



# AUSTRALIAN HOTELS ASSOCIATION

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**Bill Healey**  
**Director National Affairs**

1 June 2006

The Secretary  
Senate Economics Legislation Committee  
Suite SG.64,  
Parliament House  
Canberra ACT 2600

**Attention: Mr Alistair Sands - Economics.sen@aph.gov.au**

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

The Australian Hotels Association (AHA) welcomes the opportunity to comment on the alcohol taxation measures contained in the above bills with respect to their likely consumer, social and economic effects and their effect on industry.

The AHA is the pre-eminent tourism and hospitality industry organisation in Australia. It has in excess of 8000 members operating general and accommodation hotels. The AHA is a Federally Registered Industrial Organisation of Employers. It has a National Office and Branches in each State and Territory. It also has a discrete Branch to represent the interests of its Accommodation members This Branch covers four and five star properties operated by the major chains. State Branches operate autonomously and manage their own finances.

It has a strong working relationship with the broader Alcohol Industry and is a member of the National Alcohol Beverage Industry Council (NABIC).

The AHA believes the review provides an ideal opportunity to correct a small taxation anomaly in relation to the current taxation of low and mid-strength packaged RTDs. This is lower than tax rate for packaged beer products of similar alcohol content.

The recently developed *National Alcohol Strategy 2006-09* (the Strategy) supports the development of a “drinking culture” that will lead to 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.

The AHA believes a fall in excise will increase the affordability of low and mid-strength RTDs and thereby encourage the consumption of lower strength alcohol beverages particularly for young females.

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.

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.

The best available evidence indicates 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.

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.

The AHA 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).

DISICA has advised the AHA that the cost to Commonwealth revenue of implementing 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. It is interesting to compare this figure with the net loss to revenue from the introduction of the 1.15% above threshold excise regime for beer in 1988, which cost the Government \$400 million.

The AHA urges the Committee to recommend the taxation equivalence between low and mid-strength packaged RTDs and packaged beer. This is consistent with objectives of tax equity and efficiency. It will encourage the consumption of lower strength alcoholic beverages leading to a reduction in harmful alcohol consumption in the community.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Bill Healey', with a large, stylized flourish at the end.

Bill Healey  
DIRECTOR NATIONAL AFFAIRS