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STANDING COMMITTEE ON COMMUNITY AFFAIRS

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

WEDNESDAY, 11 MARCH 2009

CANBERRA

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**SENATE STANDING COMMITTEE ON
COMMUNITY AFFAIRS
Wednesday, 11 March 2009**

Members: Senator Moore (*Chair*), Senator Siewert (*Deputy Chair*) and Senators Adams, Bilyk, Boyce, Carol Brown, Furner and Humphries

Substitute members: Senator Bernardi to replace Senator Adams from 11 February to 12 May 2009

Participating members: Senators Abetz, Adams, Barnett, Bernardi, Birmingham, Bishop, Boswell, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Collins, Coonan, Cormann, Crossin, Eggleston, Farrell, Feeney, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Heffernan, Hurley, Hutchins, Johnston, Joyce, Kroger, Ludlam, Ian Macdonald, Marshall, Mason, McEwen, McGauran, McLucas, Milne, Minchin, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Stephens, Sterle, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senator Bilyk, Birmingham, Carol Brown, Collins, Cameron, Cormann, Furner, Humphries, Moore, Siewert

Terms of reference for the inquiry:

On 12 February 2009 the Senate referred the provisions of the Excise Tariff Amendment (2009 Measures No. 1) Bill 2009 and Customs Tariff Amendment (2009 Measures No. 1) Bill 2009 to the Community Affairs Committee, together with the following matter:

The impact of the tax on ready-to-drink alcoholic beverages, the so-called 'alcopops' tax, since its introduction on 27 April 2008, with particular reference to:

- (a) the revenues raised under the alcopops tax measure;
- (b) substitution effects flowing from the alcopops tax measure;
- (c) changes in consumption patterns of ready-to-drink alcoholic beverages by sex and age group following the introduction of the alcopops tax;
- (d) changes in consumption patterns of all alcoholic beverages by sex and age group following the introduction of the alcopops tax;
- (e) any unintended consequences flowing from the introduction of the alcopops tax, such as the development of so-called 'malternatives' (beer-based ready-to-drink beverages);
- (f) evidence of the effectiveness of the Government's changes to the alcohol excise regime in reducing the claims of excessive consumption of ready-to-drink alcohol beverages;
- (g) any evidence of changes to at risk behaviour or health impacts (either positive or negative) as a result of the introduction of the alcopops tax;
- (h) comparison of the predicted effects of the introduction of the alcopops tax, with the data of actual effects, with a particular focus on evidence (or lack thereof) collected by the relevant department; and
- (i) the value of evidence-based decision-making in the taxation of alcoholic products.

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Committee met at 9.48 am**SWIFT, Mr Stephen Mark, Executive Director, Brewers Association of Australia and New Zealand Inc.**

CHAIR (Senator Moore)—Good morning everyone. We are reconvening our committee inquiry into the legislation around excise tariff amendments. Our first witness this morning is from the Brewers Association of Australia and New Zealand. Good morning, Mr Swift.

Mr Swift—Good morning.

CHAIR—I know you have information on parliamentary privilege and the protection of witnesses. We have got your submission, thank you very much. I invite you to make an opening statement and then we will go to questions from the committee.

Mr Swift—I do have a brief opening statement. Thank you for inviting me. This is the third inquiry by this committee into RTDs and related issues under the Rudd government. The Brewers Association has made submissions to all of them. We did appear before the inquiry into the Alcohol Toll Reduction Bill. We chose not to appear before the inquiry into RTDs as we represent brewers and not distillers and felt we had little to add to those deliberations. We appear today simply because we have been invited to do so.

Our submissions relate to two sections of the terms of reference: one is substitution as it relates to beer; the other is the new definition of ‘beer’, which we support. On substitution, we probably do not have much to add to other observations that beer volumes have been roughly static or have had single-digit rises in year-on-year statistics. There are many things that affect beer sales, so we feel that it is probably unsafe to say that any slight increase in beer is evidence of a direct cause and effect relationship between the tax rise and beer sales. But over time, if that persists, it may be possible to say so.

We support the new definition of beer. We believe it provides certainty for brewers in developing new products because the essential tests are objective, rather than subjective, and can be measured, and there is a great deal of innovation in the beer sector at the moment. It is a fact that alcopops are characteristically sweet and beer is characteristically bitter. That is recognised in the central four-and-four test in the new definition—that is, a minimum of four international bitterness units and a maximum of four per cent sugars by weight. We think it is a workable solution which closes a possible loophole created by the alcopops tax announcement, whilst delivering certainty to Australia’s successful brewing industry. I am happy to take questions.

CHAIR—Thank you, Mr Swift.

Senator SIEWERT—There has been a lot of conjecture around whether the sales of beer have actually increased in response to the alcopops tax. In fact, you have been quoted as saying—and in your submission you say:

... it would be heroic to conclude that the alcopops tax is supporting a statistically significant turnaround in beer consumption trends; at worst, it would be misleading.

You also seem to disagree with DSICA’s—the Distilled Spirits Industry Council of Australia’s—comments in their submission:

Beer volumes have also risen as a result of the RTD tax increase ...

They also say:

A further consequence of the RTD tax increase has been the shift in preference to beer.

Can you comment on that, please?

Mr Swift—Yes. We are talking about, in some of the information that has been provided to the committee, very small single-digit things: has it gone up one or 1½ per cent? Is it steady? Our point is that there are many other things that affect beer sales. In Australia the most obvious is the weather.

Senator SIEWERT—I was just going to say that. It has been hot this year.

Mr Swift—Yes. The weather in Australia has been fairly hot, and certainly beer sales do very well during a hot summer. That really is a very important determinant of the rise and fall of beer sales over time. The other thing that is starting to come into play again really is the effects of the economic downturn. There are lots of comments about beer being not recession proof but certainly recession resistant; that people do tend to switch to beer in those times. Some of the data is also data across the ScanTrack or data across the takeaway sales counter—off-premise figures. So those people who already drink beer and shift from drinking it inside a pub to taking it home; you might get a kick in some of those figures.

There has also been a tremendous amount of innovation in the beer category in the last five years or so, and the number of brands and sub-brands and product extensions has probably doubled in the last six or seven years as people shift into craft beers. There is a huge competition between premium beers, between the James Boags and the Coopers and the Cascades. The new categories of low-carbohydrate or blonde beers have really taken off. So there is a great deal of innovation in brands and, dare I say it, there may be some good marketers in beer who get their pitch right and drive sales increases, and we would think that would be a good thing. So it is not that they are right and we are wrong; we are saying that, on those small movements and those small figures, at this time it is probably unsafe to draw out one of those many things that affect beer sales and say, 'That's it,' for cause and effect.

It is quite different when, in some of the other submissions, we are looking at RTD swings of 16 per cent to 35, 40 per cent, or bottled spirits sales going up in double-digit numbers and, although the numbers in a lot of those also disagree, the size of the swings makes it much safer to say that there is a cause and effect relationship there.

Senator SIEWERT—In terms of the decrease in sales of RTDs.

Mr Swift—Yes. Time may move that along and we may be able to say, 'A small persistent rise has partially been attributed to the alcopops tax.' I think the thing to say is that I am not against beer sales going up, I think that would be a good thing, but I would say on the available figures that we have—and I will leave others to comment on their figures—you cannot draw that cause and effect relationship.

Senator SIEWERT—In terms of sales of lower alcohol beers, what has been the trend over the last, say, 10 years?

Mr Swift—It has been pretty steady. As you know, Australia has pioneered low-alcohol beers, has done remarkably well in them, and also in the mid-strength category—and that is a dominant preference for some brands. I would say that over the last five or 10 years there has actually been a bit of movement out of both full-strength and light back into mid-strength beer.

Senator SIEWERT—The issue around beer based alcopops—they are called malternatives—as I understand it, you have ruled out supporting such moves. Is that correct?

Mr Swift—Our members do not want to make them. That is right.

Senator SIEWERT—Is there likely to be any movement there in the future, or you just do not think it is a good product?

Mr Swift—I think in our submission to the last inquiry, the RTD inquiry, we did say at that point that our members were aware of some community concern over that product, and both Foster's and Lion Nathan had put in a limit of two standard drinks and made those announcements publicly. I have got those media releases somewhere, and I could table them for you.

Senator SIEWERT—That would be appreciated, if you could.

Mr Swift—They are brewers. Some of the large companies obviously are very aware of what community expectations are, and understand that alcohol is a special product and that we operate essentially within a social contract. I have got them here, so I can table them for you. This was information that was handed up to the last inquiry.

Senator SIEWERT—Thank you. Can I briefly go back to the issue of sales of beer? It is also seasonal. I presume we were given this graph yesterday that showed the decrease. I am aware that you cannot use it from there. But basically it shows the significant decrease in RTDs.

Mr Swift—Yes.

Senator SIEWERT—The blue line, then, is the cumulative sales of alcohol, with it seeming to rise, overall, a little bit in January.

Mr Swift—Yes.

Senator SIEWERT—Would that partly be accounted for because it is hot in January and it is normal to have more beer sales in summer?

Mr Swift—It certainly is normal. I think another one of those graphs shows the beer trend line year on year and that is basically the same for every year. The highest selling months for beer would be December and January, and I have gone through the reasons before—the very many factors.

Senator SIEWERT—Yes. I had better not ask your position on climate change.

Mr Swift—A very big debate in barley growing areas, but probably not for this committee.

Senator SIEWERT—I am just thinking ‘permanently hot and more beer sales’.

Senator CORMANN—Mr Swift, you mentioned in an answer to Senator Siewert—and somewhat jokingly—that you are not against beer sales going up. I assume that you meant going up among responsible drinkers. We would not want beer sales to go up among binge drinkers, would we?

Mr Swift—I think your question answers itself. Of course.

Senator CORMANN—I just thought I would add that, because there was a lot of discussion yesterday about whether increased sales mean increased consumption by binge drinkers or whether reductions in sales mean reductions among people drinking at risk levels. Going back to this graph that Senator Siewert just mentioned, it was provided to us by the Australian Drug Foundation and relies on Nielsen data, which you might be familiar with. It compares sales volumes, compared from, say, January 2009 to January 2008, December 2008 to December 2007, essentially on a year-on-year basis for each month. I suspect that if people drink more beers in January 2008 they would also drink more beers in January 2009, so if you compared the month of January 2008 with the month of January 2009, presumably the climatic conditions will be the same. Is that right?

Mr Swift—You mean would it be equally hot this year as it was last year?

Senator CORMANN—That is right.

Mr Swift—I would be brave to be that sort of forecaster.

Senator CORMANN—No, but in general terms. You have sort of made the argument that one of the reasons sales go up in January-February is that in January-February it is hot so people drink more beer. That is true this year; it was true last year. Presumably, without going to the specifics of was it 41 or was it 37 degrees, in general terms that is right, is it not?

Mr Swift—Yes, that is right. As I said, there are many factors that impact beer sales. That is one of them.

Senator CORMANN—I am looking at this graph, which was provided to us by health experts and people that essentially support what the government is doing, and what I see here is that ever since May 2008, comparing the month this year with the month the previous year, overall alcohol sales have continued to trend up. In fact, they have never been as low as what they have been in May 2008. If you look at beer sales in particular, they have been higher for every month except one, and in January 2009 compared to January 2008 there are \$9 million more standard drinks, beers, being sold. That would seem to be a certain degree of substitution, would it not? There seems to be a pattern now, over a period of nine months, where sales of beer are higher every month compared to that same month the previous year, before this measure was introduced.

Mr Swift—To answer your first question first, obviously in our submission we point out that it is the patterns of consumptions by individuals that determine whether or not there is a social benefit or cost, but alcohol consumption per se does not automatically give rise to costs. What I have said on volumes is that, on the figures that we have for beer into the domestic market by members, there may be some variation year on year. It is of a level, though, where it is difficult to unpick which strand was contributing to that: whether it is the rapid beer innovation over the last few years; whether it is the economic downturn, which historically does give rise to improved beer sales; whether it is the slight decline over the same period in the same graph to wine—it is equally logical to say people are switching from wine to beer; or whether indeed a portion of that is part of the alcopops tax.

Senator CORMANN—It is just coincidental, isn't it? If you look at the data that was provided to us—and health experts are relying on it—in every month up until the introduction of this measure beer sales were lower than in the same month the previous year and, as soon as the increase in the excise on alcopops is introduced and implemented, for every month except one beer sales are higher, and in January 2009 to the tune of nine million standard drinks.

Mr Swift—That is seven million, is it not?

Senator CORMANN—It says nine million here in the graph I have got. I am happy to swap notes if you want to.

Mr Swift—No. The graph I have got has got—

Senator CORMANN—I am reading from it. What is your preferred alcohol taxation method?

Mr Swift—Are you asking whether we support volumetric? No, we do not.

Senator CORMANN—Why is that?

Mr Swift—Because we think that all beer is low alcohol and in this debate you have to look at the potential relative harms from different categories of alcohol.

Senator CORMANN—So you think that an RTD which has got the same alcohol content as a full-strength beer—

Mr Swift—It has not.

Senator CORMANN—Is there any beer that would have a higher alcohol content than the lowest strength RTD?

Mr Swift—Of course. But do you want to draw legislation by the rule or the exception?

Senator CORMANN—I am asking what your view is on whether it is a good principle that taxation should be based on alcohol content, or whether it is a bad principle. All of the health groups that appeared before us yesterday said that they saw this as a first step towards volumetric taxation and taxation on alcohol content. I am trying to understand the justification for why a low-strength or mid-strength RTD should be taxed as a full-strength spirit, whereas a full-strength beer with a higher alcohol content should benefit from a lower excise. What is the public policy justification for that?

