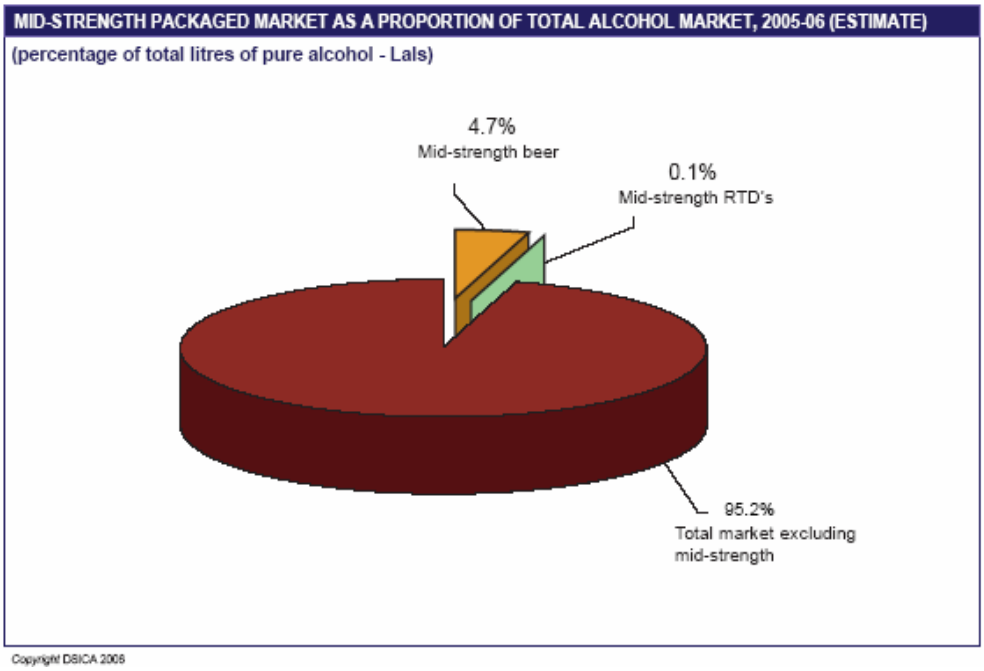
Graphic 14: Mid-strength alcohol market (packaged) (2005-06)



The need to increase the total volume of mid-strength alcohol products

The mid-strength alcohol market comprises only 4.8% of the total alcohol market. DSICA believes that Government policy should be seeking to increase this percentage. See *Graphic 15* below.

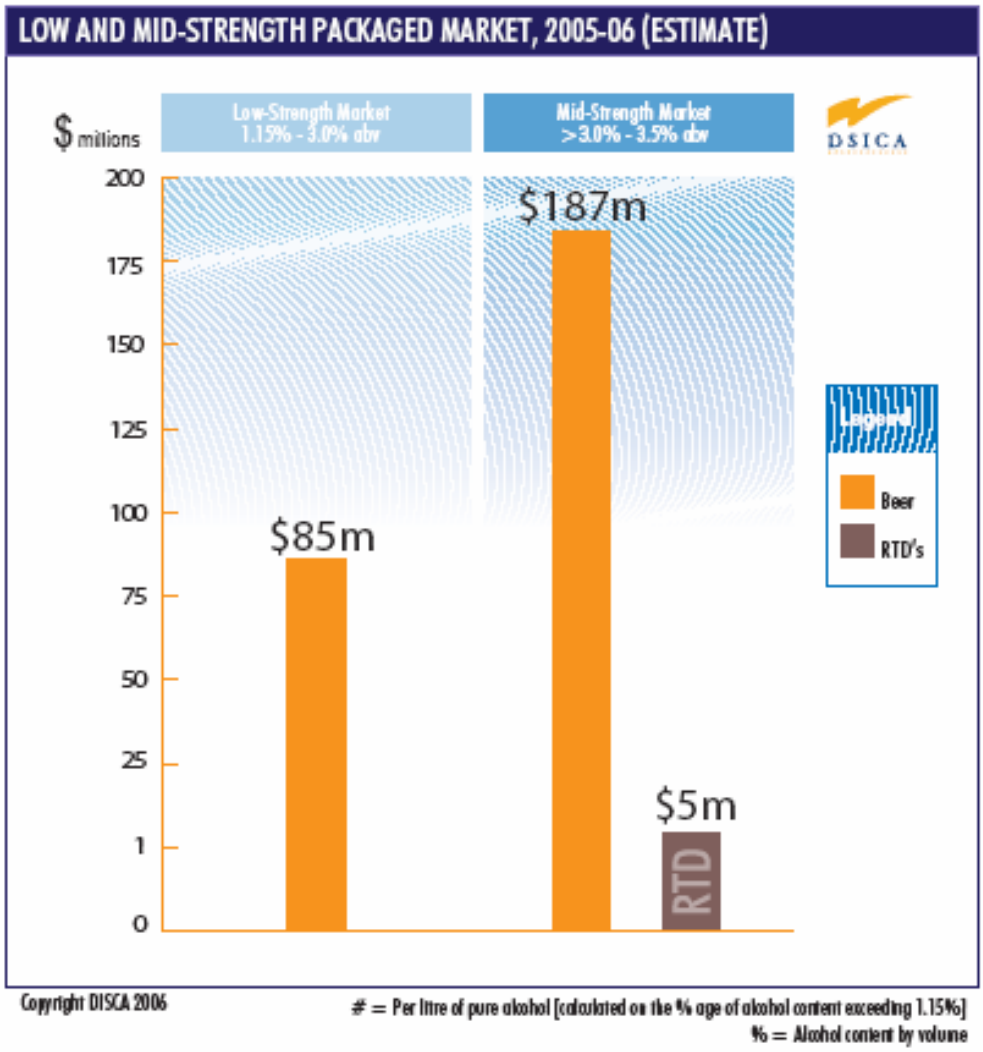
Graphic 15: Mid-strength market as proportion of the total alcohol market (2005-06)



The Federal revenue take on mid-strength alcohol products

In terms of Commonwealth excise revenue, DSICA estimates that the total excise revenue from mid-strength beer is approximately 30 times more than the excise revenue from mid-strength RTDs (see *Graphic 16*).

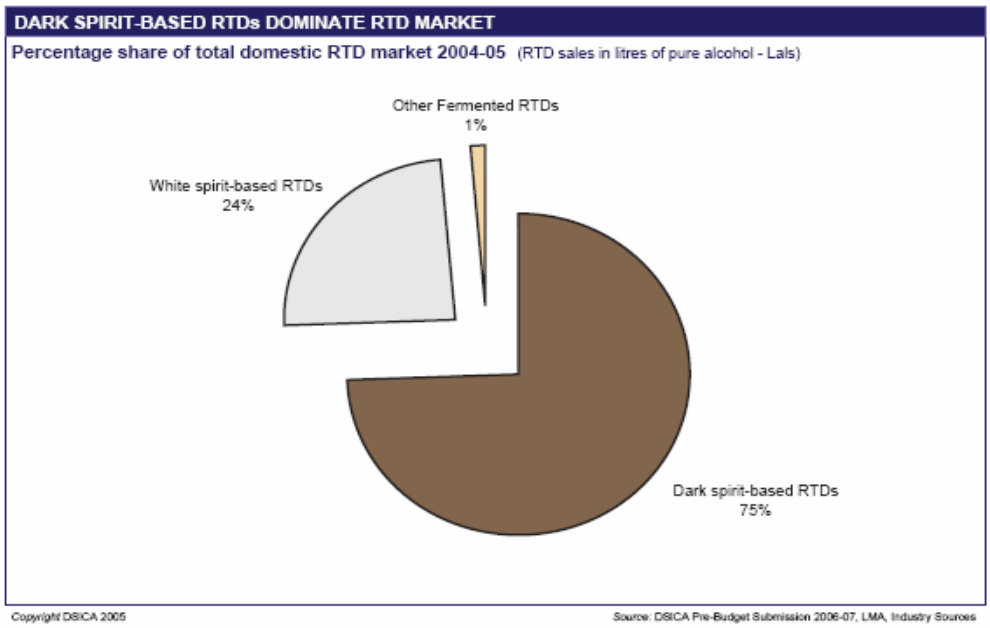
Graphic 16: Mid-strength alcohol excise revenue (packaged) (2005-06)



Composition of the RTD market: 24 year old males and older

More than 75% of total RTDs consumed in Australia are dark spirit-based, which are typically dark coloured products (eg bourbon, rum and scotch whisky-based products). The colour and flavour profile of these products are preferred by males aged 24 years and older. See *Graphic 17.*

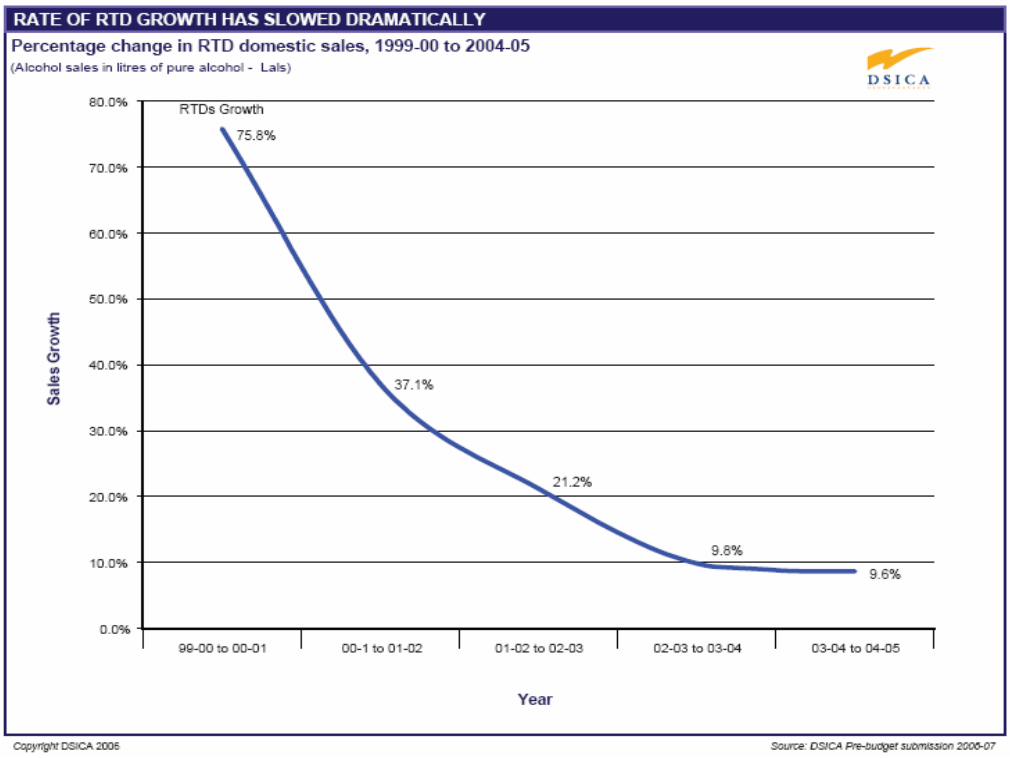
Graphic 17: Dark spirit-based RTDs dominate the market



Slowing rate of RTD growth

Graphic 18 below illustrates that between the periods 1999-00 and 2004-05 the rate of RTD growth has significantly slowed to 9.6%. This confirms that the growth in the RTD market has slowed considerably since tax reform commenced in July 2000.

Graphic 18: Slowing growth in RTD market, 1999-00 to 2004-05



5.2 Conclusion

There are many myths regarding the RTD market. Government policy on taxation equivalence between competing alcohol products should not be adversely impacted by these myths, but should be based on the most reliable evidence, as set out above.

Chapter 6: RTD Taxation and Tax equivalence

Based on the conceptual framework of alcohol taxation discussed in *Chapter 3* and the DSICA premise that alcohol is alcohol, DSICA believes that the taxation regime that applies to the most popular beverages less than 10% abv (ie beer), should apply equally to all other competing beverages in this category. The sustainability of this proposition is enhanced from a health and public policy perspective when one considers the positive policy aspects of encouraging consumption of lower alcohol RTDs.

6.1 Taxation of RTDs

A key feature of the *New Tax System* (NTS) was the Government's decision that all alcohol beverages below 10% abv (other than products covered by WET) would be subject to tax at a similar rate as beer. Within the *Excise Tariff Act 1921*, these products are defined as "other excisable beverages" not exceeding 10% by volume of alcohol.

The current excise regime applies duty on RTDs at the same tax rate as full-strength packaged beer but without the the 1.15% abv excise-free threshold that applies to beer. That is, RTDs are subject to taxation on the entire amount of alcohol.

While DSICA commends the Government on reducing the duty on RTD beverages following the NTS, DSICA does not support the current taxation treatment of RTDs which fails to provide for the tiering of rates based on alcohol content and the benefit of the 1.15% abv exemption that applies to beer. DSICA submits that there should be taxation equivalence between low and mid-strength packaged RTDs and packaged beer of a similar alcohol content.

6.2 Unequal taxation of low and mid-strength RTDs

It continues to be a major flaw in the current taxation structure that there is no incentive to produce low-strength and mid-strength RTDs as there is in the case of packaged beer (where a lower effective taxation rate applies). A change along these lines would be a significant contribution to a wider package of strategies to reduce the levels of harmful alcohol consumption in the community.

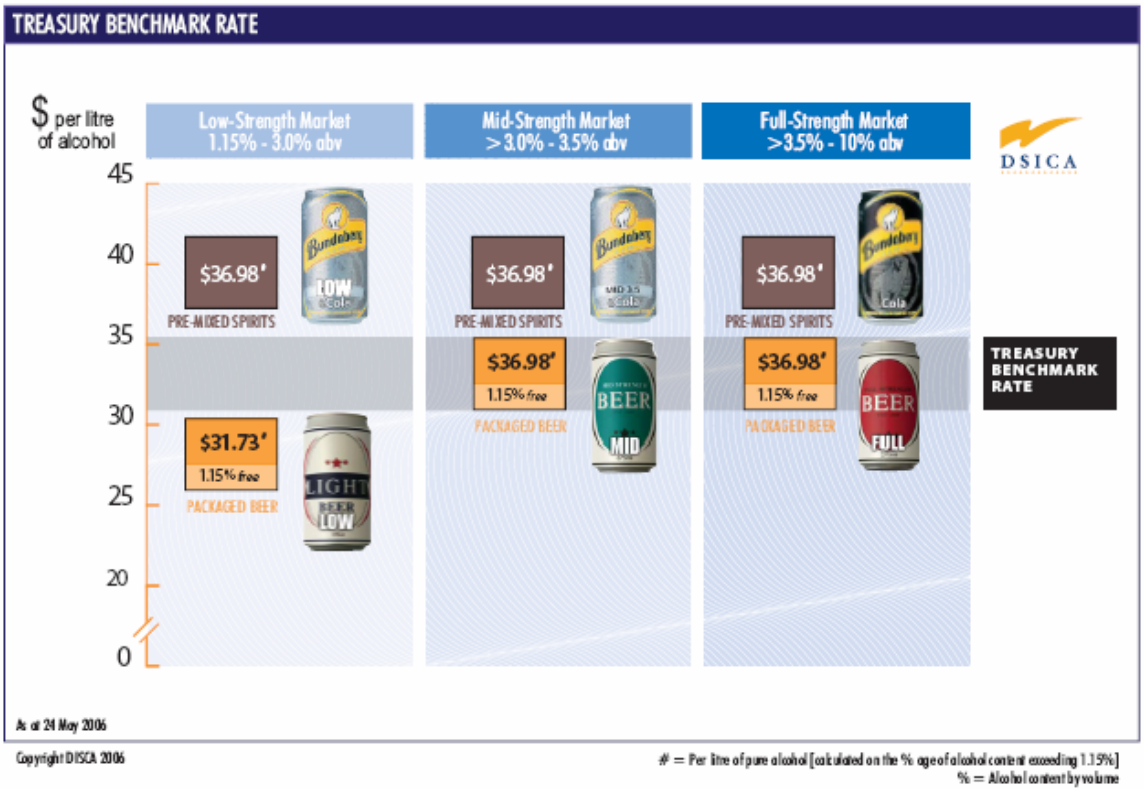
DSICA has produced two ways of uniquely presenting the differential taxation treatment between beer and RTDs.

Treasury benchmark rate

The Treasury benchmark rate for lower alcohol content beverages is the tax treatment applied to full-strength packaged beer (including the 1.15% abv excise-free threshold) at a nominal rate of $36.98 per Lal (as of 1 February 2006). This is the benchmark which applies to all products with an alcohol content below 10% regardless of whether it is beer, pre-mixed spirits or a wine-based cooler (which is not subject to WET).

DSICA has developed a graphic which displays the current taxation rates for packaged beer and packaged RTDs in reference to the benchmark. See *Graphic 19.*

Graphic 19: Treasury benchmark applying to packaged beer and packaged RTDs



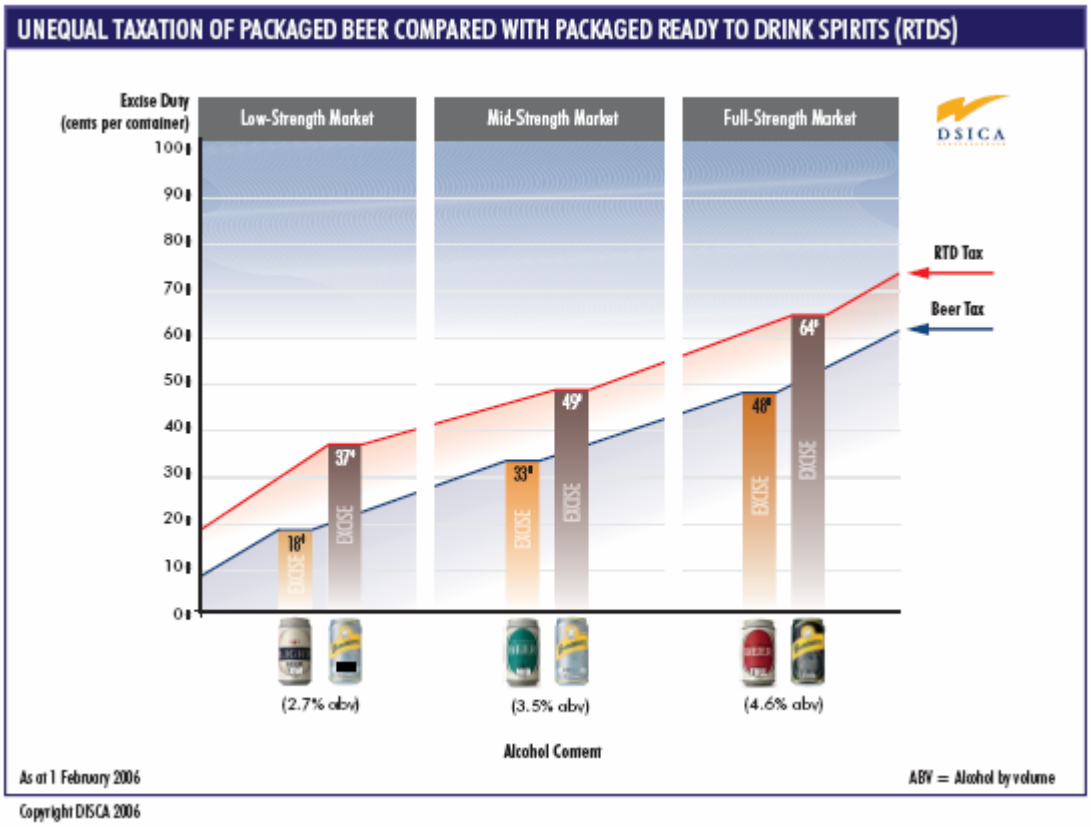
It can be observed that mid and full-strength packaged beer are aligned to the Treasury benchmark rate with each beverage being subject to an excise rate of $36.98 per Lal and the 1.15% abv excise free threshold. Low-strength packaged beer is below the benchmark with a nominal rate of $31.73 per Lal. In contrast, low, mid and full-strength packaged RTDs are considered to be 'above' the benchmark as they do not enjoy the 1.15% abv duty free exemption. Moreover, low-strength packaged RTDs have a nominal rate $5.25 per Lal more than the nominal rate for low-strength packaged beer.

DSICA believes that this discriminatory treatment of RTDs is bad health and taxation policy for which there is no justification.

Anomaly between beer and RTDs

As a further way of demonstrating the current taxation anomaly between beer and RTDs, DSICA has produced a unique excise tax graphic which demonstrates the amount of excise duty currently paid on a single can of RTD and beer products at the low alcohol and mid-strength content ranges. See *Graphic 20* below.

Graphic 20: Unequal taxation of packaged beer and RTDs



This graphic illustrates that the amount of excise duty payable on a mid-strength can of RTDs is greater than the amount of excise duty payable on a full-strength can of beer. This flaw is a direct result of the fact that low alcohol and mid-strength RTDs do not receive the benefit of the 1.15% abv excise-free threshold granted to packaged beer of similar alcohol strength.

6.3 Recommendation

DSICA believes that priority should be given to ensuring taxation equivalence between RTDs and packaged beer at low and mid-strength levels by means of an amendment to the relevant Bill:

- To provide a 1.15% abv excise-free threshold for low and mid-strength packaged RTD products; and
- To ensure that the nominal excise duty rate for these RTDs is set at the same rate as the nominal excise duty rate applying to packaged beer of similar alcohol content.

The Schedule of the *Excise Tariff Act* imposes the excise rates applicable to different alcohol beverages. DSICA congratulates the Government on the package of Bills, which (amongst other things) simplifies the Schedule and reduces unnecessary red tape for spirits manufacturers and importers.

DSICA's proposal for taxation equivalence does not seek to change the fundamental architecture of the Schedule. Instead, DSICA submits that the *Excise Tariff Amendment (Fuel Tax Reform and Other Measures) Bill 2006* be amended and the following be substituted for *Item 2:*

Item	Subitem	Description of goods	Rate of duty
2		**Other excisable beverages not exceeding 10% by volume of alcohol**	
	2.1	Other excisable beverages not exceeding 3% by volume of alcohol packaged in an individual container not exceeding 48 litres	$31.73 per litre of alcohol calculated on that alcohol content by which the percentage by volume of alcohol of the goods exceed 1.15
	2.5	Other excisable beverages exceeding 3% but not exceeding 3.5% by volume of alcohol packaged in an individual container not exceeding 48 litres	$36.98 per litre of alcohol calculated on that alcohol content by which the percentage by volume of alcohol of the goods exceed 1.15
	2.11	Other excisable beverages not elsewhere included not exceeding 10% by volume of alcohol	$36.98 per litre of alcohol

Chapter 7: Government Revenue Impacts and Health and Social Aspects of RTD Tax equivalence

The cost to Commonwealth revenue of implementing DSICA's proposal for tax equivalence for low and mid-strength packaged RTDs is minimal (less than $2m). This amount is insignificant when one considers the tax equity and health policy benefits that the measure would achieve. In this Chapter we also highlight the considerable support that the proposal has from health and medical groups.

7.1 Government Revenue

DSICA has estimated that the impact on Commonwealth revenue would be less than $2 million per annum if the low and mid-strength packaged RTDs were subject to the 1.15% abv excise-free threshold and the same tiered rates as low and mid-strength packaged beer.

This is based on sourcing lals of packaged RTDs from industry and calculating the revenue foregone to Government when the 1.15% abv threshold is applied.

It is interesting to compare this figure with the net loss to revenue from the introduction of the 1.15% abv threshold excise regime for beer in 1988, which cost the Government $400 million.

See *Appendix 2* for DSICA's revenue estimates.

7.2 Impact on Price

In close consultation with RTD manufacturers, DSICA estimates that there would be a substantial reduction in the retail price of an RTD 'six-pack' (6 x 375ml cans) and 'case' (24 cans), as follows:

- *Six pack:* the retail price (currently $13) could fall down to $10 (fall of 23%);
- *Case:* the retail price (currently $45) could fall down to $35 (fall of 22%).