Mr Swift—That is really a question for government rather than for me.

Senator CORMANN—You said you are against volumetric taxation.

Mr Swift—Of course.

Senator CORMANN—What is the case that you make that would justify a full-strength beer to be taxed more favourably than a lower strength RTD?

Mr Swift—Most beers are about 4.6 or 4.7 per cent. Beer by definition is low alcohol, so why shouldn't it have a public health benefit? One of the things that we heard a few times yesterday was that the majority of the market is beer, as if that is a bad thing. I would have thought for public health outcomes, when all beer is low alcohol, that that was a very good thing.

Senator CORMANN—But what is the taxation arrangement for beers on eight or nine per cent alcohol content?

Mr Swift—Beers are tiered. I think you would find it very hard to find a beer at eight or nine per cent.

Senator CORMANN—If you go to any Belgian beer cafe across Australia, you will get beers that are up to 12 per cent.

Mr Swift—Yes. Again, are you legislating by the exception or the rule?

Senator CORMANN—I am trying to understand the principle and what the rationale is for your argument.

Mr Swift—Our principle is that all beer is low alcohol and therefore it is a good thing that they have tax preference.

Senator CORMANN—Do you think that RTDs that are as low alcohol as beer should be treated the same from a taxation point of view as beers with equivalent alcohol content?

Mr Swift—The government is putting the proposition that they are different because they are sweet.

Senator CORMANN—And there is no sweet beer on the market?

Mr Swift—We are saying that beer is characteristically bitter. It is obviously up to the Senate to decide whether or not they accept the argument that RTDs are different because they are sweet and therefore may or may not have attraction to younger people.

Senator CORMANN—Do cherry beers and raspberry beers fit the definition of beer?

Mr Swift—The proposed new definition of beer?

Senator CORMANN—Yes.

Mr Swift—We believe they would, yes.

Senator CORMANN—So are they sweet or are they bitter?

Mr Swift—Characteristically bitter.

Senator CORMANN—Cherry beer.

Mr Swift—Yes.

Senator CORMANN—That is interesting.

Mr Swift—We certainly would not call a cherry beer an RTD.

Senator CORMANN—I am not calling a cherry beer an RTD at all. I am looking at what, essentially, the public health issues are. I would put the proposition that abusing beer, abusing full-strength spirits, abusing wine and abusing RTDs are all as bad as each other and that if taxation channels consumption one way or the other, and if that is consumption by people that will incur harm—I do not really care whether it is alcopops, beer or wine—that is something that we should act against. I am just trying to ascertain whether this assists in preventing harm from binge drinking or whether it does not. That is where we are going.

In terms of the process that was followed by the government, it was RTDs this time, but tomorrow it could be beer, because all of a sudden there is data which says that young males increasingly binge drink on beer. Would you be concerned if the government were to introduce a change to the taxation arrangements as they apply to beer in the same way as they have introduced an increase in the taxation arrangements on RTDs?

Mr Swift—I think you can answer that question yourself.

Senator CORMANN—No, I am asking you the question.

Mr Swift—Would I be concerned? Of course. If our beer taxes went up, I would be very concerned, and I think that would be a poor public health outcome.

Senator CORMANN—So do you think that the government should base any change in taxation arrangements on alcohol product on evidence?

Mr Swift—Of course.

Senator CORMANN—Thank you.

Senator FURNER—I would like to go to evidence that was provided yesterday that young teenagers are more susceptible to drinking RTDs, in regard to drinking beer. Does that result from the taste or from the manufacturing of the different products?

Mr Swift—Beer is naturally bitter. Taste preferences for most people go from sweet to bitter as they age, and beer and wine, if you like, have natural speed humps for new consumers because of the taste. The government's argument is that RTDs are special because they are sweet and therefore may be more attractive to younger drinkers. That is for the government to prosecute rather than us. All I can tell you is that, characteristically, beers are bitter and alcopops are sweet, and that has provided, for instance, a useful dividing line in the new definition of beer.

Senator FURNER—Is it possible to produce a product similar to a beer fluid and similar to an RTD to maintain that same attraction?

Mr Swift—It is certainly possible under the current definition of beer, and we have seen a couple of examples of that in Australia recently. Under the proposed definition, no, because the definition turns on this question of bitterness and sweetness.

Senator FURNER—Just looking at the definition, you are satisfied that it meets the requirements of your industry?

Mr Swift—Yes. We obviously were consulted on this and we support it. It does narrow the definition of beer and it narrows it on this bitter-sweet divide. We are saying beer is characteristically bitter and it has to have an objective minimum level of bitterness to be a beer for tax purposes in Australia. We certainly were consulted, we have put a lot of thought into this, and we are happy to support it.

Senator FURNER—Do you think the definition prevents unscrupulous manufacturers from coming up with a way out of that—another loophole?

Mr Swift—I would not call any manufacturer who is manufacturing in accordance with the law unscrupulous. If the law allows them to do that, then it is a business exercise. However, I think this would prevent, for tax purposes at least, malternatives or beer based RTDs coming into Australia.

Senator FURNER—Just going to the beer sales, based on the graphs that we have been provided I take it this summer in particular was far hotter than the previous summer or summers that we have had?

Mr Swift—No, I am not saying that at all. I do not know, but I am saying that certainly a hot summer means a good season for beer.

Senator FURNER—Right. That, I think, is self-evident.

Mr Swift—But that is not the only thing. Beer innovation is a huge driving force in beer sales at the moment. So is the economic downturn. There may be switching from wine as well as from alcopops or RTDs. I am saying that when you get to a small number, single-digit, changes in beer it may be unsafe to try and pin that only on one factor and not tease out what the other contributors may be.

Senator FURNER—Sure, but it is a factor out of the combination of issues that contribute to the increase in beer sales?

Mr Swift—The summer?

Senator FURNER—Yes.

Mr Swift—Yes. Heat, weather, always affects beer sales.

Senator BILYK—To clarify a couple of answers from before: I heard Senator Cormann make comment that some beers have got 12 per cent alcohol. The higher strength beers are generally much more expensive, aren't they?

Mr Swift—Yes.

Senator BILYK—And imported. Is that right?

Mr Swift—I think you are saying imported Belgian beer?

Senator BILYK—Yes.

Mr Swift—So, yes, they are not a normal run of beer.

Senator BILYK—So it is not really a comparison with alcopops to talk about 12 per cent beers that cost more, from the purchaser's point of view?

Mr Swift—No. As a general proposition, all beers are low alcohol, and in Australia the average beer now would be about 4.6, 4.7 per cent—certainly lower than RTDs—and that is regular beer. I have moved away from calling it 'full strength' because that gives the wrong impression that these things are somehow up there with wine or spirits.

Senator BILYK—And alcopops are usually about six to seven per cent. Is that right?

Mr Swift—Five per cent and up, yes.

Senator BILYK—I was going to ask if you had been consulted about the amendments, but I think you have answered that question.

Mr Swift—Yes, of course. We were.

Senator BILYK—I am wondering if you have looked at any of the Facebook pages that are around in regard to alcopops. I have got quite a few pictures here that I am happy to put up. There are a couple of significant alcopops pages where basically they are encouraging young adults—they are encouraging anyone, I suppose, to be fair, but predominantly it seems to be young adults that are linking in—to drink their own product and then write about their experiences. Some of the photos are not that charming, I have to say. Some are very young looking—I would not call them even teenagers in some cases. I suppose they are in their teen years. I am wondering if you have looked at any of those and if you have a point of view on those.

Mr Swift—As well as being the executive director of the Brewers, at the moment I am also the chair of the advertising scheme, the ABAC scheme, and we do spend a lot of time on discussing the internet. It is an emerging media. Australia's scheme is one of the few that is trying to put some regulation around those sorts of offerings and, as you know, Michael Lavarch, the former Attorney-General and public health professors sit on an adjudication panel on that.

I think, as a general proposition, we are moving as fast as we can on those issues. The internet, for anyone trying to regulate it around the world, is difficult because sites can be based anywhere. In Australia, though, all the major industry members do comply with the ABAC code and I know that certainly the larger alcohol producers have internal policies for screening what photos go up, what posts go up, and for trying to get them out quickly. Obviously, there can always be examples of people who are not doing the right thing, but I am not sure, without having seen them or who is involved, that I would want to single anyone out.

Senator BILYK—Basically, it is a Smirnoff Ice Facebook page. It has been brought to my attention by constituents, who express great concern. And there are things like: ‘I’ve got a tattoo on my left shoulder of the eagle on the lid.’ To me, it is an insidious advertising campaign that is really getting at young people.

Mr Swift—It segues nicely into one of my other favourite subjects, but I will not waste too much time on it because we have done it before—that is, what does change the drinking habits of young people? We have been around that bush a few times. Peers and parents are obviously two of them.

Senator BILYK—And price.

Mr Swift—Yes. When we talk about the Preventative Health Taskforce or any ongoing work, we have to bring some other things out of the too-hard basket. Brief interventions are obviously a key one there.

Senator BILYK—Sorry, what was that one?

Mr Swift—Brief interventions, where GPs are supported in talking to people one on one about that. What do you do with recidivist DUI drivers? How do you identify them and talk to them? Also schools based education, I think, is something that is sadly overlooked in Australia at the moment. There are currently four parents-targeted websites out there, developed over the last 18 months. Why we cannot get them under one brand I do not know. There are a few things in the too-hard basket that I think we can drag out and have another look at. That is my hobbyhorse, I am sorry.

Senator BILYK—They could be very similar hobbyhorses, I think. Thank you.

Senator JACINTA COLLINS—I have another couple of questions in relation to the code, and I am sorry if the committee has covered this ground previously. How comprehensive is the participation in the code?

Mr Swift—‘Very’ is the simple answer. Somewhere I have got a statistic in a report saying that the percentage of companies who comply with the code is up in the high 90s.

Senator JACINTA COLLINS—Is that across all sectors?

Mr Swift—Beer, wine and spirits, yes.

Senator JACINTA COLLINS—Give me a brief run-down on the history of the matters that have been dealt with by the code. Anecdotally, I am just thinking back to, if I recall correctly, the advertising about the ute full of beer. When was that? That was at least a couple of years ago now. How was that managed by the industry?

Mr Swift—It is important to reiterate that the industry itself does not make any decisions on content. People who want to advertise do get their ads pre-vetted against the code. That is a user-pays service between the company and the pre-vetter. There is a public complaints system. We do not see the complaints at all. That is all handled by Professor Lavarch and his team. But because the code itself covers the spirit and intent, it is fairly broad. There was a decision in the last week or so on whether or not a particular alcohol brand sauce on pizza boxes was an alcohol ad, and they decided that it was an alcohol ad.

Senator JACINTA COLLINS—That it was?

Mr Swift—It was on that occasion. So it is quite broad. There have been things on the internet, photos on the internet: when is it an advert rather than a corporate announcement? Who controls it? Those sorts of discussions have been gone into heavily over the last few years. If you wanted a more detailed understanding of that, I am happy to come and brief you on the ABAC scheme at another time.

I would also point you to the Victorian inquiry. The Drugs and Crime Prevention Committee did a two-year inquiry into alcohol and young people and had over 102 public hearings. They did most states. They went to Europe. They had a very extensive go at it and they concluded that the ABAC scheme was robust but it needed a few extra things. One of them was a website, and we moved quickly to put all adjudications up on the website, so the types of things that have gone before the inquiry in the past few years are on that website. You can go there and see what the adjudication panel—Professor Lavarch and the other public health professors—have decided about the complaint and the code. It is all there.

Senator JACINTA COLLINS—Is it the case that some matters that have been rejected by the adjudication process have subsequently ended up on the internet?

Mr Swift—No, I cannot think of an example of that. Three or four years ago there might have been one. I think it was Bondi Blonde. It was not rejected by the adjudication panel; it did not get that far. In the first instance, it was rejected by the pre-vetters. They said, ‘This does not comply.’ Then an advert turned up which had at its front ‘The ad they won’t let you see’, basically. So they tried to use that for marketing advantage. In

fact, because it was rejected by the pre-vetters, it could not get on television or in the cinemas. There was only the internet left in the end. The adjudication panel upheld a decision on that and in the end it was taken off.

Senator JACINTA COLLINS—Taken off the internet as well?

Mr Swift—Yes.

Senator SIEWERT—I want to go back to this issue around sales increases, because there is another point in what DSICA have been saying in terms of a comment they made in one of their information sheets, where they said their volumes have:

... risen as a result of the RTD tax increase, with the consistent long-term decline in beer volumes reversed and volume growth (approximately 2.5-3%, or around 1.8m to 2.2m.

The point they are making is that the RTD tax has in fact reversed declining sales in beer. Have there been declining sales in beer?

Mr Swift—Yes. That is in our submission. There is a graph in our submission that looks at the slow decline of beer over 30 years. In that graph, you will see that in some years beer sales go up. In most of those years, it would have had nothing to do with an alcopops tax, but the long-term trend there is declining. In the medium-term drivers of things that may be affecting beer sales, do not underestimate the product innovation that is occurring in beer. It is rapid—there are a lot of craft beer offerings coming out—and we hope that this will, in and of itself, drive the stabilisation and turnaround of beer; and also there are historical links between economic downturns and beer sales.