These price reductions would result in greater incentives for consumers to choose to drink mid-strength RTDs in substitution for (a) mid-strength beer (b) full strength RTDs and (c) full strength beer. There would be significant health benefits resulting from such changes in consumption patterns.

See *Appendix 2* for costing figures.

7.3 Health and Social Aspects

These changes are supported by a wide range of health groups and medical associations. See detailed discussion below.

Australia's National Alcohol Strategy

DSICA supports the development of the *National Alcohol Strategy 2006-09* (the Strategy) which was recently endorsed by the Ministerial Council on Drug Strategy, as a plan for national action in developing drinking cultures that support a reduction on alcohol-related harm in Australia.

DSICA has analysed the Strategy which provided a strong conceptual framework of reference for the DSICA *Pre-Budget Submission 2006-07.*

Price-related levers and lower strength alcohol consumption

The overall goal of the Strategy "is to prevent and minimise alcohol related harm to individuals, families and communities in the context of developing safer and healthy drinking cultures in Australia" (MCDS 2006, p 4).

The Strategy has identified that using price-related levers is effective in meeting this goal. More importantly, it acknowledges:

> The current system can result in the same tax for a 3.5% alcohol volume drink as a 6% alcohol volume drink. A new tax structure that **increases the affordability of low-strength alcoholic beverages is one potential way of achieving both health and economic benefits** (MCDS 2006, p 29).

Complete taxation equivalence between low and mid-strength packaged RTDs and packaged beer of similar strength is consistent with this objective. DSICA strongly believes that the reduced costs associated with the fall in excise will increase the affordability of low and mid-strength RTDs and thereby encourage the consumption of lower strength alcohol beverages.

7.4 Alcohol taxation policy positions of health bodies in Australia

DSICA is concerned that there is a perception in the general public that health organisations and health lobby groups are vehemently opposed to any taxation amendment that would see the reduction in the price of low alcohol RTDs. It is argued that a change such as that proposed by DSICA would ignite negative comments and spark fierce opposition from health bodies.

DSICA would like to address this concern by summarising the policy positions and recommendations of a number of health-related bodies on alcohol taxation measures.

i Alcohol and other Drugs Council of Australia

The Alcohol and other Drugs Council of Australia (ADCA) is the peak, national and non-government organisation representing the interests of the Australian alcohol and other drugs sector. It provides a uniform and national voice for people working to reduce the harm caused by alcohol and other drugs.

In 2003, ADCA released its policy statement on *Taxation and Pricing* which outlines its position and recommendations on the taxation of alcohol and tobacco in Australia. ADCA makes the following observations:

- alcohol taxation is an effective tool that not only generates government revenue but also influences consumption levels;
- the current taxation system is confused and has a number of problems;
- there is no financial incentive for consumers to choose RTD beverages with lower alcohol content; and
- low and mid-strength products can significantly contribute to the reduction of alcohol related harm and recommends taxation reform to give more choice to consumers in low and mid-strength RTDs (ADCA 2003, pp 4-5).

ii Australian Medical Association

The Australian Medical Association (AMA) is an independent organisation representing the professional interests of more than 27,000 doctors. As the peak health advocacy group it seeks to advance the interests of doctors and the general health of the community.

The AMA, through its policy position on alcohol and public statements, supports volumetric taxation measures that encourage the "consumption of products containing less alcohol per unit volume" (AMA 1998, p 2). It recommends that the basis of alcohol tax should be levied volumetrically and more importantly, that excise should be reduced on low alcohol drinks to encourage consumption of low-strength alcohol products (AMA 2003).

The AMA has also recently endorsed the alcohol taxation policy of the Royal Australasian College of Physicians (RACP) (see further discussion below).

iii Australian National Council on Drugs

The Australian National Council on Drugs (ANCD) is the principal advisory body to Government on drug policy and ensures that the community is heard in relation to drug related policies. Its members range from people with experience in drug policy, treatment and rehabilitation, law enforcement and research.

The ANCD recognises that taxation plays an important role in influencing the drinking patterns of consumers by affecting the relative prices of alcoholic beverages. It argues that the current taxation arrangements do not provide monetary incentives for drinkers to choose beverages which cause less harm, such as low alcohol beverages (ie RTDs) (ANCD 2000).

iv National Drug and Research Institute

The National Drug and Research Institute (NDRI) is a leading organisation conducting research on the prevention of harmful drug use and the reduction of drug related harm in Australia. It publishes a number of research reports on alcohol consumption including the *National Alcohol Indicators Project Bulletins* and is a major contributor to the development of Australia's National Drug Strategy.

Dr Tanya Chikritzhs is a Research Fellow on alcohol policy at NDRI and is a leading commentator on the patterns of alcohol consumption in Australia. Dr Chikritzhs regards the current concession available for low-strength beer as a "great success" in creating an incentive for brewers to produce lower alcohol content beer. She supports the extension of similar concessions to other alcohol products like pre-mixed drinks (Chikritzhs 2005).

Professor Steve Allsop is another leading researcher at NDRI on alcohol consumption patterns. In a recent presentation to DSICA members on *Drinking in Australia*, Professor Allsop stated that a useful strategy in controlling alcohol abuse is through taxation measures that consequently affect the retail price of products. He observes that heavy drinkers tend to be sensitive to price changes and recommends that there needs to be incentives for alcohol manufacturers to produce lower alcohol content drinks. The current taxation system does not favour this production strategy and needs to be examined more closely.[1]

[1] Professor Steve Allsop, NDRI in a presentation to the DSICA Annual Summit in Canberra on 28 March 2006.

v Odyssey House Victoria

Odyssey House is a specialist alcohol and drug centre that provides opportunity for reducing drug use and reconnecting individuals to the community.

In relation to the current alcohol taxation regime, Odyssey House acknowledges that excise taxation can have a significant effect on the general consumption levels of drinkers. In its submission to the Senate Economics Legislation Committee in 2002, Odyssey House indicated that it supports measures that offer a low alcohol exemption to all alcohol products under 10% abv (Odyssey House 2002, p 8).

vi Royal Australasian College of Physicians (RACP) and Royal Australian and New Zealand College of Psychiatrists (RANZCP)

The Royal Australasian College of Physicians (RACP) is responsible for training and representing over 9,000 physicians and paediatricians in Australia and New Zealand. The Royal Australian and New Zealand College of Psychiatrists (RANZCP) is the principal body representing the interests of 2,500 psychiatrists in Australia and New Zealand.

The RACP and the RANZCP have produced a report titled *Alcohol Policy: Using evidence for better outcomes*, which detail their alcohol policy and evidence-based strategies to reduce the misuse of alcohol. The report examines a number of interventions that can be implemented to reduce alcohol-related deaths, and the health and economic costs arising from alcohol abuse. DSICA commends the authors on this very comprehensive paper and looks forward to increasing dialogue with the RACP and the RANZCP on measures to reduce harmful abuse of alcohol.

The report observes that a key development must be to reduce the extent of alcohol consumed at risky or high-risk levels by affecting the supply and demand for alcohol (RACP et al 2005, p 6). Taxation policy is essential to this task. The report comments that Australia's taxation of alcoholic beverages since the GST has failed to "tax the alcohol content of drinks in order to maintain incentives for drinkers to choose low alcohol varieties and to create disincentives for heavy drinkers to choose cheap bulk drinks" (RACP et al 2005, p 25). Accordingly, it recommends:

- a reduction in differences in rates of taxation between and within beverage types; and
- taxation relief for low-alcohol beverages (RACP et al 2005, p 7).

vii Turning Point

Turning Point is a leading alcohol and drug centre that aims to promote health and wellbeing to individuals and communities living with alcohol and other drug related problems. It provides specialist treatment and support services, training opportunities in alcohol and drug work, and conducts research for policy and service development.

Professor Margaret Hamilton is the founding director of Turning Point and was instrumental in the development of the *National Alcohol Strategy 2006-09*. In March 2006, Professor Hamilton made a presentation to DSICA members on Australia's National Alcohol Strategy. Professor Hamilton observed that price is the most powerful lever around consumer choice significantly impacting those on lower incomes (young people and people from lower socio-economic backgrounds). She personally supports volumetric taxation to encourage consumption of lower

strength alcohol beverages as part of a broader taxation reform strategy that promotes safer drinking cultures in Australia.[2]

viii Victorian Alcohol and Drug Association

The Victorian Alcohol and Drug Association (VAADA) is the peak body representing the collective interests of Alcohol and Other Drug Services in Victoria.

VAADA believes that alcohol taxation should be on the basis of the amount of alcohol content rather than the cost of manufacture or the method used to produce the alcohol. It recognises the inconsistency in the taxation treatment of alcohol beverages below 10% abv and how a failure to apply the 1.15% abv exemption to other excisable beverages apart from beer is a significant disincentive to manufacturers of RTDs to produce lower strength products (VAADA 2002, p 6). Accordingly, it strongly recommends that further consideration should be given to offering a low alcohol exemption to beverages below 10% (VAADA 2004, p 4).

Ix Drugs and Crime Prevention Committee: The Victorian Inquiry Into Strategies to Reduce Harmful Alcohol Consumption

The Victorian Drugs and Crime Prevention Committee (the Committee) is constituted under Victorian legislation to inquire into matters of public importance relating to the use of drugs, and the causes of crime or other violent behaviour.

In 2003, the Committee was commissioned to inquire into, consider and report to the Victorian Parliament on strategies to reduce harmful alcohol consumption. DSICA congratulates the Victorian Parliament for undertaking such an initiative and welcomes the Committee's final report, which was released in March 2006 entitled *Inquiry into Strategies to Reduce Harmful Alcohol Consumption.*

The report provides favourable discussion on volumetric taxation and expresses that its clearest benefit is its "potential to reduce harms through encouraging the production and purchase of low alcohol content beverages" (DCPC 2006, p 357). Several health and community groups like ADCA and the AMA are referred to as supporting the need to encourage the consumption of low alcohol beverages through taxation measures. In particular, the report highlights the significant support for the extension of the 1.15% abv concession to RTD beverages (DCPC 2006, pp 357-359).

7.5 Conclusion

Volumetric taxation and price incentives to encourage the consumption of lower alcohol strength products are areas in which health groups and DSICA have common ground. DSICA hopes that by presenting an overview of the position on alcohol taxation of various health bodies, Government and the public will have a greater awareness of the wide support for taxation measures that encourage the consumption of lower strength alcohol beverages.

[2] Professor Margaret Hamilton, Turning Point in a presentation to the DSICA Annual Summit in Canberra on 28 March 2006.

Chapter 8: Conclusion

DSICA welcomes the proposed amendments in the Bills in simplifying customs and excise legislation and removing unnecessary red tape for spirit manufacturers and importers.

On the basis of the best available evidence, there has not been a significant increase in the overall consumption of alcohol in Australia. The evidence is that the increased popularity of RTDs has been at the expense of beer and full strength bottled spirits rather than a rise in alcohol consumption.

DSICA's *Table of Indicators* demonstrates that there is no reason to believe that there are worsening trends of underage drinking nor is there reason to believe that the increased popularity of RTDs is causing such a situation.

DSICA does not support the current taxation anomaly between beer and RTDs. DSICA therefore recommends that the excise and customs tariff laws be amended to provide that the taxation treatment that currently applies to low and mid-strength packaged beer also applies to low and mid-strength packaged RTDs. This will be achieved by:

- applying the same tiered rates for low and mid-strength packaged beer to low and mid-strength packaged RTDs; and
- providing for the 1.15% abv excise-free threshold that is currently applicable to all beer products to low and mid-strength packaged RTDs.

Complete taxation equivalence between low and mid-strength packaged RTDs and packaged beer of similar strength is consistent with objectives of tax equity and efficiency. Such equivalence is also consistent with the health policy objectives outlined in Australia's *National Alcohol Strategy.*

DSICA strongly believes that the reduced incidence of excise costs associated with the fall in excise will increase the affordability of low and mid-strength RTDs and thereby encourage the consumption of lower strength alcoholic beverages. A wide range of health and social groups support such strategies to reduce the levels of harmful alcohol consumption in the community.

31 May 2006

Indicators of Alcohol Consumption Amongst Young People

Third Release, April 2006

Executive Summary

- DSICA acknowledges that there is a commonly held perception in the community of an increasing level of alcohol abuse by young and underage people.
- There is also a view that the increasing popularity of ready to drink alcohol beverages (RTDs) is contributing to, if not causing, increased levels of alcohol abuse.
- These perceptions are not supported by the best available evidence.
- DSICA has worked with a highly respected research academic from the Australian National University (ANU), Professor Ian McAllister, to research and analyse the best available evidence on alcohol consumption patterns amongst young people.
- Professor McAllister was, until recently, the Director of the Research School of Social Sciences at the ANU. He has had a distinguished career in the area of drug research and analysis.
- Professor McAllister has identified the best available national survey evidence regarding alcohol consumption patterns in Australia (see section 3).
- DSICA has identified six key indicators in relation to alcohol consumption amongst young people (the Indicators).
- Based upon the best evidence available, DSICA has developed a summary table of indicators of alcohol consumption amongst young people (see section 1).

What do the Indicators show?

- There is a **TRENDLESS FLUCTUATION** in the age at which alcohol is most commonly first consumed (ie the age of initiation) (see Indicator 1).
- The proportion of underage people who are drinkers is **NOT** increasing (see Indicator 2).
- The proportion of underage drinkers who engage in high risk drinking is **NOT** increasing (see Indicator 3).
- The amount of alcohol consumed by "risky" and "high risk" underage drinkers is **NOT** increasing (see Indicator 4).
- There has been a **10% fall** in the number of underage people who are dying from alcohol-attributable causes (see Indicator 5).
- There is **NO LINK** between the increasing popularity of RTDs and levels of harmful alcohol consumption amongst young people (see Indicator 6).

Updating the Indicators

- DSICA will regularly update the Indicators as new data from the three most reliable national surveys of alcohol consumption becomes available.

Background

The Indicators were first published in March 2005 in DSICA's *Pre-budget Submission 2005-06* to the Federal Government.

A *Second Release* (with updated data) was made in July 2005 when DSICA appeared before the Victorian Parliament's Drug and Crime Prevention Committee – see DSICA Media Release of 21 June 2005 on www.dsica.com.au .

Since that time, there has been significant interest by various parties in the Indicators. Several new data sets have also now become available. DSICA now releases the *Third Release* of the Indicators, incorporating the latest available data.

Structure of this publication

This publication comprises the following sections:

Section 1 Table of Indicators

Section 1 contains the *Table of Indicators of Alcohol Consumption Amongst Young People* (2 pgs).

This tool seeks to identify:

- A **"snapshot fact"** in relation to each Indicator (ie a measure at a particular point in time); and
- A **"trend"** regarding the Indicator over a timeframe.

Section 2 Detailed analysis of each Indicator

Section 2 contains a detailed analysis of the individual Indicators. The items measured by the Indicators remain unchanged since the *First Release* and are as follows:

Indicator 1: *Age of initiation:* at what age is alcohol most commonly first consumed?

Indicator 2: *Prevalence:* what proportion of young people are current drinkers?

Indicator 3: *High risk drinking:* what proportion of young people engage in high risk drinking?

Indicator 4: *Standard drinks consumed:* what is the average number of standard drinks being consumed by high risk drinkers on each drinking occasion?

Indicator 5: *Alcohol-attributable deaths:* how many underage drinkers are dying from alcohol-attributable deaths?

Indicator 6: *Product preference:* what is the product most commonly consumed by young high risk drinkers?

Section 3 The best available national survey evidence

Section 3 summarises the best available sources of national survey evidence, as relied upon in developing the *Table of Indicators.* The survey sources are categorised as gold, silver and bronze standard.

April 2006

Section 1: Table of Indicators

INDICATORS OF ALCOHOL CONSUMPTION AMONGST YOUNG PEOPLE

April 2006

Indicators	Snapshot		Trend	
	Facts	Timeframe (Source)	Facts	Timeframe (Source)
Indicator 1: Age of initiation. At what age is alcohol most commonly first consumed?	**Males = 16.6 yrs** (mean age of initiation, 20 yr olds and over) **Females = 17.9 yrs** (mean age of initiation, 20 yr olds and over)	2004 NDSHS[1]	**Trendless fluctuation**	1991-2004 NDSHS[2]
Indicator 2: Prevalence. What proportion are current drinkers?	**Males** 37% of 12-17 yr olds (are current drinkers - past week) **Females** 31% of 12-17 yr olds (are current drinkers - past week)	2002 ASSSA[3]	**No increase:** 12-15 yr olds **Slight decrease:** 16-17 yr olds	1984, 1999, 2002 1999-2002 ASSSA[4]
Indicator 3: High risk drinkers. What proportion engage in high risk drinking?	***Short-term (single day):*** 9.4% of 14-17 yr olds (are high risk drinkers) 19.1% of 18-24 yr olds (are high risk drinkers) ***Long-term (regular weekly pattern)*** 1.8% of 14-17 yr olds (are high risk drinkers) 8.0% of 18-24 yr olds (are high risk drinkers)	2004 2004 NDSHS[5]	**Decrease:** 14-17 yr olds **Increase:** 18-24 yr olds **Decrease:** 14-17 yr olds **Decrease:** 18-24 yr olds	2001-2004 NDSHS[6]
Indicator 4: Standard drinks consumed. What is the average number of standard drinks being consumed by risky and high risk drinkers on each drinking occasion?	***Males: Short-term (last drinking occasion):*** 12.4 std drinks for 15-17 yr olds (average consumed by risky and high risk drinkers) ***Females: Short-term (last drinking occasion)*** 9.0 std drinks for 15-17 yr olds (average consumed by risky and high risk drinkers)	2004 2004 NAC[7]	**Slight decrease:** 15-17 yr old males **Decrease:** 6% fall for 15-17 yr old females	Feb 2000-Feb 2004 NAC[8]
Indicator 5: Alcohol attributable deaths. How many are dying from alcohol attributable deaths?	**One 14-17 yr old dies per week** (from alcohol-attributable injury and disease caused by risky/high risk drinking) (501 deaths over 10 yrs 1993-2002))	2002 Other[9]	**Declined markedly:** 41% fall 14-17 yr old males 46% fall 14-17 yr old females	1993-2002 Other[10]
Indicator 6: Product preference. What is the product most commonly consumed by high risk drinkers?	**Full-strength beer** (preferred by risky and high risk males 14-19 yrs) **Spirits** (preferred by risky and high risk females 14-19 yrs)	2004 NDSHS[11]	**No Change**	2001-2004 NDSHS[11]

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References for Indicators of Alcohol Consumption Amongst Young People:

1 McAllister 2005, unpublished
2 McAllister 2005, unpublished
3 White & Hayman 2004, p. 21
4 White & Hayman 2004, p. 21
5 McAllister 2005, unpublished
6 McAllister 2005, unpublished
7 King et al, 2005, p. 47
8 King et al, 2005, p. 47
9 Chikritzhs et al 2004, p. 3
10 Chikritzhs et al 2004, p. 3
11 AIHW 2005, p 28

List of Abbreviations

ASSSA	Australian Secondary School Students' Use of Alcohol Survey
NAC	National Alcohol Campaign Surveys
NDSHS	National Drug Strategy Household Survey

Indicators of Alcohol Consumption Amongst Young People References April 2006

Author		Details
AIHW 2005 	T	2004 National Drug Strategy Household Survey: Detailed Findings
	C	Australian Institute of Health and Welfare (AIHW) 2005, *National Drug Strategy Household Survey: Detailed Findings* (Drug Statistics Series No. 16), AIHW, Canberra.
	W	http://www.aihw.gov.au/publications/index.cfm/title/8227
Chikritzhs at al 2004 	T	Under-aged Drinking Among 14 – 17 year olds and Related Harms in Australia
	C	Chikritzhs, T, Pascal, R & Jones, P 2004, *National Alcohol Indicators bulletin 7: Under-aged Drinking Among 14 – 17 year olds and Related Harms in Australia*, National Drug and Research Institute, Curtin University of Technology, Perth.
	W	www.curtin.edu.au/curtin/centre/ndri/pdfs/naip007.pdf
King et al 2005 	T	Alcohol consumption patterns among Australian 15-17 year olds from 2000 to 2004
	C	King, E, Ball, J & Carroll, T 2003, King, E, Taylor, J, Carroll, T 2005, *Alcohol consumption patterns among Australian 15-17 year olds from 2000 to 2004*, Department of Health and Ageing, Sydney.
	W	http://www.nationalalcoholcampaign.health.gov.au/research/pdf/youth.pdf
McAllister 2005 (unpublished)	T	Alcohol Consumption Among Adolescents and Young Adults (December 2005 update, unpublished)
	C	McAllister, I 2005, *Alcohol Consumption Among Adolescents and Young Adults December 2006 update (unpublished)*, Research School of Social Sciences, Australian National University, Canberra.
White & Hayman 2004 	T	Australian Secondary School Students' Use of Alcohol in 2002
	C	Department of Health and Ageing 2004, *Australian secondary school students' use of alcohol in 2002*, Report prepared by V White & J Hayman, Drug Strategy Branch, Australian Government Department of Health and Ageing, Canberra.
	W	www.nationaldrugstrategy.gov.au/pdf/mono55.htm

T- Title C- Bibliographical citation W- Web reference

Section 2: Detailed analysis of each Indicator

Indicator 1: Age of initiation

At what age is alcohol most commonly first consumed?

The age at which alcohol is first consumed is often considered a good indicator of changing trends in alcohol use. This is because:

> … the earlier the age of initiation, the greater the likelihood of increased consumption, and associated health and behaviour problems, during the lifecycle. (McAllister 2003, p. 19)

The accepted methodology for identifying the age of initiation is to question all respondents aged 20 years or more, and then identify the mean age at which that group first consumed alcohol.

SNAPSHOT FACT:

2004 NDS Household Survey results

The evidence is that:

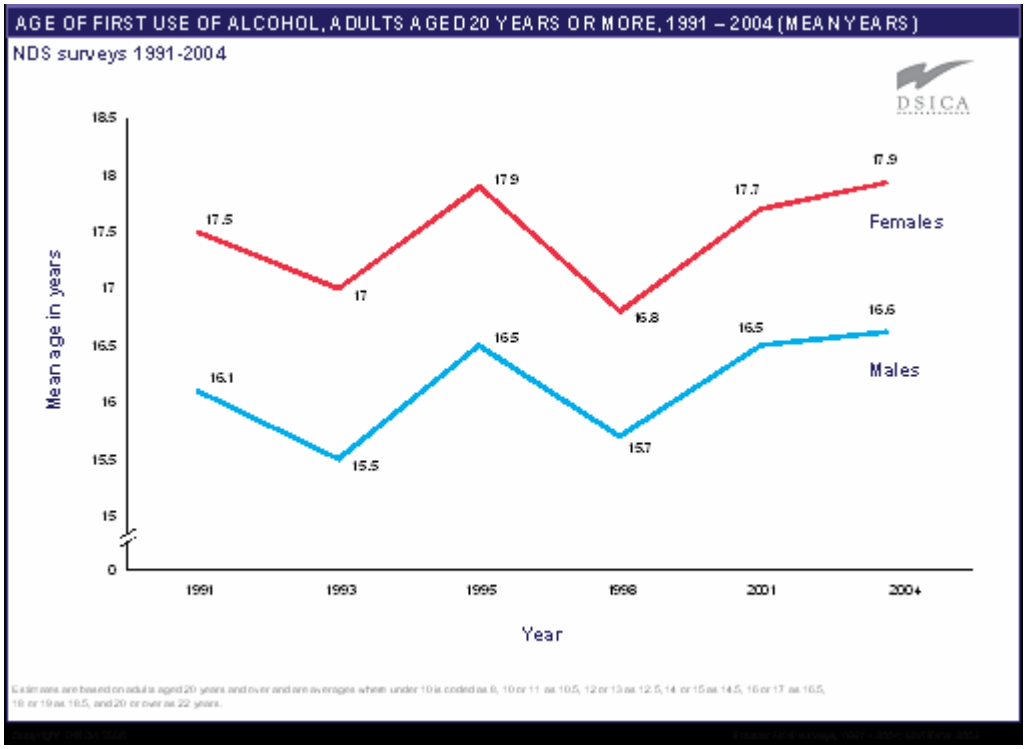
- the mean age of initiation into alcohol for males 20 years and over is 16.6 years;
- the mean age of initiation for females 20 years and over is **17.9 years** (McAllister analysis).