Senator SIEWERT—This is the graph that you are referring to?

Mr Swift—Yes.

Senator SIEWERT—It goes above here and here. In 2005-06 compared to 2006-07, it looks as if there was not a decline between those two years.

Mr Swift—It pretty well plateaued, yes.

Senator SIEWERT—So you reject the claim that it has reversed the decline?

Mr Swift—As I said earlier, when you are looking at small-digit numbers like that and a range of possible causes, any one of which may have contributed, how do you attribute the portion of share to either a steady or a slight increase? I am saying that when you are looking at big numbers of RTD drops or full spirits going up, even though people disagree on the actual numbers, it is much safer to do that than when you are looking at very small numbers with four or five possible causes.

Senator CORMANN—Do you think we have a binge drinking problem in Australia with certain demographics bingeing on beer?

Mr Swift—The first problem you have is defining 'binge'. No-one actually does.

Senator CORMANN—Okay, let me rephrase it. Do we have a problem in Australia with at-risk levels of beer consumption?

Mr Swift—Do some people misuse beer? Of course.

Senator CORMANN—When you say 'some', can you narrow that down for us? Do you have any percentages?

Mr Swift—No.

Senator CORMANN—I have asked this of others and I will ask this of people coming after you: out of the total population of Australians drinking beer, what percentage drinks beer responsibly and what percentage are problem drinkers?

Mr Swift—I do not have a number on that.

Senator CORMANN—Are you aware of Australian made premium beers?

Mr Swift—Yes.

Senator CORMANN—Have you ever heard of the Crown Ambassador Reserve, which was launched after the increase in the tax on RTDs?

Mr Swift—I have heard of that, yes.

Senator CORMANN—What is the alcohol content of that beer, do you think?

Mr Swift—I do not know.

Senator CORMANN—I put it to you it is 9.2 per cent. Do you think it is justified that a premium beer, Australian made, with 9.2 per cent alcohol content is taxed at a lower rate than RTDs, that have a lower alcohol content and are taxed higher just because young people prefer them?

Mr Swift—The government's proposition in this exercise is that it is not the actually alcohol but the sugar—that that, in combination, is the problem.

Senator CORMANN—So it is not the alcohol?

Mr Swift—I very much doubt if any young female drinkers are buying Crown Ambassador Reserve.

Senator CORMANN—So you think the objective is entirely focused on young female drinkers?

Mr Swift—I think that is a question it is better to put to government.

Senator CORMANN—Okay. Just because I was challenged in terms of alcohol content, have you ever heard of Supershine, which is an Australian made beer, 11 per cent?

Mr Swift—No.

Senator CORMANN—Good Ale Mead, eight per cent; Millennium Ale Hahn Special Vintage, eight per cent; Southwark Old Stout, 7.4 per cent; Bootleg Raging Bull, 7.1 per cent; Coopers Extra Strong Vintage Ale, 7.1 per cent; Cane Toad Beer, seven per cent. They are all beers of around the same alcohol content range. What would be the public health justification for taxing them lower than RTDs that have a similar alcohol content?

Mr Swift—Have you ever heard of Tooheys at 4.7 per cent or VB at 4.6 per cent?

Senator CORMANN—I have about 20 beers here that are all about five per cent up to 11 per cent.

CHAIR—Maybe you should table that.

Senator CORMANN—I am very happy to table this for the benefit of the committee. Anyway, I think the point is made. I understand where you are coming from. I enjoy drinking a beer and I like to think I am a responsible drinker. I understand that you are putting a case for the industry, but I am trying to understand whether what the government is doing has a sound public policy justification to it. That is where my doubt is, to be honest, and you have not really allayed my fears in that regard at all. Thanks.

Mr Swift—That is a question for government, I would mention.

Senator CORMANN—Sure.

CHAIR—Thank you very much, Mr Swift. Mr Swift, if you have time, Senator Collins has one follow-up question.

Senator JACINTA COLLINS—No, I am fine.

Mr Swift—I will give you a card and you can ask me any time you like.

CHAIR—Thank you very much.

[10.31 am]

STRACHAN, Mr Stephen, Chief Executive Officer, Winemakers Federation of Australia

van der LEE, Mr Paul Joseph, Manager, Economics and Policy, Winemakers Federation of Australia

CHAIR—The next witnesses are from the Winemakers Federation of Australia. Good morning, Mr Strachan and Mr van der Lee. You have information on parliamentary privilege and the protection of witnesses. We have your submission; thank you very much. I invite either or both of you give an opening comment and then we will go to questions.

Mr Strachan—Thank you, Chair. I have a brief opening comment. I will keep it very brief. We have addressed three terms of reference. We actually address four in our submission, but I will cover three in my address, being terms of reference a. the substitution effects from the alcopops tax measure; d. the changes in consumption; and e. the malternatives and wine products.

The WFA's submission—and I will go through some of the charts that are in the submission—essentially analyses publicly available Australian Bureau of Statistics monthly sales data for table wine, which includes cask wine, sparkling wine and imports. Chart 1 in our submission—not the chart that you have just been handed, but chart 1 in our submission—demonstrates that, in the first quarter after the RTD excise increase, sales of Australian produced wine declined, sales of cask wine declined and imports increased marginally. So to the point of whether or not there is substitution going on from the RTD tax increase through to the wine category, on the basis of that data there is certainly no evidence. Table 1 compares the annual growth rates over the last 10 years of several key categories.

CHAIR—I am sorry, but we have to go to a division in the Senate chamber. That is one of the problems of operating one of these committees during the sitting of parliament. So we will suspend while senators leave for the division.

Proceedings suspended from 10.33 am to 10.44 am

CHAIR—We will now recommence proceedings. I do apologise for the suspension.

Mr Strachan—That is okay.

CHAIR—You were just about to start your statement, Mr Strachan.

Mr Strachan—Thank you. I had actually gone through a little bit of it, so I will resume where I was.

CHAIR—Yes.

Mr Strachan—Table 1 in our submission, on page 2, compares the annual growth rates over the last 10 years with the eight-month growth rate since the RTD excise was increased. It shows that those growth rates are fairly broadly comparable for the categories. What we are looking at here is Australian wine plus imported wine. The growth rates are broadly comparable, except for sparkling wine, but there is considerable seasonality with sparkling wine sales in the pre-Christmas period. If you look at the table over the page, it shows you where that seasonality exists for sparkling wine and then it drops off always after the Christmas period.

Charts 3 and 4 show monthly sales over a longer period. On the basis of them being over a longer period, you get to have a look at that seasonality of sales. Again, both of those charts show that there is really no obvious increase resulting in the sale of wine in any of the categories as a result of the RTD excise increase.

I have tabled a double-sided document from Nielsen. I will refer firstly to the side headed 'Spirits increasing share'. This gives you details from Nielsen, so an alternative data source, and it is value based data. This first slide here gives you what essentially is a value 'share of throat' in terms of the alcohol market and it looks at the periods ended December 2006, which is the blue column, December 2007, the green column, and December 2008, the orange column. Again addressing wine, you can see there that the wine value 'share of throat' has been on a very slight decline over that three-year period and that seemingly the introduction of the RTD excise increase has had no impact in terms of wine 'share of throat'.

If you turn the page over, that is more illustrative of some of the changes that are happening in the marketplace, some as a consequence of the RTD excise increase. You will see that we are looking at the period December 2008 versus December 2009, the quarterly period, so it is the change that happened from the period before the RTD excise to the period after the RTD excise, taking out seasonality and looking at those consistent quarters. I am not qualified to comment on beer and RTDs, but you can see that there has obviously

been a big shift away from what Nielsen term 'value RTDs' and 'premium RTDs'. The key point is that cask wine value has declined by 4.6 per cent and bottled wine under \$10 has declined by 5.1 per cent. There has been a reasonable increase in terms of bottled wine \$10 to \$20 of 8.7 per cent and bottled wine \$20 plus.

I should point out that, whilst it would be tempting to interpret the RTD excise as being the driver behind all of the trends that we are seeing in this table, the reality is that in the wine business there is a very gradual shift towards the premiumisation of wine or towards the sale of higher value wine. So within our own category we are seeing a very slight shift away from the lower value product and a slight shift towards the higher value product. That, in my opinion, is the significant driver in terms of those figures that you are seeing there.

To summarise on the issue of substitution, we do not believe there is any evidence of substitution towards wine from the increase in the RTD excise. For cask wine specifically, because I know it is an area that I will get asked about and I know it is an area that people have a specific interest in, the decline in sales since the RTD excise increase has been greater than it was before the increase. So there is clearly no evidence that there has been any beneficial response through to cask wine as well.

The final point is in relation to term of reference e., on the so-called malternatives and wine products. Wine products are products containing at least 70 per cent wine, no alcohol added, with between eight and 22 per cent alcohol content. They are not defined as wine because they do have some form of additives. This was traditionally the category where products such as vermouth and marsala were captured for tax purposes under the wine equalisation tax. With the increase in the RTD excise, there was speculation that wine or malt based RTDs would be created.

WFA, or the Winemakers Federation of Australia, supported the regulatory changes to close the loophole, and we wrote to the Treasurer in May last year indicating our support. We are supportive of the bills that are before the House at the moment. We believe that these amendments will close the unintended loophole, while still protecting grape wine products. Our interest in this issue has been to ensure that we can protect those grape wine products, which have been traditional wine products for many years, and it would seem that the amendments that have come forward would do exactly that. That concludes our formal presentation, and we would be pleased to take questions.

CHAIR—Thank you very much.

Senator SIEWERT—In your opening address you have answered the questions I was going to ask in terms of the substitution. Therefore, I want to go to your last comment about being supportive of the bills. Can I make sure we are clear? You are supportive of the bills and supportive of the amendments?

Mr Strachan—No, sorry, we are supportive of the amendments. If I said 'supportive of the bills', that was an oversight.

Senator SIEWERT—You did. That is why I am clarifying it.

Mr Strachan—We are supportive of the amendments that deal with the malternatives issue, because that affects wine. Our position on this all along has been that we will deal with those issues that affect the wine category and no others.

Senator SIEWERT—I am trying to make sure that we are absolutely clear. Does that mean you do not have a position on the rest of the bills—

Mr Strachan—No, we do not.

Senator SIEWERT—because they do not deal with wine?

Mr Strachan—Yes. You can rest assured, if they did deal with wine, we would.

Senator SIEWERT—You would have a position?

Mr Strachan—Yes, absolutely.

Senator SIEWERT—We could probably talk about volumetric, because a lot of people have been coming and talking about volumetric tax, so you are dealing with all alcohol sales. I expect you would probably, therefore, have some comments to make.

Mr Strachan—Would you like me to?

Senator SIEWERT—Yes.

Mr Strachan—I picked up some of the questions before about the nature of tax and why it should be uniform and all of those issues. From our perspective, there are a couple of points I would like to make. Five

billion dollars is collected in alcohol tax from the alcohol sector at the moment. That is a significant level of taxation. We tend to find that we come to these places on a reasonably regular basis having to defend the fact that the tax is not high enough. What I would say is, 'Let's look at the evidence that shows that the taxes are working and that they are having an effect.' I think the evidence that I have put up in front of you, looking at the RTD excise tax, shows that there is quite a lot of substitution between beverage types. Were there to be a taxation change on wine, I think that is exactly the same sort of thing that would happen out of the wine category into other categories as well. So we are certainly far from convinced of the merits of using tax to address the issue of alcohol abuse.

The second point I would make is that the wine industry covers about 64 regions across Australia. We have premium producers, we have non-premium producers, and we have a marketplace that is accustomed to the pricing of the product that is in the marketplace at the moment. If we were to move to a volumetric tax—and I hear calls for a volumetric tax quite often as if it is the Holy Grail in the alcohol issue—and it was uniform, so let's say we put it in at the level that beer is at, which is around the midpoint of all volumetric taxes, that would have a massive impact on the wine industry. Our estimates show that it would be in the order of about 5,000 jobs. Those 5,000 jobs would come out of regional communities. We would see a very significant reduction in sales of Australian wine. It would not only be of cask wine—which of course would suffer significantly—it would also be of other categories. The communities that make the wine or grow the grapes are the same communities that are going through massive restructuring at the moment anyway.

They are going through a whole lot of pain as a result of the drought and the impacts of climate change along the Murray-Darling Basin, for example. We are seeing an industry that is at the moment in the midst of a significant decline in terms of its market share internationally. Nine of our top 10 markets are in decline internationally. We have got exports going backwards at a significant pace. If the government were to put in place a volumetric tax on the wine industry, we would exacerbate those problems in a very significant way. It would have a major impact on our industry. We are obviously interested in protecting the interests of our industry. What we would say is, if you are going to put the tax up, then give us the evidence that shows that it works.

Senator SIEWERT—You made a comment then about substitution. I took it that what you were saying in your figures is that you did not think there had been substitution for wine.

Mr Strachan—There has not been substitution from the RTD increase, no.

Senator SIEWERT—I wanted to be clear, because I must have misinterpreted what you said a little bit earlier. So what is your opinion? Fair enough, you are saying you are not going to make a comment either way on the RTD tax itself. But do you accept that there has been a reduction in RTD sales?

Mr Strachan—Absolutely. Yes, there has been a reduction. The Nielsen data makes it quite clear that there has been a reduction in RTD sales and that there has been an increase in spirit sales. I could not comment on whether there has been a full substitution effect from one product to other products, because this is the data that I have from Nielsen.

Senator SIEWERT—From you we are hearing there has been no statistically significant increase in wine sales.