TREND: No increase in Indicator

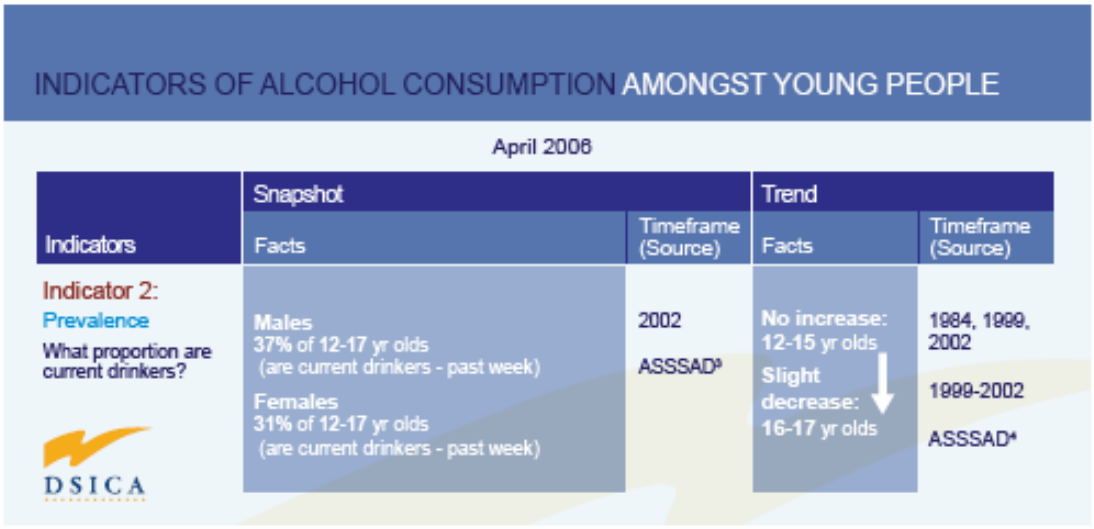
2004 NDS Household Survey results

There has been **NO INCREASE** in the age of initiation to alcohol since measurements were taken under the NDS in 1991. There have been trendless fluctuations in the age of initiation between 1991 and 2004. See *Graphic 1* following.

Graphic 1: Age of initiation to alcohol, Adults aged 20 years or more (1991-2001)(Mean Years)



Indicator 2: Prevalence



3. White & Hayman 2004, p. 21, *Australian Secondary School Students' Use of Alcohol in 2002* Report prepared by V White & J Hayman, Drug Strategy Branch, Australian Government Department of Health and Ageing, Canberra.
4. White & Hayman 2004, p. 21

What proportion of young people are 'current drinkers'?

The proportion of an age group who are drinkers is not, in itself, an indication of how much harmful alcohol consumption is taking place. This is because it is hypothetically possible that 100% of a particular age group are current drinkers, but they may all be drinking at low risk levels.

However, this is still a valuable indicator to identify the extent to which young people (especially underage drinkers) are obtaining access to alcohol.

The proportion of young people who are current drinkers is a key Indicator for these purposes. The NDS Household Survey identifies current drinkers as those who have consumed alcohol in the last 12 months.

The ASSAD survey defines 'current drinkers' as those who have consumed alcohol in the last week.

The National Alcohol Campaign identified drinkers as those who had consumed alcohol in the last 3 months.

For these purposes, current drinkers will be treated as those who had consumed alcohol in the last week. The priority focus should be on underage drinkers.

SNAPSHOT FACT:

2002 ASSAD Survey results

The most reliable evidence relating to the proportion of secondary students who had consumed alcohol in the last week is as follows:

- approximately 29% of 12-15 year olds had consumed alcohol in the last week; and
- approximately 48% of 16-17 year olds had consumed alcohol in the last week (White & Hayman 2004, p. 21).

TREND: No increase in Indicator

2002 ASSAD Survey results

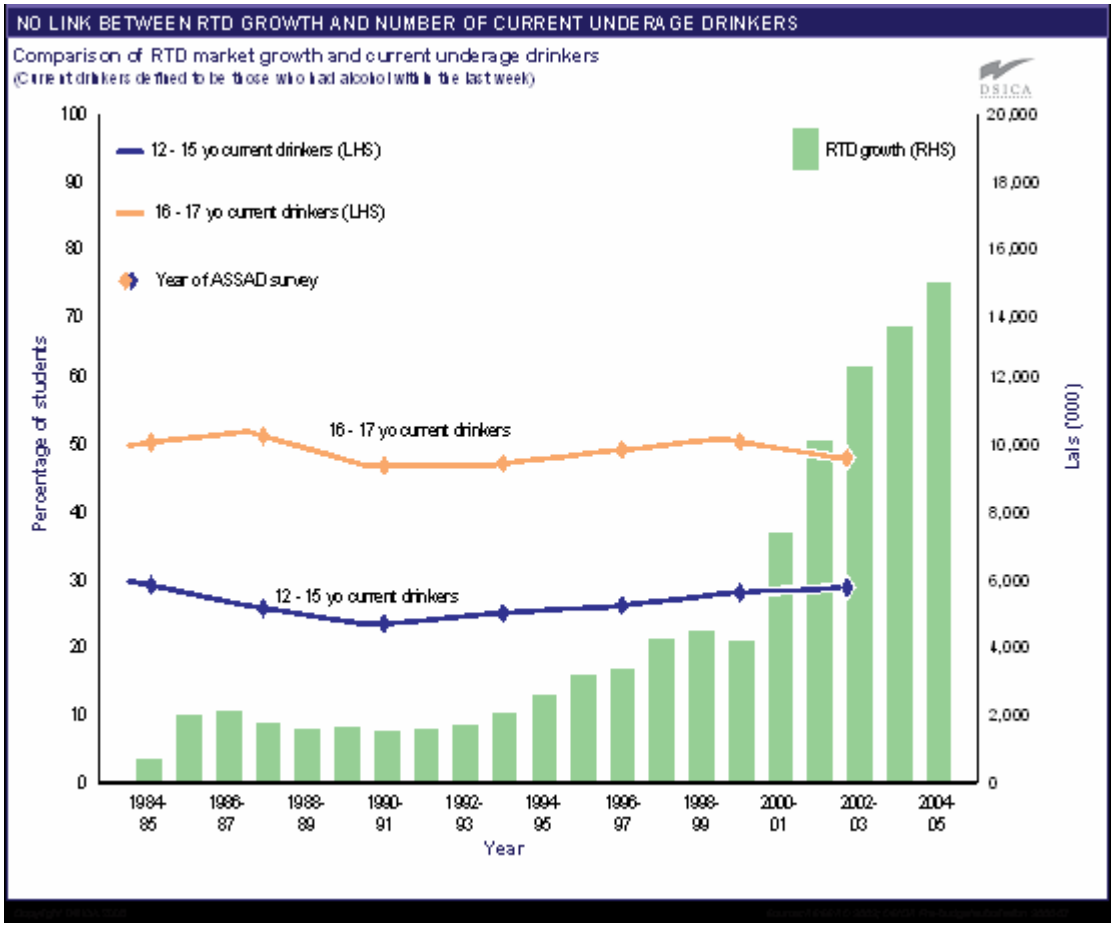
The prevalence of current drinking by underage drinkers has **NOT** increased since tax reform. The facts are:

- the prevalence of current drinking for 12-15 yr olds was **similar** in 2002 to that found in 1999 and 1984;
- the prevalence of current drinking for 16-17 yr olds was slightly **lower** in 2002 than in 1999 (White & Hayman, 2004, p. 21).

There is clearly no direct causal link between the growth in RTD sales and the proportions of secondary school students who are current drinkers. See *Graphic 2*. This figure shows that the growth of the RTD market (RHS axis) in Australia has had no direct effect on the proportion of adolescents identified as current drinkers (LHS axis).

One key point to note here is that these trends have shown little change, at a time when RTD sales have been growing strongly. This fact removes any suggestion that there is a direct link between RTD sales and the proportion of adolescents who are drinking.

Graphic 2: No link between RTD sales growth and the number of current drinkers (1984-2002)



2004 National Alcohol Campaign results

The proportion of 15-17 yr olds who had consumed alcohol within the week either fell for both males and females between February 2000 and February 2004 (King et al 2005, *Figures 7* and *8).*

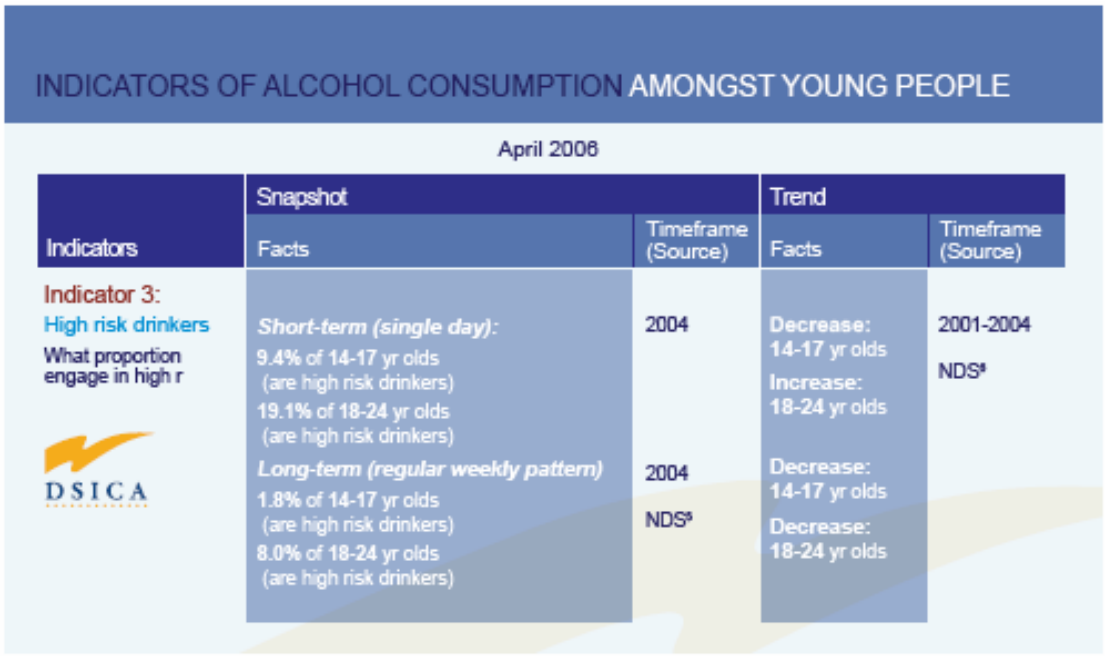
This is broadly consistent with the ASSAD findings referred to above.

UK – Alcohol Harm Reduction Strategy (2004) findings

The UK Prime Minister's Strategy Unit has released an *Alcohol Harm Reduction Strategy for England* (UK 2004). This major study makes similar findings as set out above. The Strategy document observes that:

> There is **no evidence** that they [RTDs] raised the number of young people drinking. (UK 2004, p. 65)

Indicator 3: High risk drinkers



INDICATORS OF ALCOHOL CONSUMPTION AMONGST YOUNG PEOPLE

April 2006

Indicators	Snapshot		Trend	
	Facts	Timeframe (Source)	Facts	Timeframe (Source)
Indicator 3: High risk drinkers What proportion engage in high r	*Short-term (single day):* 9.4% of 14-17 yr olds (are high risk drinkers) 19.1% of 18-24 yr olds (are high risk drinkers)	2004	Decrease: 14-17 yr olds Increase: 18-24 yr olds	2001-2004 NDS[5]
	Long-term (regular weekly pattern) 1.8% of 14-17 yr olds (are high risk drinkers) 8.0% of 18-24 yr olds (are high risk drinkers)	2004 NDS[5]	Decrease: 14-17 yr olds Decrease: 18-24 yr olds	

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5. McAllister, I 2005, *Alcohol Consumption Among Adolescents and Young Adults December 2006 update (unpublished)* Research School of Social Sciences, Australian National University, Canberra.
6. McAllister, 2005

What proportion of young people engage in high risk drinking?