Mr Strachan—Yes.

Senator SIEWERT—We have also heard from the brewers that there has been no statistically significant increase in beer sales. So the message is, therefore, that there may have been an increase in straight spirits but there has not been an increase across into other forms of alcohol.

Mr Strachan—There has certainly been in spirits, and that is undeniable. In terms of what has gone into other beverages, it is a bit difficult to say, to be honest, because there are other factors that drive this, not only price. Consumer taste and demand are, of course, factors that are much broader than price. What I would say is that, in the case of spirits, it is very obvious that there has been substitution. In terms of what is going on with other products, it is hard for me to know. I know that it is not going into wine.

Senator SIEWERT—Thank you.

Senator CORMANN—Do we have a problem in Australia with at-risk levels of wine consumption or harm from abuse of wine consumption?

Mr Strachan—Sorry, do you mean is there an association between wine consumption and abuse?

Senator CORMANN—No, let me rephrase it. Out of the total population of Australians consuming wine, what proportion would you say consumes wine responsibly and what proportion would be in the category of problem drinkers?

Mr Strachan—Unfortunately, we have not included that information in this submission. We did include it in one of the previous submissions we made to this committee. I stand to be corrected, because I do not have the data in front of me, but the evidence shows that of course there is some level of high-risk consumption of wine, and of cask wine, but that the level of high-risk consumption of wine is actually lower than the other categories.

Senator CORMANN—What I heard you say is that you have not seen the evidence that would prove that increases in taxation actually would help to address the problem, which is at-risk drinking by a proportion of the population.

Mr Strachan—Yes. There is a lot of evidence that shows that, if you put the price up through a tax increase, you get a reduction in consumption.

Senator CORMANN—Overall.

Mr Strachan—That is standard economics 101.

Senator CORMANN—Yes.

Mr Strachan—But the link between the reduction in consumption and the level of abusive consumption is not made, or it is certainly not made adequately. The fact that, as you would know, wine tax is the lowest form of taxation on any of the alcohol beverages and the fact that wine is the product that is consumed less in risky situations gives you a bit of an indication that there is a whole lot more going on other than price in terms of the consumer's decision making.

Senator CORMANN—What you are saying is that, as price increases, of course it impacts on demand overall—

Mr Strachan—Yes.

Senator CORMANN—but we do not know whether it is going to reduce demand by responsible drinkers—

Mr Strachan—Yes.

Senator CORMANN—or whether it is actually going to have an impact on that target category of drinkers, which are those that are consuming at risky levels.

Mr Strachan—Yes. I cannot back it up, but my position would be that you are more likely to see a reduction in consumption from someone who does not have a dependence problem, for example, than you would from someone who has a dependence problem. Unfortunately, in the literature there is just not sufficient evidence around to demonstrate that.

Senator CORMANN—To varying degrees, all of the health experts and associations that gave evidence to us yesterday conceded the point that at this stage we do not have any evidence to suggest that consumption by at-risk drinkers is actually reduced as a result of the increase in the tax on alcopops, so there are question marks as to whether the government had evidence before the increase was introduced and there are still question marks today as to whether it has been able to achieve what the government said it wanted to achieve, yet all of those associations essentially said, 'Well, we support this as a first step in the right direction towards what we want ultimately—a Holy Grail of volumetric taxation of alcohol.' If the government were to go down that path in the same fashion as they have in relation to RTDs, what would be your view on that?

Mr Strachan—As I said before, if you were to put in place a policy that was going to take 5,000 jobs out of the Australian wine industry, you would want to be fairly certain that it was going to work, and there is no evidence that indicates that it does address the issue. Our view has been that these issues are very complex and that pricing or taxation policy tends to be what everyone focuses on, which is frustrating, because I think the issues, because they are complex, need much broader thinking in terms of how they should be tackled. In the case of wine taxation, let's say that happened, let's say the tax on wine was increased by a significant level: I bet you that I would be back here in three years time trying to stave off the next tax increase because that one would not have worked.

Senator CORMANN—What you are essentially saying is that the government ought to take a much more comprehensive and strategic approach to the public health issue, which is at-risk and high- risk levels of drinking by a small proportion, rather than to—

Mr Strachan—It is not only a government issue, it is an industry issue, and there is also a community of health experts. I think that all of us should take a broader approach towards it.

Senator CORMANN—If the government were to introduce a particular tax measure, as they have on this occasion, do you think that they should be making it very clear up-front what it is that they are trying to achieve so that there are some measures and some targets that will enable us to evaluate after the event, so that when you do appear three years later we have got something to talk about objectively rather than just based on opinion?

Mr Strachan—Yes, absolutely, and I think we need to link causality of price with changes in consumption by those who drink at risky levels. Benchmarks ought to be set in terms of what we are trying to achieve with the policy initiatives that are put in place and, were those benchmarks set and not achieved as the result of a significant increase in taxation, then you could be fairly safe in assuming that the wine industry would have a major issue with that.

Senator CORMANN—Do you think that the increase in the tax on RTDs is a move towards or a move away from volumetric taxation of alcohol?

Mr Strachan—It is neither. The RTD tax is already a volumetric tax. It is an increase, obviously. Beer is already a volumetric tax—it just happens to be at a different level than spirits—and wine is not volumetrically taxed, so whenever anyone talks about volumetric tax, what they are actually talking about is a taxation increase on wine. Simple.

Senator CORMANN—Can I quickly test that. Essentially, this measure has put RTDs into the full-strength spirits rate of taxation, so it goes from \$39.36 to \$66.67.

Mr Strachan—Yes.

Senator CORMANN—Is that taxation based on alcohol content?

Mr Strachan—It is.

Senator CORMANN—So the alcohol content of RTDs is comparable to the alcohol content of full-strength spirits?

Mr Strachan—No, the point is that the volumetric tax taxes the alcohol. The government, for whatever reason, has decided to tax RTDs at the same level as spirits, as distinct from beer.

Senator CORMANN—But that is not a tax based on alcohol content.

Mr Strachan—Yes, it is.

Senator CORMANN—Why is that?

Mr Strachan—Because the volumetric tax taxes the alcohol content. It just happens that there are, essentially, two tiers: one tier for packaged beer and one tier for full-strength spirits and, now, RTDs. So this notion that a volumetric tax needs to be increased to tax the alcohol is, in my opinion, flawed because the volumetric tax exactly does tax the alcohol; it just does it at different rates for beer and spirits.

Senator FURNER—Thanks for the initial submission in respect to your data, and I note it does come from Nielsen. How would you describe Nielsen as a data provider in terms of suppliers and manufacturers in the alcohol industry?

Mr Strachan—To be honest, we do not subscribe to Nielsen, because we cannot afford it, but I have got permission from Nielsen to use this table. That is a question that is best directed to those who use the data but, in terms of the value based data that exists in the industry, it is accepted as being the best source of data—to my knowledge, anyway. We tend to use the ABS volume based data, but value based data does add a dimension that you do not always get through the volume data. I do not know if Paul has a view other than that.

Senator FURNER—But in terms of relying upon what your submission has been today, and this supplementary documentation, it clearly demonstrates to me that there has been a clear reduction of RTDs and I am just wanting your view on how you found the data for the presentation today.

Mr Strachan—From my perspective, the whole of the industry relies on those larger companies that purchase it—relies on Nielsen data. That is a fairly strong indication that they think it is reliable, so I would say it is the best around and it is highly likely to be reliable.

Senator FURNER—Do you, or does anyone to your knowledge, have a Facebook site that is marketing your wine products to use at all in our society?

Mr Strachan—I do not know. We do not have a Facebook site. We do use Facebook for some environmental programs that we run but, from a marketing perspective, not to my knowledge.

Senator FURNER—Have you heard about the Aussies Against the Alcohol Tax Increase and the Smirnoff Facebook sites?

Mr Strachan—No.

Senator FURNER—I will just show you some photographs from one of the sites. There is a young schoolgirl in her uniform that is on the Aussies Against the Alcohol Tax Increase site. What is your view on those sorts of pictures?

CHAIR—Senator, perhaps you should say ‘a girl in a uniform’.

Senator FURNER—A girl in a uniform.

CHAIR—There is nothing there that actually identifies the person as a schoolgirl. Just in terms of accuracy, it is a picture of a woman in a school uniform.

Senator FURNER—A young girl in a school uniform. She is drinking a Smirnoff Ice. What is your view, if that sort of behaviour is being explored and used on the internet?

Mr Strachan—If that were part of a marketing campaign—I do not know what it is; I have not seen it—and you had someone consuming alcohol in a school uniform, I think that would be deplorable, and the Alcohol Beverages Advertising Code makes it quite clear that those sorts of initiatives are not on, but really it is hard for me to comment, because I do not know it.

Senator HUMPHRIES—I just want to clarify what might be happening with that indication in your table of an increase in premium spirits consumption after the tax was brought in. Do you think it is possible that there has been some movement by more mature drinkers away from RTDs towards premium spirits? I realise this is not your area of expertise, but this is your table.

Mr Strachan—Yes, sure. I do not know whether it is mature or otherwise, but I think it is almost irrefutable that there has been shifting in consumption from RTDs to full-strength spirits. The evidence is quite clear.

Senator HUMPHRIES—Okay. We have not got any idea from this. You would not speculate about who was actually making the conversion.

Mr Strachan—No, I do not know.

Senator HUMPHRIES—All right, thank you.

Senator CORMANN—Going back to this issue of what actually is done by this measure, it is moving other excisable beverages not exceeding 10 per cent by volume of alcohol—so there is an upper cap there—into the category of full-strength spirits.

Mr Strachan—Yes.

Senator CORMANN—How many full-strength spirits do not exceed 10 per cent by volume of alcohol?

Mr Strachan—They all do, I would assume.

Senator CORMANN—That was a rhetorical question, to a degree. We have heard evidence this morning that there are beers that are exceeding 10 per cent by volume of alcohol. If the health associations are arguing for an approach to taxation based on alcohol content, then really moving RTDs not exceeding 10 per cent by volume of alcohol into the full-strength spirits rate would appear to be contra to that preferred policy direction, would it not?

Mr Strachan—You are asking the wrong guy, because I do not have a preferred policy position.

Senator CORMANN—No, I am not asking you about your preferred policy. I am asking you for your point of view as an expert from the alcohol industry. I understand that you have got an interest, as every other player has got a legitimate commercial interest, and I understand where you are coming from. But we had a lot of evidence yesterday saying that this is only the first step in the right direction towards the Holy Grail of

taxation based on alcohol content, which is something that you have said is essentially bad for wine and does not penalise anybody else. I am trying to understand—and I am trying to get your comment—as to how anybody can say it is a step in the right direction when, in effect, it is taxing lower strength alcohol products in the higher rate. Isn't that contra?

Mr Strachan—The issue comes down to why government policy around alcohol taxation is struck as it is, and that applies to this government and previous governments, for that matter. We all recognise that it is the proverbial dog's breakfast and I think a whole lot of people would like to see it changed. But I will reiterate my point: making changes for expediency's sake, for uniformity's sake, and to have some simple taxation system, which is what I suspect you would have heard a lot of yesterday, has major industry impacts. I have no doubt that this has had a major impact on the spirits industry. That is their problem and that is their issue. What I am saying is that, if it happens to wine, it has a major impact on us.

Senator CORMANN—But it is RTDs today; it could be wine tomorrow.

Mr Strachan—I am not going to advocate any taxation regime, other than no increase on wine.

Senator CORMANN—That sounds very self-interested.

Mr Strachan—Of course it is.

Senator CORMANN—Can I perhaps invite you to rephrase that with a bit more of a public interest focus. No increase, unless there is clear evidence that it is actually going to achieve a certain public policy objective—

Mr Strachan—That is a fair call. If there was very clear evidence that showed it achieved the public policy outcomes, from an industry perspective, we would have little choice but to accept it.

Senator CORMANN—Thank you.

Senator JACINTA COLLINS—I am curious, as I was with the previous witness, about how the advertising code is working. I had an answer earlier about the coverage of the code—the proportion of the industry participating—but from your own experience, can you inform us of your view about how well it has been complied with?

Mr Strachan—Again speaking about the wine sector, very well.

Senator JACINTA COLLINS—I am also interested in terms of the wine sector's view about how well other sectors are complying with the code.

Mr Strachan—Sure. There are occasionally adjudications that rule against ads that are in place. I do not have the figures in front of me, regrettably, but there are not that many. I actually think the system works quite effectively. From the wine industry's perspective, I think there have been three adjudications that have ruled against a wine advert in the last seven or eight years, so that is a pretty good track record. On all of those occasions when it has happened, we have been straight onto the advertiser and the ads have been removed or taken off straightaway. So that shows from the wine industry's perspective that the self-regulatory nature of the system actually does work.

I think you would also be able to reach the same conclusions from the beer and spirits industry's perspective—that is, those who are part of the industry associations and those who sign onto the code as a basis of that have shown through a track record of compliance that it works. The issue has sometimes come up that there are some outside of the system that do not sign onto the code.

Senator JACINTA COLLINS—Who are they?

Mr Strachan—Well, I do not know, because there are not that many of them. There are no wineries in that category. I think it is an issue that flares up very occasionally, but it is very much the exception rather than the rule. So to answer your question, I think the code is effective; I think the code will always go through periods where it might benefit from some tightening in terms of definitions within it. That is something that the industry has done a couple of times in the last four or five years. It is a code that works and it is a code that will probably progressively change.

Senator JACINTA COLLINS—And apart from, as we were discussing previously, the issue of managing the internet, are there other areas you think could benefit from tightening?

Mr Strachan—I was not here when you had that conversation about the internet.

Senator JACINTA COLLINS—I am sorry.

Mr Strachan—No, not to my knowledge. But Stephen Swift, who spoke before me, would probably have a much better informed—

Senator JACINTA COLLINS—I know. I will talk to him later. Thank you.

CHAIR—Thank you very much, gentlemen.

Proceedings suspended from 11.16 am to 11.29 am

McKAY, Mr Douglas Alexander, Executive Chairman, Independent Distillers Australia

CHAIR—I welcome Mr McKay from Independent Distillers Australia. You have information on the protection of witnesses and the process. If you need any more information, the secretariat can provide it to you. We do have your submission. Thank you very much. I invite you to make an opening statement and then we will go to questions.

Mr McKay—Thank you again for giving Independent Distillers the opportunity to appear before the committee to talk about the government's excise change on ready-to-drink beverages. There are five key points I would like to highlight out of our submission. First, binge drinking is a serious issue. It is an issue that needs a comprehensive solution. Overtaxing less than 10 per cent of the industry is not the answer. Second, this tax increase on one category of beverage was introduced with no regard to the evidence and no consultation with the industry. Third, the tax is not working. It is not working to reduce binge drinking and it is not working to raise the planned revenue. Fourth, the wider system of alcohol excises and taxation is broken. The only way forward is volumetric tax, and on this almost everyone agrees. Fifth, this tax has severely impacted our company and its 300 employees, as well as their families.

I would like now to take you through those five key points in a little more detail before I hand over for questions. Firstly, in relation to the issue of binge drinking, we agree that risky drinking is a serious problem. It is a serious problem across all forms of alcohol, and we agree with the public health lobby in acknowledging a culture of problem drinking in Australia. We believe that we as an industry must be an integral part of the solution, and to start to resolve this there needs to be engagement across all interested parties, including industry, and an acknowledgement that we can achieve more if we work together.

What has frustrated us over the last 10 months has been how unwilling government has been to engage and truly discuss this issue. RTDs represent a small part of all alcohol bought and consumed in Australia. Indeed, the AIHW data from the 2007 national drug household survey says that the RTD category is not the preferred product of high-risk drinkers of either sex across all age groups. The AIHW found that in every age group for both men and women the drinks preferred by high-risk drinkers were beer, wine and spirits and liqueurs, yet the excise increase has pushed drinkers to these higher risk drinks. It underlines that binge drinking is an industry-wide problem. Suggesting the way to fix it is a tax on a very small percentage of products is simplistic. Binge drinking is about how people drink, not what they drink. There is no quick fix. It occurs across all forms of alcohol and, therefore, a solution must embrace all forms of alcohol.

That brings me to the second point, which is a denial of the available evidence from organisations like the AIHW and a lack of consultation with the industry. This tax was effectively introduced to the public at midnight Saturday and gazetted from the following Monday. At no point was industry consulted. To that end, it appeared to many to be nothing but a revenue-raising initiative, a cash grab designed to hit manufacturers of this single product category. While the health minister says the measure is working, she has not yet produced statistics or research to back her claims, in my view. Minister Roxon has, throughout this debate, relied on phrases like 'research shows' and 'the evidence demonstrates', without actually providing much evidence or research to accurately back the claim.

The government has made much of the fact that RTD sales have plummeted as evidence the excise has worked. I would point out that this was never the stated objective. It is not the yardstick by which success should be measured. When challenged to produce tangible evidence of the fact that the excise increase has reduced problem drinking, it has not been forthcoming. The government has not produced statistics to show hospital admissions for binge drinking have fallen, for example. We have not seen evidence to show that the police are dealing with fewer alcohol related incidents. If there is evidence, then we would be the first to want to see it.

Since the government introduced this excise increase overnight, without any consultation, discussion or warning, they have gone out of their way to vilify RTD makers and discredit our evidence. They have told us to go jump, that our numbers are dodgy, like we are the scourge of society. For example, they have not wanted to listen to the fact that RTDs are predominantly consumed by men, not young women. Seventy-five per cent of RTDs are dark spirits—rum, bourbon or whisky. In our submission you will see evidence from reputable independent authorities like Citigroup, Roy Morgan, ACNielsen, Access Economics, Macquarie Equities, the LMAA and even the government's own AIHW. When government uses them, it is reliable, but when we do, it is dodgy. That is not fair and it ignores the fact that this tax is not working. It is not working to raise revenue

and it is not working to reduce binge drinking. In fact, it is doing the opposite, because the evidence shows that people are simply substituting more dangerous products.

There is no doubt that the major consequence of the alcopops tax has been to push drinkers from premixed products, with a defined alcohol content of about five per cent on average, towards drinks which are between two and seven times that alcohol content. Both anecdotally and through industry data from the Liquor Merchants Association of Australia, which tracks manufacturer sales either direct to retail or to wholesale, we can demonstrate tangible substitution from RTDs into full-strength spirits and other beverages. When we compare the nine months since the introduction of the excise, May 08 to January 09, with the same period from the year before, May 07 to January 08, sales of full-strength spirits are showing strong growth. These statistics show full-strength bourbon is up 32.2 per cent, full-strength dark rum is up 31.6 per cent, light rum is up 8.1 per cent, full-strength vodka is up 18.4 per cent and cider is up by nearly 15 per cent.

As we talk about in our submission, after many years of consistent decline, the beer market has suddenly returned to strong growth. This has been directly attributed to the collapse of the RTD category by independent analysts, including Macquarie Research Equities and Citi Investment Research, using data such as ACNielsen. This was not a surprise to anyone in the industry. Everyone predicted there would be substitution, as did many of the health lobby. Through tracking of manufacturer sales through retail and wholesale, Nielsen consumer sales ex retail, Roy Morgan omnibus surveys of consumer behaviour and significant anecdotal evidence all point to an increased consumption of other forms of alcohol that are cheaper and are associated with more risky drinking. It is undeniable that massive substitution has occurred, as all the data from various independent sources confirms.

You will see from our submission that the vast majority of public health groups believe that the government's excise increase alone is not the solution to binge drinking. At best, some concede the so-called alcopops tax is a first step. It is still not clear to me—a step towards what?—particularly when nearly all support a volumetric tax in some form or another. Nothing is clearer in this debate than the fact that the excise system is broken. Almost everyone agrees with that. The only way ahead is a volumetric tax—a tax that taxes alcohol on its alcohol content, no matter whether it comes from a grain, a hop or a grape, and, in the case of beer, where it is consumed or what it is packaged in.

Finally, I also want to cover how this tax has affected our company. We are the nation's third largest manufacturer of ready-to-drink products. With more than 94 per cent of our business reliant on RTDs, IDA is the company most negatively impacted on, in a financial sense, by the introduction of this new tax. There is no question that this tax has done serious damage to our business. When our company has had to take the tough decision and make decent hard-working Australians redundant as a result of dubious policy, it is very tough to come to grips with. It may be something we could live with if we truly believed that the tax was actually reducing problem drinking, but it is not. For the government to suggest the way to fix the problem is a tax on a very small percentage of products is too simplistic. Binge drinking is about how people drink and not what they drink. Binge drinking is a cultural problem that requires more than just a quick fix. We need to work together—government, public health and, importantly, the industry.

At the very beginning of this debate Daryl Smeaton from the AERF and I were on Sydney radio together talking about problem drinking and the excise increase. I often recall this conversation. We found ourselves in agreement on 95 per cent of the issues raised. Now, instead of working on what we all agree, I have had to divert my resources to arguing about the five per cent of differences, which is not what will solve binge drinking. We want to focus on solutions. We do not support this tax, because it is not the solution. Thank you.

CHAIR—Thank you, Mr McKay.

Senator SIEWERT—I would like to go to the issue around consultation. You raised the fact that it was introduced without consultation to the industry. Would it be fair to assume that, if the industry was consulted, there would have been some pre-empting of the tax—for example, pricing and promotional activities around RTDs?

Mr McKay—That is speculating on the past. That is not the way our company would work with government. We would take information from government in the confidence in which it was shared and help work toward better outcomes.

Senator SIEWERT—This history since the tax has been introduced, in terms of the promotional activities that have been going on around RTDs, is quite intense. There has been a lot of advertising around RTDs; there has been a lot of lobbying of this place, in particular; and there have been promotional sales where you can get

two bottles of spirits, free Coke et cetera. So there are quite strong examples of where the industry is actively undermining this tax, for a start. How much have you spent on promoting RTDs and opposing this tax?

Mr McKay—I could not quote the exact figures, but I think I explained when I was here in June that the history of this company's establishment is that it has never participated in mainstream media advertising or sponsorship activities. It is quite an unusual business model that has been built through promotion in the retail stores with offers to retailers. So the retailers have been the biggest focus of our promotional activities.

Senator SIEWERT—What you are saying is that you have been working with retailers in the retailers' outlets to promote your products.

Mr McKay—That is the history of the company, and it has been established for 12 years now. That is how it has been established, yes.

Senator SIEWERT—The point there is then how much have you spent with retailers? Have you been providing resources for promotion of your products?

Mr McKay—Yes, we support promotional activity with retailers. Yes, we do.

Senator SIEWERT—Can you tell us how much you have spent since this tax was introduced?

Mr McKay—No. That would be commercially sensitive, so I would not want to share that.

Senator SIEWERT—I expected to hear that. In other words, you will not tell us what efforts you have been making to undermine this particular tax, which would then presumably be aimed at mitigating any impact the tax would have.

Mr McKay—You have drawn a connection between our promotional activity and it being deliberately designed to undermine the tax, so I would take issue with that. I do not agree with that assumption. Our promotional activity is designed to draw attention to our products, inform consumers as to what our products are and make consumers an offer such that, hopefully, they will be interested in buying our products.

Senator SIEWERT—In the last year since the tax was introduced, have you increased the amount of money you have spent on promoting your products?

Mr McKay—We have lost 35 per cent of our revenue. We do not have the resources to spend more money. We have been spending a lot less money this year.

Senator SIEWERT—You have spent less money on promoting your products this year?

Mr McKay—Yes. We have lost 35 per cent of our revenue. We do not have the revenue base that we had to afford the promotional activities we used to run.

Senator SIEWERT—Unfortunately, you will not provide us with your data to show that that is in fact the case.

Mr McKay—No. We are a private company, we do not publish our results, and our competitors would love to know how much money we spend.

Senator SIEWERT—In terms of substitution, we have heard fairly strong evidence from both brewers and winemakers that there has not been statistically reliable substitution into wine or beer. Despite what the distillers have been saying in terms of the evidence, what we have heard today is that in fact statistically important substitution has not been there.

Mr McKay—I heard them say that they are citing other reasons that could have an impact, which I would agree with. I refer you to page 10 of my submission, which is ACNielsen data on beer and what has happened with beer. You can see that since May 08, which interestingly is not the middle of summer, the volume of beer showed a dramatic and immediate turnaround from negative growth to a significant growth—nearly five per cent, I think, without my glasses.

Senator SIEWERT—So you are disputing the brewers' own evidence, also based on Nielsen results.

Mr McKay—I was listening from the back. I did not hear the brewers say that it is not having an effect. I heard them say that lots of other things were in the mix of the changes.

Senator SIEWERT—I can read you their comments, if you want, from their submission. They have said:

... it would be heroic to conclude that the alcopops tax is supporting a statistically significant turnaround in beer consumption trends; at worst, it would be misleading.

That is directly from their submission.

Mr McKay—‘Heroic’ and ‘may be’? I agree that it would be a lot better if we had firmer evidence on all these issues. I am just pointing out that ACNielsen shows that, since the month of the tax, a minus two per cent decline in the beer market in Australia has reversed and is now a six per cent volume increase.

Senator SIEWERT—I put it to you that may be selective quoting, because the brewers also point out that there was a four per cent increase in beer deliveries in February-April 2008 and May-July 2008. However, they also then point out that comparing a six-month period of deliveries either side of the introduction of the tax shows that there has been a 10.4 per cent decrease in beer delivery volumes. So there are statistics and statistics, aren’t there?

Mr McKay—There are. When I was here last time, I think we all bemoaned the fact that we were being overwhelmed by data and different interpretations. I think what I would retreat back to in terms of the big picture here is that we have enough data to demonstrate that substitution is a serious effect and unintended consequence of this tax—a substitution into other forms of alcohol.

Senator SIEWERT—I do not think that anybody ever denied that there would be a level of substitution. In fact, international research showed that there would be a level of substitution. The point that was being made also from, I think, the Nielsen figures yesterday was that overall there has been a 148 million standard drinks reduction since then.

Mr McKay—And I have another piece of research from Roy Morgan that shows total alcohol consumption is up 2.7 per cent, which would be more than the standard drinks you just quoted. I do not want to debate who has the right numbers or who has not. I think the materiality of the number of standard drinks you quoted, in the context of the overall size of the liquor market in Australia, and also given the economic climate we are in, is not that material. A 35 per cent reduction in RTDs is material. A 32 per cent increase in full-strength bourbon, a 31 per cent increase in full-strength rum, an 18 per cent increase in full-strength vodka and, we believe, an emerging increase in beer volumes is pretty compelling.

Senator SIEWERT—The beer volumes thing is not right.