One of the most important indicators of the levels of harmful alcohol consumption amongst young people is the proportion of the various age groups who engage in high risk drinking, in both the short-term and the long-term. This is the group which we need to focus our attention on.

SNAPSHOT FACT:

2004 NDS Household Survey results

Professor McAllister has analysed the levels of high-risk drinking amongst young people over the short-term (on a single day) and over the long-term (during an average week).

In the *short-term :*

- 9.4 % of all 14-17 year olds are high risk drinkers;
- 19.1% of all 18-24 year olds are high risk drinkers;

In the *long-term:*

- 1.8% of all 14-17 year olds are high risk drinkers;
- 8.0% of all 18-24 year olds are high risk drinkers; and

It can be seen that the highest degree of (short-term and long-term) risk for young people occurs after the legal drinking age, that is, between the ages of 18 and 24. In fact, Professor McAllister's analysis shows that the greatest degree of risk is at the ages of 18 and 19 (McAllister 2004, p. 15).

TREND: No increase in Indicator for underage drinkers

2004 NDS Household Survey results

The proportion of 14-17 year old high risk drinkers has declined during 2001 and 2004.

In the *short* term: the measure has fallen from 12.2% of respondents to 9.4%.

In the *long* term: the measure has fallen from 2.7% of respondents to 1.8%.

Building on the analysis above, we can see from the Table of Indicators that the statistic of most concern is short term high risk drinkers in the 18-24 year old category (increase from 15.6% to 19.1% during the period 2001 to 2004).

2004 National Alcohol Campaign Results

The National Alcohol Campaign has also found that there have been no dramatic increases in the proportions of 15-17 yr old males and females drinking at risky and high risk levels between February 2000 and February 2004. In fact, the proportion of males in this category has been showing a gradual decline since February 2002, while the proportion of females is relatively static (King et al 2005, p. 40-41).

2002 ASSAD Survey results

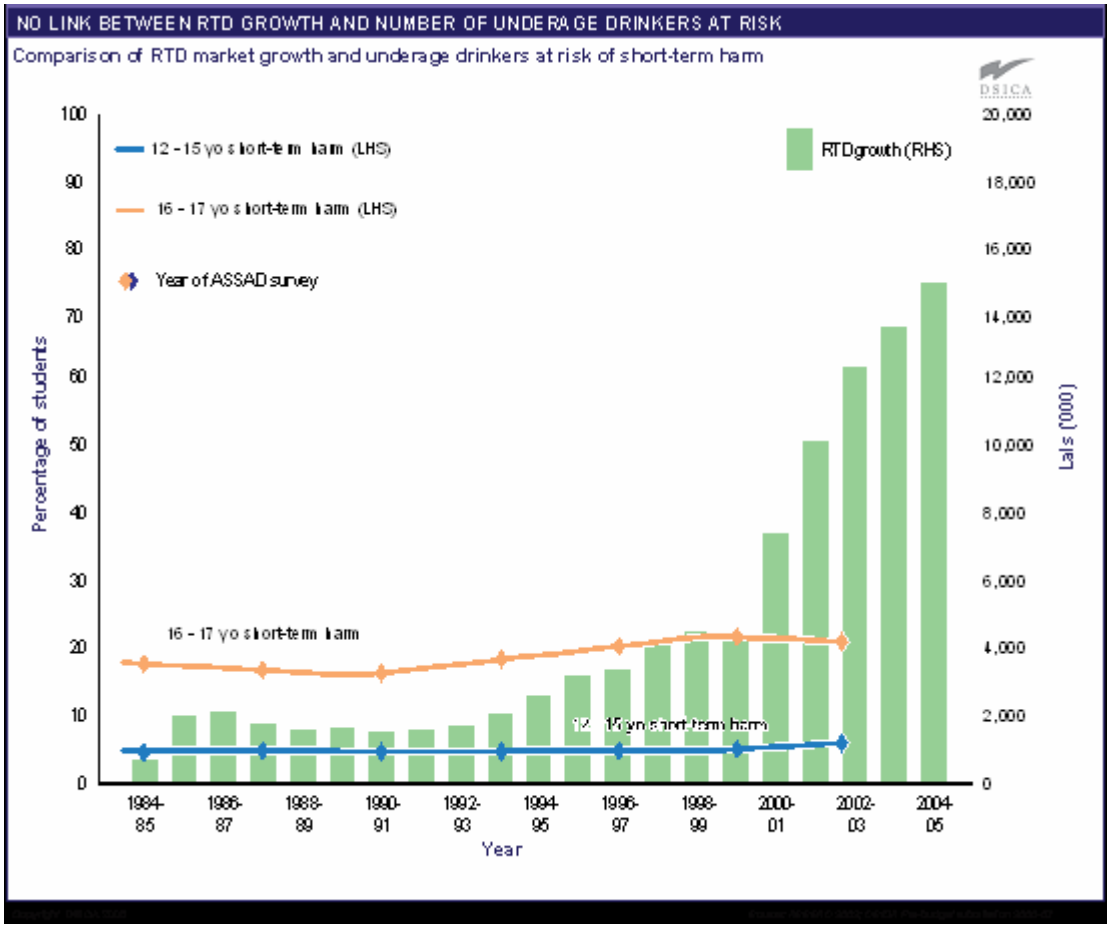
The proportions of secondary students drinking at harmful levels has **NOT** increased since tax reform. The facts are:

- there was **little change** in the proportions of 12-15 year olds drinking at harmful levels between 1999 and 2002;
- the proportions of 16-17 year olds drinking at harmful levels has been **fairly stable** between 1999 and 2002 (White & Hayman 2004, p. 21).

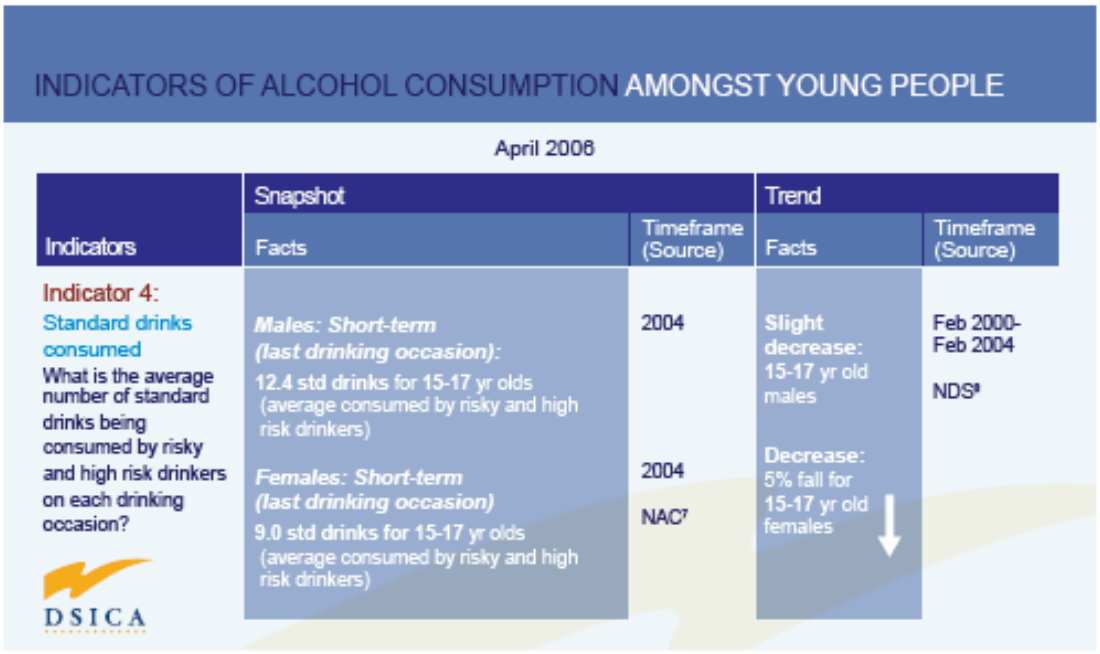
The time series of the ASSAD surveys (and the bigger sample sizes for the relevant surveys) allow us to perform a longer terms analysis of young people drinking at harmful levels in the context of the growth in the RTD market over that period. See next page.

There is clearly no direct causal link between the growth in RTD sales and the proportions of secondary school students who are drinking at harmful levels. See *Graphic 3.* This figure shows that the growth of the RTD market (RHS axis) in Australia has had no direct effect on the proportion of teenagers drinking at harmful levels (LHS axis).

Graphic 3: No link between RTD sales growth and the number of underage drinkers at risk of short-term harm (1984-2002)



Indicator 4: Standard drinks consumed:



7. King, E, Bali, J & Carroll, T 2003, King, E, Taylor, J, Carroll, T 2005 p. 47, Alcohol consumption patterns among Australian 15-17 year olds from 2000 to 2004, Department of Health and Ageing, Sydney.
8. King et al, 2005, p. 47

What is the average number of standard drinks being consumed by young high risk drinkers on each drinking occasion?

An important Indicator is the number of standard drinks that are being consumed by young high risk drinkers on the average drinking occasion. This Indicator will provide a valuable insight into the extent of abuse of alcohol by this group.

SNAPSHOT FACT:

2004 National Alcohol Campaign results

The average number of standard drinks consumed by risky and high risk 15-17 year old drinkers (as surveyed in February 2004) were as follows:

- 12.4 standard drinks per drinking occasion for 15-17 year old males;
- 9.0 standard drinks per drinking occasion for 15-17 year old females (King et al 2005, p. 48-49).

TREND: Decrease in Indicator

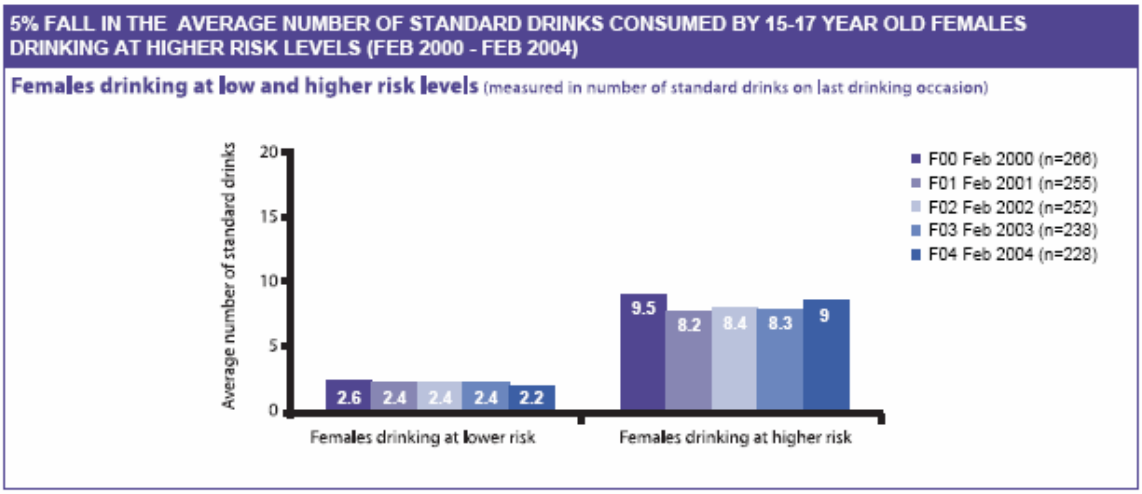
2004 National Alcohol Campaign results

The average number of standard drinks consumed by risky and high risk underage drinkers on each drinking occasion has **fallen.** The facts are:

- there was a fall in the number of standard drinks consumed by 15-17 year old males (**0.8% decrease)** and females (**5% decrease**) drinking at risky and high risk levels between February 2000 and February 2004 (King et al 2005 p. 48) (see *Figure 28*);

- it is possible that the increasing substitution of the more expensive RTDs for full-strength bottled spirits and full-strength beer may have resulted in a reduction in the average number of standard drinks consumed in each drinking session by those drinking at risky or high risk levels.