Mr McKay—When we put it together with all the anecdotal feedback—there have been hundreds of newspaper reports from publicans, retailers and drinkers themselves of how they are seeing consumers substitute—I think it is very difficult to deny that there has been massive substitution going on, and that substitution, according to AIHW research, is going into products that are more associated with risky drinking than RTDs.

Senator SIEWERT—I think that we will have to disagree on the statistics, when you look at the reduction, certainly with the data that we were presented with by the health groups yesterday. It was pointed out also that the health groups have, with all due respect, less of a vested interest in terms of looking at the data. My concern is to ensure that we have a more independent focus on the data. One of the concerns that I personally have is which datasets to believe, and I am more likely to believe the independents or the health groups, with all due respect, than I am to believe the industry, when the industry obviously wants to sell more alcohol, and also given the amount of lobbying that we have had in this place from the industry.

Mr McKay—This is not data that we have manufactured; it is data we have been provided from serious and credible research organisations.

Senator SIEWERT—But the problem I am having is that, despite the brewers themselves saying here that there has not been an increase in beer sales, you are saying there has been an increase.

Mr McKay—ACNielsen is showing that, on the data I have here, there is an increase in beer sales.

Senator SIEWERT—And there is other analysis of that data showing that there has not been, overall, an increase in beer sales.

Mr McKay—Then it would be terrific if we could work with government on getting to just what is really going on, rather than the various vested interest groups just walk in this room and say what they say. We have never been offered the opportunity to work with government to get to the bottom of some of this evidentiary disparity.

Senator SIEWERT—One of the problems is the example you just gave me of, ‘No, I’m sorry, we can’t give you the amount of money that we’re spending on promotional activities because that’s commercial-in-confidence.’ One of the issues is actually getting access to industry data as well.

Mr McKay—If we were all sharing our financial information in the same way in a confidential context, that would be different from a public hearing. I am not saying it is not possible, but it is not possible in this format.

Senator SIEWERT—So what about providing it to health researchers to have a look at, for example?

Mr McKay—With the right confidentiality protocols, I would be more than happy to do that.

Senator SIEWERT—In terms of the hospital data, when you raise the issue around emergency department admissions—sorry, you did not say emergency department admissions, I do not think. You said the hospitals cannot demonstrate a decrease in the number of admissions. I am not trying to verbal you; I am trying to remember exactly what you said.

Mr McKay—That comment is not my data. The organisation following me, DSICA, are the people that commissioned that data. I have only referenced it, but I really have no comment to make on its veracity or authenticity.

Senator SIEWERT—Okay. The point there is that you use it to substantiate your claims.

Mr McKay—I would like to see evidential support from hospital data and police admissions data. We were told before the tax, in the build-up to the tax in the PR that was going on from government, that hospital admissions were going up, police arrests and problems with liquor were going up, but all of a sudden, with the tax that has now been put on, we are not seeing any evidence that that has declined. We do not own that information. The government is not sharing that with us. If they have it, we would love to see it. We would like to be aware of that.

Senator SIEWERT—Okay. I wanted to be clear what you were saying in terms of hospital data. At this stage you are not saying that the hospital admissions are staying the same, are you?

Mr McKay—No. I do not have the information.

Senator SIEWERT—You are saying you do not have the information. Your point is that we cannot prove either way?

Mr McKay—That is right.

Senator SIEWERT—In terms of police data, you are saying the same thing?

Mr McKay—Similar, yes.

Senator SIEWERT—In terms of the volumetric tax, I want to get your position on price. Your argument is not that price does not work. Is that your point? It should be done across the board as a volumetric tax rather than on one product. So you are not saying price doesn't work?

Mr McKay—No. Price is clearly a factor in terms of demand. We would like to see a comprehensive architectural review of the excise system in Australia, which is broken, which is the function of many years of history, of behind-the-scenes deals, and policies, and all sorts of things, and the end result now is that nobody can remember what were the driving factors behind the excise system. There are resolutions, in my view, to all the problems that have been raised by those who do not want to see change for their sector. We are interested in a volumetric tax that applies equally across all forms of alcohol and is based on the strength of the alcohol.

Senator CORMANN—I was interested to hear you say, in an interview when the tax increase was announced, that you agreed with 95 per cent of what the other side of the argument, if I can put it that way, was putting. Indeed, yesterday we had all of the health groups argue for a volumetric taxation based approach to alcohol, which is consistent with what you are saying. It is not consistent with what some of the other industry groups are saying. Yet they describe this increase in the tax on RTDs as 'a first step in the right direction'. Is it a step towards a volumetric taxation based approach to alcohol?

Mr McKay—No. In my view it is a step in the other direction. It establishes a different rate of tax, on the basis of whether you are a product produced from a grain, a hop or a grape, whereas we would like to see the system structured around rates of tax that apply to percentage of alcohol strength. Alcohol has the same detrimental effect in terms of health policy no matter what form it is delivered in; therefore, we think that in terms of a health platform, as a driver of the excise system, alcohol strength should be the determinant.

Senator CORMANN—I hear you. Essentially, you are saying it is not a step in the right direction from your point of view, even though you agree that where we ultimately should go is what health groups think we should ultimately aim for.

Mr McKay—Yes.

Senator CORMANN—You mentioned in your opening statement that, instead of being able to focus on better ways of addressing binge drinking, which you acknowledge is a problem, you now have to focus on, essentially, fighting this tax. What would be better ways to address binge drinking and at-risk levels of alcohol consumption? What are some of the things that the industry could be doing with government?

Mr McKay—We have been moving on some of the things directly in our control, and I talked about these at the last committee meeting in June: limiting alcohol content in our products to two standard drinks; reducing the maximum level of alcohol in RTD products that we produce; modifications and adherence to rules regarding advertising, media and sponsorship activities if we undertake them. We are very open, and we have put proposals to various senators on labelling initiatives that we would be prepared to work with across the industry. There are a lot of things that the industry can be doing but, beyond that, there is a much better understanding required of what is driving binge drinking—some more research, more education, these sorts of things.

Senator CORMANN—Yes. You said there was no consultation before the measure was introduced, but presumably you would have had some discussions with government after the measure was introduced?

Mr McKay—The first opportunity for discussion was the June Senate committee meeting that we were invited to attend, and we appreciated the opportunity to put our views.

Senator CORMANN—But that was a discussion with a Senate committee. Have you had any discussions at all with government—the minister, the minister's office, the Department of Health and Ageing or the Treasury?

Mr McKay—We have been to see some of the health department officials but we have not been able to see the minister for health, for example.

Senator CORMANN—Has anybody from government ever explained to you in clear and concise language what it is exactly that the government was trying to achieve with this increase in the excise on RTDs?

Mr McKay—Yes, they have, and what they have explained to us is entirely honourable and appropriate and we would support it. We have to find a way to reduce binge drinking in Australia. We would support that. Where we have a strong disagreement is that this tax is a measure that is going to help in that endeavour.

Senator CORMANN—So if we wanted to measure whether or not what the government is intending to achieve has been successful, what are some of the things that we should be looking at? We have asked the same questions of some of the health groups.

Mr McKay—Yes.

Senator CORMANN—What are some of the things that we should be measuring to assess and evaluate whether what the government has done has been successful in achieving its objectives?

Mr McKay—The incidence of binge drinking and what is happening to the trends of binge drinking: I, like most of the other speakers, do not believe that total consumption is a measure of much at all, because binge drinking is a particular set of drinkers who have a dependency. The majority of people enjoy alcohol responsibly. Measuring binge drinking is the key thing that we should put some KPIs in place for. As I mentioned to Senator Siewert, I think some of the other indicators around hospitals and police data are all good data points for this discussion.

Senator CORMANN—Are you aware of any evidence which would prove that the incidence of binge drinking has reduced as a result of this increase in the tax on RTDs?

Mr McKay—I am not aware of any evidence. We have not commissioned any research ourselves to find evidence one way or the other. The evidence that I am very reliant on and that I think is very credible is the AIHW, and in fact the evidence there, prior to the introduction of the tax, was that, despite the increase in popularity of RTDs in recent years, the incidence of binge drinking amongst young people was declining. Any amount of binge drinking, let me say, among young people is unacceptable, so 'zero' is the right answer, but the point is that there is no evidence to link RTDs with any increase in binge drinking.

Senator CORMANN—Out of the total population of Australians consuming RTDs, what would be the proportion of those that consume RTDs responsibly, vis-a-vis the proportion of those that consume RTDs at problem levels? Have you got any figures?

Mr McKay—I do not have the statistics immediately to hand.

Senator CORMANN—Could you take it on notice?

Mr McKay—Yes. I would say, though, that the AIHW data shows that RTDs are not the preferred drink of at-risk drinkers of any age group, both sexes. But I will take it on notice and we will come back with that percentage.

Senator CORMANN—In answer to a question I put to the government in the Senate, they told me that since the tax increase was introduced in April 2008, they had not collected any consumption data on the reduction of risky, high-risk and/or at-risk behaviour. Given the public interest and the question mark as to whether this sort of measure would be effective in achieving a reduction in binge drinking or risky levels of drinking, do you think that the government should have gone out of its way to evaluate, within a 12-month period, the impact, the success or otherwise, of the measure they introduced last year?

Mr McKay—I do. I think that is the missing piece here. I think government's responsibility in all of this is to ensure an accurate and informed debate. I appreciate the two opportunities that I have had to appear before the Senate committee, which is part of that process. But better data, better evidence to back up the decision-making processes that we are all involved with here, I would applaud.

Senator CORMANN—The minister and others have expressed concerns that alcopops are deliberately targeted at young people and under-age drinkers. Providing and supplying alcohol to under-age drinkers is of course illegal, but does your industry target under-age drinkers?

Mr McKay—We definitely do not. We definitely do not target under-age drinkers. It is quite clear that our products are targeted at people above the drinking age. They are sold in outlets where you cannot purchase them unless you are of the drinking age. They are clearly marked as alcohol products. We do not target under-age drinkers.

Senator CAMERON—Do you target young drinkers, not under-age drinkers?

Mr McKay—The majority of alcopops are consumed by blue-collar, middle-aged males.

Senator CAMERON—I am not asking who drinks them; I am asking who you target.

Mr McKay—There are various products. A whisky product we would target towards an older male group; bourbon products we would target towards the mid-aged male, some female. Vodka drinks are popular amongst both male and female, generally younger but above drinking age.

Senator CAMERON—What about the alcopops? Who are you targeting?

CHAIR—Senator Cameron, I am going to stop you. Senator Cormann has the call. You will have the call later. I know you were following up a point.

Senator CORMANN—If this measure was defeated in the Senate, where should the money go that has been collected over the last 12 months, in your view?

Mr McKay—I am not sure where the money is going. The justification for the money has changed both in quantum and in purpose, as best I can tell, from the readings of *Hansard* and other public information. Originally the proposed tax take from this was \$3.1 billion. I see that is now \$1.6 billion. Originally I understood it was going to be directed, in large part, towards helping solve the binge drinking problem in Australia. The amount of money I see committed to that directly by the government at this point is only 1.7 per cent of the \$1.3 billion original planned estimate. So I am a bit confused. I have seen various comments from Minister Swan that it is needed to support the budget surplus. I saw one comment from the Prime Minister, asking: if we do not have this tax, who is going to pay for elective surgery? So I am a little confused.

Senator CORMANN—Sorry. My question specifically is about what should happen, in your view, to the funds that have been collected so far if the tax is defeated moving forward? There has been a lot of money collected. What should happen with the money that has been collected? If the legislation is defeated, it would have been collected without foundation.

Mr McKay—Yes.

Senator CORMANN—Should it be returned to the industry or do you think it should be directed at education in terms of alcohol abuse and things of that nature?

Mr McKay—From our point of view, we would withhold judgement on making a decision on that, because for the money to be invested in helping solve binge drinking, I would want to be sure that (1) we were involved in the consultation and the development process of those programs and we had an opportunity to participate and (2) I would want to be sure and have confidence that the programs that were being proposed

would work. Until we see a specific program designed to mitigate binge drinking and the money required for that, I would have to reserve judgment.

Senator CORMANN—One of the arguments that the government has used to justify these tax increases is that it is closing a loophole created by the previous government when it decided to tax RTDs and alcopops at a rate similar to the full-strength beer rate. Do you recall why that decision was made back in 2000?

Mr McKay—I was not in the industry in those days, I am sorry.

Senator CORMANN—Could you take that on notice perhaps and give me an answer?

Mr McKay—Yes.

Senator CORMANN—I have forgotten what my final question was. I might just hand over to someone else and then come back at the end.

Senator FURNER—Mr McKay, I have some general questions about some facts that you have indicated orally. You indicated that you have not been consulted by any of the government departments about this proposed tax. Is that what you stated?

Mr McKay—I said we were not consulted as to the implementation of this tax. It surprised us on a Saturday night at midnight. I have said that we have been to see ministry of health officials on a few occasions since the tax.

Senator FURNER—Who are those people that you have seen?

Mr McKay—Jenny Short, #Megan Wilson; Senator Jan McLucas. Senator McLucas has been very forthcoming and has had a very open door to our approaches.

Senator FURNER—So there has been consultation.

Senator JACINTA COLLINS—With respect, they are not departmental officers. Senator McLucas is a member of the government, the executive.

Mr McKay—Yes.

Senator FURNER—In respect to some of your members, in particular Bruce Carbonari, he is the owner of Jim Beam, isn't he?

Mr McKay—I am sorry, I do not know who Bruce Carbonari is.

Senator FURNER—Well, he is the owner of Jim Beam. He has indicated that there has been a decrease in Jim Beam RTDs of 30 per cent.

Mr McKay—Whoever he is, that number accords with the statistics we have. In fact, we believe the RTD industry is down 35 or 36 per cent since the introduction of the tax. Both the government and our own statistics accord with that.

Senator FURNER—So RTDs are down in numbers.

Mr McKay—Yes, they are.

Senator FURNER—Looking at your contribution to society as a company, have you ever considered looking at assisting in campaigns for reducing alcohol misuse?

Mr McKay—We have to go back into the history of the company, and if you can give me a—

Senator FURNER—Is the answer yes or no on that?

Mr McKay—We are willing to work with industry on any initiative that we believe will reduce binge drinking in Australia.

Senator FURNER—So you are willing but you have not at this stage. Is that what you are saying?

Mr McKay—The company's history has been to stand aside from industry on a lot of these issues. The entrepreneur who started the company did not trust working with industry. We bought the company some two years ago, and others in the industry will tell you that the level of engagement from us has lifted and I intend for that to continue.

Senator FURNER—Are you still employed by independent distillers?

Mr McKay—Yes, I am.

Senator FURNER—There has not been a case of resignation?

Mr McKay—No.

Senator FURNER—Thank you. Just looking at some advertisement of your products, RTDs, are you familiar with the two websites via Facebook, Aussies Against the Alcohol Tax Increase and the spin-off websites? They are Facebook websites but—

Mr McKay—I am vaguely aware of the first. I have not seen the second.

Senator FURNER—I asked a previous witness what they thought about those particular websites, and I actually showed the particular witness a photograph of what appears to be a young lady dressed in possibly a school uniform, and that particular witness described that as deplorable. I am wondering what your opinion is on that.

Mr McKay—That is nothing that we would condone. I would doubt that that is on the website of one of the RTD manufacturers operating in Australia.

Senator FURNER—Your product has been advertised on that particular Facebook website. In fact, one of the bloggers—and she clearly demonstrates herself as a young schoolgirl—indicates that whatever the particular drink is that she is having is orgasm in her mouth, and she is a young schoolgirl. Furthermore, looking at blogs, there is another one on the Aussies Against the Alcohol Tax Increase Facebook site where a person indicates:

haha watta a joke i just buy a bag of goon for \$10 gives me 30 standerd drinks get way more smashed and its no secret why ecstasy use has gone up 55% in the past year drinks r 2 expensive haha

Surely your company and your product are not exposed to those sorts of comments—and you are accepting that—out there on Facebook websites.

Mr McKay—That has nothing to do with our company. Those are private exchanges between citizens on the internet. The products referenced in that particular example you just quoted are wine products; they are not our products. I am not sure where you are going.

Senator FURNER—They are products of RTDs that are advertised on Facebook websites.

Mr McKay—‘Goon bags’ are the vernacular for wine casks.

Senator FURNER—But the particular blog I just read out is on a Facebook site for Aussies Against the Alcohol Tax Increase, depicting further pictures of young people using RTDs and what they think of them—copious photographs of them drinking them and proudly demonstrating their acceptance of those particular products that your company sells.

Mr McKay—None of those are our products. We have nothing to do with those individual Facebook sites. I am not sure what association you are trying to draw, I am sorry.

Senator CORMANN—Do you think that there would be photos around Australia of people having abused beer or wine or—

Mr McKay—There was a classic photo pre-Christmas on the front page of one of the Victorian newspapers of 23 young male students in school uniform from Xavier College, all holding their liquor to the camera. Not one of those products was an RTD product; they were all beer. So these photos exist for all forms of alcohol; they exist in all sorts of different media. They are totally unacceptable in terms of under-age drinking and abuse of alcohol, and nobody would support that sort of behaviour.

Senator CORMANN—Is that the reason that we should have a comprehensive and strategic approach to the issue of alcohol abuse and at-risk levels of drinking?

Mr McKay—That is exactly the reason. Alcohol abuse will cause it.

Senator FURNER—In your submission under ‘Here are some simple facts’, at point 4 you indicate:

Community advocates, hotel owners and health officials from across Australia have all reported that binge drinking has worsened since the introduction of the alcopops tax.

I have not heard any of that recorded at all, including at yesterday’s and this morning’s proceedings. That statement is just untrue.

Mr McKay—It is anecdotal, so I would concede that.

Senator FURNER—We can all make anecdotal comments, but it is the case that that statement is not true, based on what we have heard at this stage.

Mr McKay—I could show you a pile a metre high of clippings from newspaper articles of the trade—various hotel owners and retailers across the country; consumers themselves—as to what is happening in terms of substitution. There is a submission from a young lady—I think her name is Amy Thurgood—which to me symbolises the type of behaviour change and unintended consequences that is going on from this tax change. There is a massive amount of substitution, anecdotal and factual. Being as specific as we would like, I have already conceded that we do not have good data to keep this debate informed, and I think that is a role government could help us play.

Senator FURNER—So you do not have good data to indicate where this issue is specifically heading. Is that what you are indicating?

Mr McKay—I have as much data as is publicly available.

Senator FURNER—Thanks.

Senator JACINTA COLLINS—Mr McKay, I was surprised to hear you say earlier that substitution had not been anticipated. I have followed this debate up till now at a reasonably distant level, but it surprised me to hear you make that point.

Mr McKay—My recall is that the original financial assumptions behind the tax were for a reduction in the rate of growth of RTDs to approximately four per cent, so the 35 per cent reduction we have seen was not anticipated. I am very confident that the estimates of excise collection on other forms of alcohol will not change. So that, to me, was an assumption that there would be no substitution effects.

Senator JACINTA COLLINS—So you are saying that a finance assumption reflects that the various players in this field assumed that there would be no substitution.

Mr McKay—That is the only evidence that I have seen from government that addresses the issue of substitution or not.

Senator JACINTA COLLINS—I think that is a pretty narrow step. Let me go to the issue that Senator Cormann has been asking many people about, and I am surprised he did not ask you this question. How do you define binge drinking?

CHAIR—I apologise, but we have to go to a division in the chamber. We will have to suspend until the division is over.

Proceedings suspended from 12.15 pm to 12.24 pm

CHAIR—We will recommence proceedings. Mr McKay, I am sorry that happened to you. It disrupts the sequence. You were in the middle of responding to a question from Senator Collins. Is that right?

Senator JACINTA COLLINS—Yes. It seemed in the discussion that we were having that you were using the terms ‘binge drinking’ and ‘risky drinking’ interchangeably.

Mr McKay—Yes, that is a good observation. I think it is fair to say that the definition around some of these descriptors is a bit loose and people have different interpretations. ‘Volumetric tax’ is another one we hear. We need to tighten up some of these definitions for the benefit of future discussions. But my working hypothesis on risky drinking is the definitions used by the AIHW basically. That is the information that I rely on to track risky and high-risk drinking, so the definitions that they use are the definitions that I am referring to in my evidence.

Senator JACINTA COLLINS—This is the work that was done prior to the implementation of the excise changes?

Mr McKay—It is the survey that they run every two years.

Senator JACINTA COLLINS—I want to go back to the comments that you made about the sales statistics—the full-strength bourbon up by 32 per cent; rum, vodka—and I am wondering if you can explain to us how those figures sit with the ATO figures that we are aware of, which show that for the figures for May 2008 to January 2009 total spirits clearances decreased by 7.9 per cent compared to the same period in 2007 and 2008, where there had been a solid period of growth for the previous three years. Is there a way that you can explain why your data is suggesting such a huge increase and yet the ATO figures are showing something very different?

Mr McKay—Off the top of my head, no, I cannot explain the differences. I would have to look at both sets of data.

Senator JACINTA COLLINS—The ATO data is looking at all spirits.

Mr McKay—Yes.

Senator JACINTA COLLINS—Your data, for reasons that I do not yet understand, selects some specific spirits, and I was just asking if there was a way that you could explain the difference.

Mr McKay—No. The LMAA data that we use is sales from manufacturers to retailers and wholesalers, so it captures all the sales to the wholesale network or the retail network in Australia and it identifies each of the particular products as an RTD or a full-strength spirit.

Senator JACINTA COLLINS—But you have only drawn on bourbon, rum, vodka and some—

Mr McKay—We have all the information. We have brandy, we have whisky, we have everything else, but they—

Senator JACINTA COLLINS—What has been the shift for those?

Mr McKay—They are all over the place. I have drawn out those ones because they are the most relevant in terms of the direct substitution for a bourbon, a rum or a vodka RTD, which are the majority of the industry.

Senator JACINTA COLLINS—Going back to the discussion earlier about consultation, you raise in your submission some suggestions such as a voluntary cap on containers and issues like that.

Mr McKay—Yes.

Senator JACINTA COLLINS—I think it has been suggested in some of the financial reporting that the ongoing ownership of your business was an issue. Are you able to assure us that those sorts of suggestions have any longstanding value?

Mr McKay—Those initiatives are under way. They will continue to be a high priority in the business.

Senator JACINTA COLLINS—But in terms of the current ownership of the business, is it true, as has been reported, that you are looking to sell?

Mr McKay—No. The current ownership of the business is very stable and our shareholders are very positive about the prospects for the business going forward.

Senator JACINTA COLLINS—Despite this excise tax issue?

Mr McKay—The excise tax is a setback obviously, but this company has a history of innovation, it has a history of adapting, and it is full of very talented people, and we believe that the company will have a very positive future.

Senator JACINTA COLLINS—What other suggestions do you have, apart from the voluntary cap, with respect to dealing with risky behaviour? Why have those suggestions only come forward at this stage? As I said, I have not been intimately involved in this debate until very recently, but why are you waiting till now to be looking at some of these measures?

Mr McKay—Some of them are within our direct control and some are not. But if I could just correct what you just said in terms of the timing, we proposed these initiatives in our June submission to this committee, so they have been in train for us for over nine months, or nine months or so now, and we have been implementing those progressively through that period.

Senator JACINTA COLLINS—Which things have been implemented?

Mr McKay—The maximum of two standard drinks; adherence to an industry standard where we have not marketed or produced a product that exceeds two standard drinks; limiting the maximum amount of alcohol in an RTD product and bringing that alcohol content down over time; adopting promotion and in-step activity guidelines that accord with industry standards. So we have been putting a lot of those things in place since we purchased the company.

Senator JACINTA COLLINS—The other issue I want to explore with you, and picking up from where Senator Siewert had been earlier also with respect to the various reports on facts and data, I mentioned the ATO data but I want to also take you to a recent study in the Medical Journal of Australia. The health experts there made the case that in fact substitution, whilst it was occurring, was limited and found overall that there was a total decline in alcohol consumption of 2.7 per cent or 64 million standard drinks when the 2008 study period was compared with the year before, the three months to June 2008. Are you aware of that research?

Mr McKay—I read reports of it in the newspaper, but I have not read the report in the Medical Journal myself.

Senator JACINTA COLLINS—So you are not aware of the detail and you could not reflect that in terms of your anecdotal understanding.

Mr McKay—Our understanding on substitution is not just anecdotal. I have explained that the information we have is credible, third party independent research which—

Senator JACINTA COLLINS—Sorry. Which research is that?

Mr McKay—ACNielsen research; Roy Morgan research; Macquarie Equities research; Citigroup research; LMAA data. We have Access Economics. We have a lot of research that we use. It is not our data. One of the frustrations we have in this whole process is that, when the same research turns up as part of one of the health lobby's submissions, it appears more credible, but when we turn up using the same ACNielsen data, all of a sudden it is maybe not as trustworthy. But I can assure you that we are using this data with a lot of integrity. We are not making it up; it is not information that we are manufacturing ourselves.

Senator JACINTA COLLINS—Mr McKay, I think you have got to the nub of some of the points and some of the debate even about, say, the Access Economics report that you referred to earlier. The nature of the study, or the data, if it is done legitimately, is perhaps not the issue at all. It is how ultimately it has then been used. I have heard the discussion over the Access Economics stuff and I have heard you even say, and clarify today, that it is actually only saying that there is no evidence, rather than demonstrating that the tax is not working. They are two very different and critical points.

I think we all accept that there is insufficient data dealing with the health impacts and that we need to do more work there, but it is very limited and very difficult to compare, mostly because of the sparsity of it; which brings me to the final point. In terms of your comments about the excise and what should occur with it, if independent research is used as the basis of where to direct these funds, would you have an issue, quite independently of whether you were involved or not, because I think the independence of the research is a critical factor?

Mr McKay—I think we can have both and get a better outcome. We can have industry input and we can have independent research, and I cannot see why that would not deliver a better outcome and get industry actively involved and engaged in the solutions that we all want to agree on going forward.

Senator JACINTA COLLINS—There is a difference between 'actively engaged and involved' and actually being drawn into the research and the data itself. That is a balance that I think is missing in the debate so far. Sorry, Chair, I will leave it at that.

CHAIR—I am intending to end this in five minutes.

Senator BILYK—Mr McKay, you may well have answered some of these questions previously. I did have another committee hearing that I had to go to for a while. You mentioned the LMAA figures just a few minutes ago in response to Senator Collins' question. Aren't those figures able to be manipulated by discounting supply into wholesalers and retailers? Therefore, does not that give a bit of a false read?

Mr McKay—Over the nine-month period that we are talking about, I do not believe that unusual purchasing by the retailers or the wholesalers is an influence. They might influence a month's data around an excise CPI change.