Graphic 4: Standard drinks consumed by 15-17 year old females (February 2000 – February 2004)



Source: Figure 20, Alcohol consumpton patterns among Australian 15-17 year olds from February 2000 – 2004. DHA, March 2005
Base: Those females who consumed alcohol within the last three months.
The sample sizes (n's) shown in the legend exclude respondents who reported consuming 25 or more standard drinks.

Indicator 5: Alcohol-attributable deaths

9. Chikritzhs, T, Pascal, R & Jones, P 2004 p. 3, *National Alcohol Indicators bulletin 7: Under-aged Drinking Among 14 – 17 year olds and Related Harms in Australia*, National Drug and Research Institute, Curtin University of Technology, Perth.
10. Chikritzhs et al 2004, p. 3

How many underage drinkers are dying from alcohol-attributable causes?

A vital Indicator is the number of 14-17 year olds who are dying from alcohol-attributable causes. The National Drug Research Institute released some valuable research regarding this issue in late 2004 (Chikritzh 2004b, p.1).

SNAPSHOT FACT:

About one 14-17 year old dies each week in Australia from alcohol-attributable injury and disease (501 have died in the 10 years from 1993 to 2002) (Chikritzhs, 2004b, p. 3).

In 2002, the national numbers of alcohol-attributable deaths for 14-17 year olds were as follows:

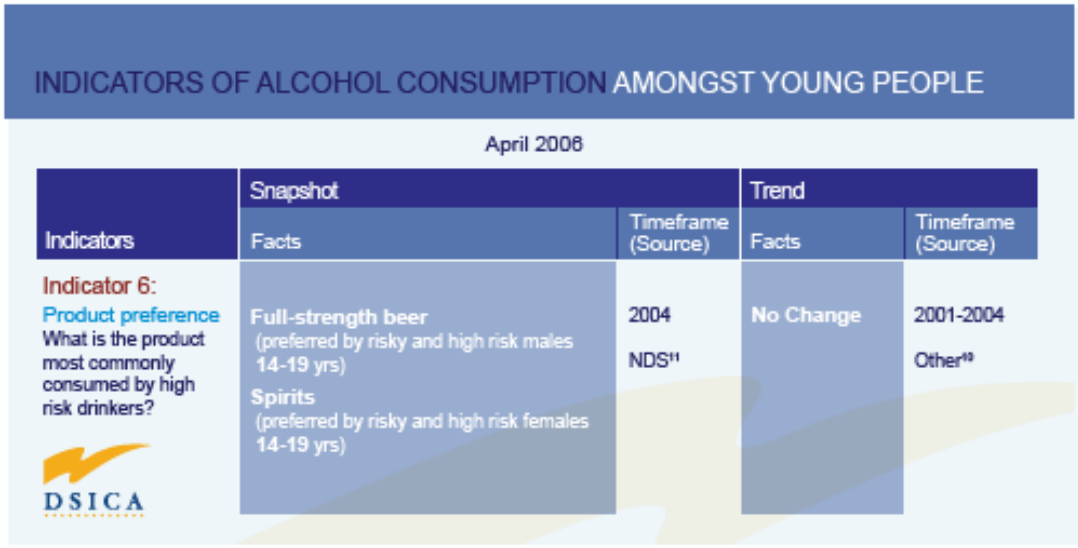
- 0.6 deaths/10,000 14-17 yr old males per year;
- 0.2 deaths/10,000 14-17 yr old females per year;
- 0.4 deaths/10,000 14-17 yr olds per year (Chikritzhs 2004b, p. 3);

TREND: Decrease in Indicator

The national numbers of alcohol-attributable deaths for 14-17 year olds have **declined markedly** since 1993:

- death rates for 14-17 yr old males fell 41% between 1993 and 2002;
- death rates for 14-17 year old females fell 46% between those years (Chikritzhs 2004b, p. 3).

Indicator 6: Product preference



11. Australian Institute of Health and Welfare (AIHW) 2005, p.28 *National Drug Strategy Household Survey: Detailed Findings*, (Drug Statistics Series No. 16), AIHW, Canberra.
11. AIHW 2005, p.28

What is the product most commonly consumed by young high risk drinkers?

It is of vital importance that we understand which alcohol product is the most preferred by young high risk drinkers of various age groups. Many of the less credible occasional surveys seek to draw conclusions regarding product-driven abuse of alcohol by young people.

It is in this area particularly that the highest standard of national survey should be relied upon.

SNAPSHOT FACT:

2004 NDS Household Survey results: long-term

Long-term (ie weekly basis): Teenagers drinking at high risk levels in the long-term do **NOT** prefer RTDs. The facts are:

- male teenagers (14-19 yrs) drinking at risky and high risk levels (in the long-term) most commonly drank *full-strength beer*; and
- female teenagers (14-19 yrs) drinking at risky and high risk levels (in the long-term) most commonly drank *bottled spirits and liqueurs* (AIHW 2004b, p. 28).

The AIHW *Detailed Findings* on the 2004 NDS Household Survey on this issue are set out in *Graphic 5* below.

Graphic 5: 2004 NDS Household Survey results for alcohol products preferred by age categories)

	Long-term risk	
Age group	Low risk	Risky or high risk
	Males	
14–19	Premixed spirits in a can (58.1%)	Regular strength beer (76.8%)
20–29	Regular strength beer (66.4%)	Regular strength beer (84.3%)
30–39	Regular strength beer (55.8%)	Regular strength beer (71.1%)
40+	Bottled wine (53.2%)	Regular strength beer (56.3%)
	Females	
14–19	Premixed spirits in a can (53.9%)	Bottled spirits and liqueurs (84.8%)
20–29	Bottled spirits and liqueurs (60.1%)	Bottled spirits and liqueurs (67.5%)
30–39	Bottled wine (64.0%)	Bottled wine (59.8%)
40+	Bottled wine (69.3%)	Bottled wine (66.4%)

Notes

1. Base is recent drinkers.
2. Respondents could select more than one response.

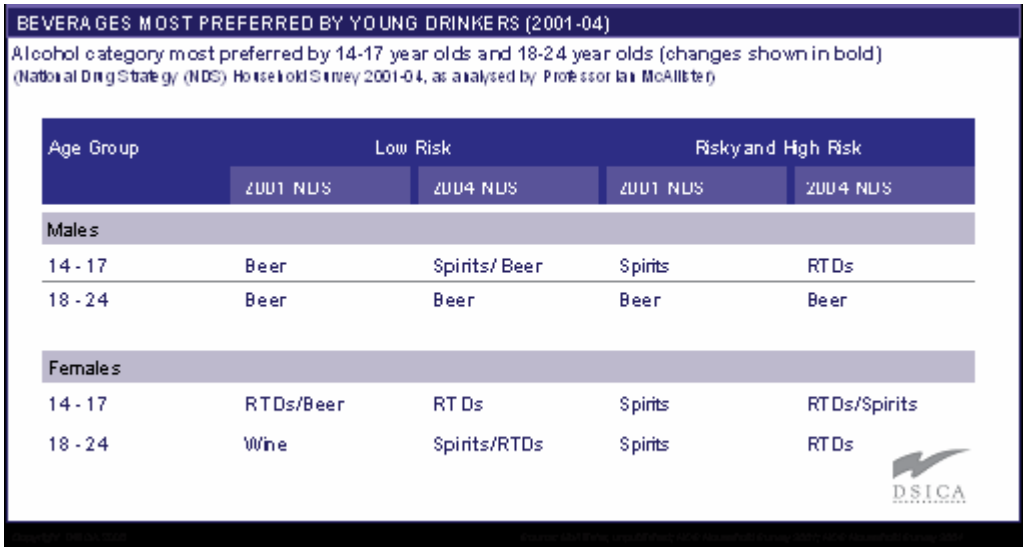
2004 NDS Household Survey results: short-term

Short-term (ie single day): Professor McAllister has analysed the unit record files from the NDS 2004, and identified that there have been a number of changes in product preference amongst the various age groups in the **short-term.**

However, he notes that this data relates to the broader group of those drinking at risky levels **or** at high risk levels. Ideally, these groups should be further disaggregated to identify the product preferences of those drinking at high risk. Consequently, these changes in product preference should be treated with caution, as they do not represent the product preferences of high risk drinkers. See next page.

The recent changes in product preferences identified by Professor McAllister are set out in *Graphic 6* below:

Graphic 6: Most preferred type of alcohol consumed, by short-term risk status, risky and high risk drinkers 14-24 years, Australia 2004.



BEVERAGES MOST PREFERRED BY YOUNG DRINKERS (2001-04)

Alcohol category most preferred by 14-17 year olds and 18-24 year olds (changes shown in bold)
(National Drug Strategy (NDS) Household Survey 2001-04, as analysed by Professor Ian McAllister)

Age Group	Low Risk		Risky and High Risk	
	2001 NDS	2004 NDS	2001 NDS	2004 NDS
Males				
14 - 17	Beer	Spirits/ Beer	Spirits	RTDs
18 - 24	Beer	Beer	Beer	Beer
Females				
14 - 17	RTDs/Beer	RTDs	Spirits	RTDs/Spirits
18 - 24	Wine	Spirits/RTDs	Spirits	RTDs

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Conclusion: No reliable evidence to justify an increase in tax on RTDs

DSICA believes that the analysis of the Indicators set out above shows that there is no reliable evidence that justifies an increase in the tax on RTDs on health grounds.

On the contrary, there is now a wide range of reliable evidence that there is no link between the increased popularity of RTDs and the levels of harmful alcohol consumption amongst young people.

Any advocates for an increase in the tax on RTDs on health grounds should bear the burden of proof in demonstrating what evidence there is to justify such a change.

DSICA does not consider that any reliable evidence has been produced to justify such a change.

Section 3: The best available national survey evidence

DSICA engaged Professor Ian McAllister to identify and evaluate the most reliable surveys on alcohol consumption in Australia.

Unreliable surveys

Professor McAllister found that the quality and reliability of occasional surveys on underage drinking have varied considerably. Many of the occasional surveys which are regularly cited in the media are not reliable, because of a range of factors, including:

- biased (or inadequate) sample size;
- biased (or unacceptable) survey methodology;
- use of misleading, ambiguous or undefined terms (such as 'binge drinking');
- use of reporting methods that substantially inflate the incidence of alcohol use amongst young people.

There are two major national surveys regarding patterns of alcohol consumption by young people. These surveys are:

- the National Drug Strategy (NDS) Household Survey; and
- the Australian Secondary School Students Alcohol and Drug Use (ASSAD) Survey.

The Gold Standard: Professor McAllister confirmed that the NDS Household Survey is the most reliable national survey of alcohol consumption patterns. DSICA refers to the NDS Household Survey as the Gold Standard. It uses a large sample size (over 30,000 in 2004), a common set of questions and a cross-time component enabling the examination of attitudes and behaviours over time.

The Silver Standard: Professor McAllister considers that the ASSAD survey is the second most influential national survey regarding patterns of alcohol consumption by young people. The 2002 ASSAD survey sampled over 23,400 12-17 year olds. DSICA refers to the ASSAD survey as the Silver Standard.

Bronze standard: The bronze standard is the National Alcohol Campaign (NAC) surveys conducted under the auspices of the Commonwealth Department of Health and Ageing (DHA). The quantitative phase involved four national surveys between 2000 and 2004 each involving 800 adolescents (15-17 year olds) and 600 young adults (18-24 year olds).

A copy of Professor McAllister's report *Alcohol Consumption among Adolescents and Young Adults* (20 August 2003) can be found at www.dsica.com.au .

The Gold Standard: 2004 National Drug Strategy (NDS) Household Survey

The Australian Institute of Health and Welfare (AIHW) conducts the NDS Household Surveys. The AIHW released the *First Results* of the 2004 NDS Household Survey in April 2005 (AIHW 2005a) and the *Detailed Findings* were released in November 2005 (AIHW 2005b). The AIHW used the risk guidelines endorsed by the NHMRC in conducting its analysis (NHMRC 2001, p. 5).

There have been eight Household Surveys conducted under the auspices of the NDS. Surveys have been conducted in 1985, 1988, 1991, 1993, 1995, 1998, 2001 and 2004. These are extremely important surveys and DSICA believes that they should be conducted more frequently than every three years. This is because there is a significant time delay in the release of the detailed findings. The industry would ideally prefer to have more timely data from this research.

Trends in underage drinking - NDS Household Surveys (1998, 2001 and 2004)

Professor McAllister has analysed the unit record files of the 1998, 2001 and the 2004 NDS Household Surveys.

Professor McAllister expressed concern that while the results for the 2001 and 2004 NDS Household Surveys are based on a sufficiently large number of respondents to allow reliable analysis, in some categories of risk, the 1998 survey results were not (see DSICA, 2005, p.15).

The Silver Standard: 2002 Australian Secondary School Students Alcohol and Drug (ASSAD) Survey

Professor McAllister confirmed that the ASSAD survey is the second most reliable national survey regarding patterns of alcohol consumption amongst young people.

However, Professor McAllister notes that the ASSAD unit record files are not publicly available. This severely limits the amount of secondary analysis (and replication analysis) which can be conducted in relation to these surveys.

There have been seven surveys in the series. Surveys have been conducted in 1984, 1987, 1990, 1993, 1996, 1999 and 2002.

The Bronze Standard: National Alcohol Campaign, Feb 2000 to Feb 2004

Another more recent set of occasional surveys was undertaken as part of the National Alcohol Campaign conducted by DHA. Five tracking studies for the National Alcohol Campaign were conducted between February 2000 and February 2004. DHA released its latest report on alcohol consumption patterns among Australian 15-17 year olds in March 2005 (King et al 2005).

DSICA understands that these surveys will continue to be conducted annually and will be referred to as the *"National Alcohol Consumption Monitor"*. DSICA commends the Government for continuing to undertake this study.

This key Government report dispels a number of myths about alcohol consumption by young people. The report demonstrates the negligible impact of the alcohol tax changes under the New Tax System, which commenced on 1 July 2000.

Importantly, this key report shows that the average levels of alcohol consumption by 15-17 year olds are declining (or at worst, remaining steady) amongst both *low risk* and *risky/high risk* drinkers.

In reviewing this and other studies, DSICA observes that the way is which some reports express percentages of drinkers at risk can result in a significant over-estimate of the proportion of the total age group (for example, see King et al 2005, *Figure 22* at p. 40). DSICA believes that when evaluating alcohol consumption patterns it is preferable to

refer to proportions of the entire age group in question, rather than refer to proportions of the group who are 'current drinkers'.

Conclusion

DSICA will continue to update the *Table of Indicators* as new data sets from these three most reliable national surveys are released.

April 2006

Appendix 2

Revenue, Price and Market Estimates

EXCISE PAID ON THE CONSUMPTION OF BEER AND RTDS - A COMPARISON						
Product (375mL)	**abv**	**Excise rate per Lal**	**Excise rate per product**	**Number of standard drinks per product**	**Non-gst tax per standard drink**	**Effective rate per Lal**
Low Strength						
Low Strength 1	1.00%	$ -	$ -	0.30	$ -	$ -
Low Strength 1.5	1.50%	$ 31.73	$ 0.04	0.44	$ 0.09	$ 7.40
Low Strength 2	2.00%	$ 31.73	$ 0.10	0.59	$ 0.17	$ 13.49
Low Strength 2.5	2.50%	$ 31.73	$ 0.16	0.74	$ 0.22	$ 17.13
Low Strength Packaged Beer	**2.70%**	**$ 31.73**	**$ 0.18**	**0.80**	**$ 0.23**	**$ 18.22**
Low Strength 1	1.00%	$ 36.98	$ 0.14	0.30	$ 0.47	$ 36.98
Low Strength 1.5	1.50%	$ 36.98	$ 0.21	0.44	$ 0.47	$ 36.98
Low Strength 2	2.00%	$ 36.98	$ 0.28	0.59	$ 0.47	$ 36.98
Low Strength 2.5	2.50%	$ 36.98	$ 0.35	0.74	$ 0.47	$ 36.98
Low Strength RTDs	**2.70%**	**$ 36.98**	**$ 0.37**	**0.80**	**$ 0.47**	**$ 36.98**
Mid Strength						
Mid Strength 3	3.00%	$ 36.98	$ 0.26	0.89	$ 0.29	$ 22.80
Mid-Strength Packaged Beer	**3.50%**	**$ 36.98**	**$ 0.33**	**1.04**	**$ 0.31**	**$ 24.83**
Mid Strength 3	3.00%	$ 36.98	$ 0.42	0.89	$ 0.47	$ 36.98
Mid-Strength RTDs	**3.50%**	**$ 36.98**	**$ 0.49**	**1.04**	**$ 0.47**	**$ 36.98**
Full Strength						
Full Strength 4	4.00%	$ 36.98	$ 0.40	1.18	$ 0.33	$ 26.35
Full Strength 4.5	4.50%	$ 36.98	$ 0.46	1.33	$ 0.35	$ 27.53
Full-Strength Packaged Beer	**4.60%**	**$ 36.98**	**$ 0.48**	**1.36**	**$ 0.35**	**$ 27.74**
Full Strength 5	5.00%	$ 36.98	$ 0.53	1.48	$ 0.36	$ 28.47
Full Strength 5.5	5.50%	$ 36.98	$ 0.60	1.63	$ 0.37	$ 29.25
Full Strength 4	4.00%	$ 36.98	$ 0.55	1.18	$ 0.47	$ 36.98
Full Strength 4.5	4.50%	$ 36.98	$ 0.62	1.33	$ 0.47	$ 36.98
Full-Strength RTDs	**4.60%**	**$ 36.98**	**$ 0.64**	**1.36**	**$ 0.47**	**$ 36.98**
Full Strength 5	5.00%	$ 36.98	$ 0.69	1.48	$ 0.47	$ 36.98
Full Strength 5.5	5.50%	$ 36.98	$ 0.76	1.63	$ 0.47	$ 36.98
Notes:						
Excise free-threshold for beer	1.15%					
Assumed volume per product (litres)	0.375					
1 standard drink (litres)	0.01267					
Excise rates current as of 1 Feb 2006						

RTD Tax Equivalence: Excise duty payable per product

Excise Duty of RTDs					
(1 Feb 06)	abv	Per Lal	Per 375mL	Per case (x 24)	Per 6-pack
low-strength RTD	2.7%	$ 36.98	$ 0.37	$ 8.88	$ 2.22
mid-strength RTD	3.5%	$ 36.98	$ 0.49	$ 11.76	$ 2.94
full-strength RTD	4.6%	$ 36.98	$ 0.64	$ 15.36	$ 3.84

New Excise Duty of RTDs					
(1 Feb 06)	abv	Per Lal	Per 375mL	Per case (x 24)	Per 6-pack
low-strength RTD	2.7%	$ 31.73	$ 0.18	$ 4.32	$ 1.08
mid-strength RTD	3.5%	$ 36.98	$ 0.33	$ 7.92	$ 1.98
full-strength RTD	4.6%	$ 36.98	$ 0.64	$ 15.36	$ 3.84

Notes:

Low and mid-strength RTDs now subject to 1.15% excise-free threshold and duty rates applicable to low and mid strength packaged beer.
For example - low strength RTD will now pay excise per 375mL can: (2.7%-1.15%) x 31.73 x 0.375 = $0.18

Packaged Beer and RTD Market 2005-06								
Category	abv	Total Cases	Total Lals	% of alcohol market	sales revenue ($'000)	% sales	excise ($ '000)	% of total alcohol excise revenue
low-strength beer (packaged)	2.7%	19,485,597	**4,735,000**	2.9%	525,916	100	**$ 85,418**	3.4%
low-strength RTDs		n/a	n/a	n/a	n/a	n/a	n/a	n/a
mid-strength beer (packaged)	3.5%	24,136,508	**7,603,000**	4.7%	$ 724,095	97.5% (of mid-strength mkt)	**$ 186,934**	7.4%
mid-strength RTDs	3.5%	**407,112**	**128,240**	0.1%	$ 18,320	2.5% (of mid-strength mkt)	$ 4,696	0.2%
Sub-Total		24,543,620	7,731,240	4.8%	$ 742,415		$ 191,630	
full-strength beer (packaged)	4.9%	96,671,202	**42,632,000**	26.4%	$ 3,421,194	63% (of full-strength mkt)	**$ 1,183,202**	46.7%
full-strength RTDs	4.6%-5%	**35,130,168**	**16,129,667**	10.0%	$ 2,002,068	37% (of full-strength mkt)	$ 590,668	23.3%
Sub-Total			58,761,667		$ 5,423,262		$ 1,773,870	
Total alcohol market			**161,700,000**	100%			**$ 2,532,000**	

Notes
Weighted rate for low-strength beer is $31.42.
Weighted rate for mid-strength beer and mid-strength RTDs is $36.62.
Weighted rate for full-strength beer and full-strength RTDs is $36.62
Beer subject to 1.15% excise free threshold.
Full strength packaged beer does not include imported beer.

In calculating sales revenue we have assumed $26.99 per case price for low-strength beer (Hahn Premium-Light)
In calculating sales revenue we have assumed $30 per case price for mid-strength beer (XXXX Gold), and $45 per case price for mid-strength RTD (Bundaberg Gold & Cola)
In calculating sales revenue we have assumed $35.39 (Melbourne Bitter) per case price for full-strength beer, and $56.99 (Bundaberg & Cola) per case price for full-strength RTD.

Comparison of price between mid-strength Bundaberg Gold & Cola and XXXX Gold

	6 pack	case (6 pack x 4)
Bundy & Cola		
current	$ 13.00	$ 45.00
new	$ 10.00	$ 34.99
XXXX Gold	$ 9.99	$ 29.99

Notes
XXXX Gold prices were advised by a leading retailer of alcoholic beverages
Bundy & Cola prices (current and new) were advised by Diageo on 19 May 06.
Alcohol by volume = 3.5%

RTD Equivalence: Revenue Estimates

1. Market Estimates

	HISTORY **2004-05**		FORECAST **2005-06**		FORECAST **2006-07**	
	9L Cases	**Lals**	**9L Cases**	**Lals**	**9L Cases**	**Lals**
Packaged RTDs						
Full Strength	**32,239,645**	**14,803,167**	**35,130,168**	**16,129,667**	**37,846,441**	**17,377,939**
Mid Strength	**379,036**	**119,396**	**407,112**	**128,240**	**441,621**	**139,111**
Low Strength						
Total RTD	32,618,681	14,922,564	35,537,280	16,257,907	38,288,063	17,517,050

2. Revenue Cost from RTD equivalence

Full Strength Packaged RTDs	**FY 2004-05**	**FYE 2005-06**	**FYE 2006-07**
Current Estimated RTD Excise Revenue	$ 528,004,306	$ 590,668,407	$ 654,733,823
Total Cases	32,239,645	35,130,168	37,846,441
Total Litres of Product	290,156,804	316,171,510	340,617,971
X 1.15% Threshold	3,336,803	3,635,972	3,917,107
Taxable Lals	11,466,364	12,493,695	13,460,833
New Estimated RTD Revenue	$ 408,986,096	$ 457,519,099	$ 507,152,330
Cost To Revenue(Full Strength RTDs)	$ 119,018,210	$ 133,149,308	$ 147,581,492

Mid Strength Packaged RTDs	**FYE 2004-05**	**FYE 2005-06**	**FYE 2006-07**
Current RTD Excise Revenue	$ 4,258,671	$ 4,696,160	$ 5,241,156
Total Cases	379,036	407,112	441,621
Total Litres of Product	3,411,326	3,664,008	3,974,592
X 1.15% Threshold	39,230	42,136	45,708
Taxable Lals	80,166	86,104	93,403
New RTD Revenue	$ 2,859,394	$ 3,153,136	$ 3,519,062
Cost To Revenue(Mid Strength RTDs)	$ 1,399,278	$ 1,543,024	$ 1,722,094

TOTAL COST TO REVENUE	$ 120,417,488	$ 134,692,332	$ 149,303,587

(1) Forecast growth rates for RTDs are from Industry sources as at November 2005.
(2) Mid Strength RTDs consist of West Coast, Bundy Gold, Jim Beam midstrength and Renegade.
This data is from industry sources.

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