Senator BILYK—But it can influence the data, can't it, and can quite easily give a false reading?

Mr McKay—Yes, within the scope of a month or two.

Senator BILYK—So a more accurate measure of what is actually being drunk, in regard to what is walking out of the door of bottle shops and over the bar, would be the Nielsen retail figures, wouldn't it?

Mr McKay—The Nielsen data is highly credible.

Senator BILYK—Are you aware of the media release today by the Victorian Health Promotion Foundation and the Australian Drug Foundation, in regard to alcopops targeting under-age drinkers and the research that has been done there?

Mr McKay—No.

Senator BILYK—I might point out a couple of issues to you so that you can make comment. The survey was to gauge people's view on alcopops and found that 87 per cent of respondents believed that premixed drinks or alcopops were most likely to be drunk by people under 18 years. Have you got a comment about that?

Mr McKay—I have not seen the research. I have been here all morning, so I am sorry, I have not seen it.

Senator BILYK—What about the fact that VicHealth and the Australian Drug Foundation support the alcopops tax, and I quote:

“The Senate must ensure that alcopops are not sold at pocket money prices,” said the Australian Drug Foundation’s Head of Policy, Geoff Munro.

Why should RTDs be cheaper than alternatives? Can you explain that to me?

Mr McKay—They are not cheaper.

Senator BILYK—They were previously. Until we closed the loophole, they were.

Mr McKay—They were levied the same excise rate as equivalent—

Senator BILYK—They were sold cheaper.

CHAIR—Senator Bilyk, let the witness answer the question.

Mr McKay—They were levied the same excise rate as equivalent strength beer products, as an example, so the tax that applied to a 4.8 per cent beer was the same tax that applied to an equivalent strength RTD. That, in my view, was a good example of a volumetric tax working. That recognises that, no matter what the form of alcohol, the tax should apply equally. I do not see it as a loophole. I know it has been portrayed as a loophole. I see it as a move to standardising excise across strength of alcohol rather than the types of products.

Senator BILYK—The discussion today is not around whether it is a volumetric tax that comes in or not; it is about the sale of and the tax around alcopops. Aren’t most of them at about six per cent or so now?

Mr McKay—Eighty-five per cent of RTDs are five per cent strength and the large—

CHAIR—I do apologise. Mr McKay, I think because of the nature of—

Senator BILYK—Can I just ask one quick question before I dash. Who pays for the data that you have mentioned in your submissions?

Mr McKay—Some of the data we get through participating.

CHAIR—We will be able to continue. It is a quorum.

Mr McKay—I would have to talk to you about each of the individual suppliers, and it is a different answer for each.

Senator BILYK—Maybe you could table that information for me?

CHAIR—If you could put that on notice, Mr McKay, thanks.

Mr McKay—Yes.

Senator CORMANN—Can we put that on notice for all of the witnesses and see whether we can get back to all those witnesses—as to who pays for the data that they have presented? The ACNielsen research was commissioned by one of the health groups, was it not?

CHAIR—You did not ask that question.

Senator CORMANN—No, I know, but if we could put it on notice for them.

Senator CAMERON—Mr McKay, I am sorry, I have not been here for all of your evidence, but you indicated where the main consumption of alcopops was. Can you just repeat that for me, where you see the main consumption, the demographics?

Mr McKay—Blue-collar males.

Senator CAMERON—I just got onto your website and I am looking at the advertising from independent distillers on your website. You have got a product called Pulse and it says, ‘PULSE—Be Original, Be Impulsive, Be You’. I know a lot of blue-collar workers and I do not know if that is that demographic. You have got one called Mudshakes. It says, ‘Pleasure Yourself’. That does not sound like the boilermakers I know. You have got Red Bear, ‘GRRRRRAB a RED BEAR’, and Crazy Mexican, ‘You’ll go loco!’ Again, that is not really a boilermaker’s tipple. This is really targeted at a younger drinker, isn’t it?

Mr McKay—No. We market—

Senator CAMERON—You’re kidding me!

Mr McKay—No. You are drawing a general conclusion about what our company does with our products. We target various products for various types of drinkers. The question I was responding to was, ‘Who are the major drinkers of alcopops?’ The major RTD products are bourbon products, whisky products and rum products. Seventy-five per cent of the market is those three spirit based products, and the majority of their consumption is by blue-collar males.

Senator CAMERON—Are you targeting blue-collar males with the ‘You’ll go loco!’ logo and the ‘Pleasure Yourself’? Is that blue-collar male targeting?

Mr McKay—Various of our products have other target markets and the three that you have referred to there are not targeted at blue-collar males. They are targeted to other drinkers.

Senator CAMERON—Younger drinkers?

Mr McKay—Drinkers that are over the drinking age.

Senator CAMERON—Yes, over the drinking age, 18.

Mr McKay—Yes, over the drinking age.

Senator CAMERON—Yes. So that is targeted at 18-year-olds.

Mr McKay—They are legally entitled to drink and a large number of—

Senator CAMERON—I am aware of that. I am just asking who is targeted. I do not have a lot of time, so I want to go back to another check. This is not a new debate, you would be aware of that.

Mr McKay—Of course.

Senator CAMERON—It is a debate that has been raging worldwide for a number of years. Some people have described alcopops as ‘an alcohol delivery system for the Pepsi generation’. Would you agree with that or not?

Mr McKay—I do not want to make comment on advertising slogans.

Senator CAMERON—It is not an advertising slogan. The Alcohol Policies Project in the US describes it as ‘an alcohol delivery system for the Pepsi generation’. It is not a slogan. They are using it as the opposite from a slogan. They are using it to say, ‘This is the problem,’ not a slogan.

Mr McKay—I do not know what the Pepsi generation is.

Senator CAMERON—You do not know what the Pepsi generation is?

Mr McKay—No.

Senator CAMERON—There has also been a proposition that alcohol producers need young drinkers to expand and maintain their core market, and that core market is heavy drinkers. Would you agree or disagree with that proposition?

Mr McKay—I would refer to the AIHW research that shows that RTDs are not the preferred alcohol of those at risk, in high-risk drink categories.

Senator CAMERON—The other proposition is that ‘product development aims at attracting new drinkers’. Do you agree with that, that product development is about attracting—

Mr McKay—We are always developing new products that capitalise on the benefits that RTDs bring, around convenience, well labelled, clearly—

Senator CAMERON—I am not interested in any of that. I am asking you: is it attracting new drinkers? Is your advertising about attracting new drinkers?

Mr McKay—We do not advertise. We are developing new products all the time, that are designed to offer new consumers—

Senator CAMERON—You advertise on your website.

Mr McKay—Advertising in the sense of media advertising: we do not participate in TV or any of the mainstream media.

Senator CAMERON—The other proposition from the states—this is five years ago—is that ‘alcopop producers reach and influence under-age persons’—not ‘target’, but ‘reach and influence’. Would you say that you have not reached or influenced any under-age drinkers with this product?

Mr McKay—Our company does not do any targeting of under-age drinkers.

Senator CAMERON—Could you provide to the committee any of your advertising advice in relation to targeting in the demographics? Would you be prepared to provide the committee that, so we can understand what advice you have received from your advertisers about the alcopop product?

Mr McKay—We do not work with advertising agencies, if that is where you are going.

Senator CAMERON—Internal; if you do not do any of that, your internal advice.

Mr McKay—No problem, of course.

Senator HUMPHRIES—The Roy Morgan research that you quote in your submission seems to be the only age specific research that we have seen on the effect of the tax, but I want you to go back and check to see that the figures quoted are accurate. It is described at the bottom, for example, as Roy Morgan research February 2008. I think that should be 2009.

Mr McKay—That is a mistake, yes.

Senator HUMPHRIES—On my calculations the increase from 71 million to 85 million over the two six-month periods amounts to an increase of over 20 per cent, not 17 per cent as you describe in your submission. We may want to quote that, so can you check that the figures are all completely accurate before we quote them.

Mr McKay—Thank you.

Senator HUMPHRIES—Would it be fair to assume that, if there is an increase in consumption by 18- to 24-year-olds of this order, there would likely be an increase by those in the age bracket 15 to 18 as well?

Mr McKay—Roy Morgan do not measure consumption under the age of 18.

Senator HUMPHRIES—But do you think it would be fair to extrapolate that, if the 18- to 24-year-olds are drinking more, the ones under 18 are also doing the same thing?

Mr McKay—I do not know. I would not want to comment on that. I would like to take some advice from Roy Morgan, if I could.

Senator HUMPHRIES—Thank you.

Senator SIEWERT—I have some questions on to put on notice. You quote a number of areas of research in the paper that I cannot find. I have also been googling. I cannot find the Macquarie Research Equities research that you quote. Could provide that, because you have quoted it without a reference? Could you also provide a reference and some detail on the LMAA figures, because they are just industry figures and I would like to be able to verify those myself, and also the Roy Morgan raw data so we can verify that, because all it is you using their figures without us being able to check a reference. Whenever I am reading a research paper, I always check references.

Mr McKay—Of course.

Senator SIEWERT—I cannot find it on the web. So if you could provide that, that would be appreciated.

Mr McKay—Right.

Senator CAMERON—I have a question on notice in terms of whether your company has any joint ventures with soft drink companies and how that operates and what advertising strategies, if any, have been developed with soft drink companies.

Mr McKay—We do not have any joint ventures with soft drink companies.

Senator CAMERON—Any associations or relationships?

Mr McKay—No.

CHAIR—Thank you very much. We will give you copies of those questions on notice as well.

12.47 pm

BRODERICK, Mr Gordon, Executive Director, Distilled Spirits Industry Council of Australia

McSHANE, Mr Michael, Chairman, Distilled Spirits Industry Council of Australia

PEZZULLO, Ms Lynne, Director, Access Economics

RYAN, Mr Warwick, Consultant, Distilled Spirits Industry Council of Australia

CHAIR—Welcome. I think all of you have been here before, so you know about parliamentary privilege and the protection of witnesses. Do you have any comments to make on the capacity in which you appear?

Mr McShane—I am also the managing director of Brown-Forman Australia.

Ms Pezzullo—I head up the health economics group.

CHAIR—We have your original submission and a secondary one that was sent yesterday. Is that right? That is everything that has been tabled.

Mr Broderick—So far, yes.

CHAIR—I know that you have got lots to tell us, but you know there are questions too.

Mr Broderick—Yes, we will be as brief as we can and leave ourselves open for questions.

CHAIR—Thank you, Mr Broderick.

Mr Broderick—Thank you very much for the opportunity to appear before this committee. It is like groundhog day, but we do appreciate the opportunity. I will make an opening statement and then be very pleased to answer your questions. One comment beforehand: there was some evidence—I use the term lightly—tabled yesterday, which I show you, which was distributed to you, purporting to be what young people are drinking in RTDs. If you look at that, there are only three RTDs mentioned there. All the others are different beverages.

CHAIR—We read that, Mr Broderick.

Mr Broderick—They are not RTDs.

CHAIR—Yes.

Mr Broderick—Thank you very much. People have cited as evidence the Medical Journal of Australia research. I hold up the research for you. It is one page. If our data has been described as a three-day old kabob, as it has by the minister for health, I suggest you could not wrap it up in this.

Senator CAMERON—You mean ‘kebab’?

Mr Broderick—I went to a different school.

Senator CAMERON—I just wondered what a ‘kabob’ was.

Mr Broderick—A kabob is a cheap kebab!

Senator CAMERON—You learn something every day in the Senate.

Mr Broderick—We did want to show you a video which gives some information about retailers’ attitudes to what is happening in the marketplace.

CHAIR—Mr Broderick, could we table that?

Mr Broderick—Yes. I am told that is not appropriate, so I am tabling that, and there will be copies available.

CHAIR—It will be making statements, so we can table that.

Mr Broderick—Thank you very much. The Distilled Spirits Industry Council of Australia, or DSICA as we are called, is the peak body representing the interests of distilled spirits manufacturers and importers in Australia. DSICA represents companies that cover approximately 90 per cent of the spirit market in Australia, including both bottled spirits and ready-to-drink products. DSICA and its members are committed to the responsible marketing and promotion of spirits in Australia and to supporting social programs that are aimed at reducing the harm associated with excessive or inappropriate consumption of alcohol. DSICA was an important player in the creation of DrinkWise Australia, an industry funded body aimed at encouraging socially responsible alcohol consumption.

When the tax was introduced almost one year ago, the Australian people were told that it was aimed at reducing binge drinking amongst young people. It is and was an experiment. This inquiry has the opportunity to ask the most important question: 'Has the tax worked?' On the evidence presented throughout the period in question, we strongly believe that the tax has failed to achieve its goal of reducing binge drinking among young people, but in the meantime it has unfairly hit responsible drinkers with a massive 70 per cent tax slug at a time when they can least afford it. Working Australians, people who drink traditional drinks that dominate the market, like Bundy and cola and Gordon's and tonic, have been hit. The government's argument has entirely been about the rhetorical coloured sweet drink and deliberately leaves out the 80 per cent of RTDs that are traditional cola based.

The measure has not raised, nor will it, the amount of revenue originally forecast. It is consistently unpopular with a great majority of Australians, who believe it has failed its objective. It is not based on sound revenue modelling or reliable health or statistical evidence; it is based on flawed assumptions if its purpose is to combat under-age drinking. In doing so, the flawed tax is getting in the way of real solutions to binge and problem drinking. The evidence before you is clear, and there are four very clear conclusions.

Firstly, the RTD tax increase is unpopular. Various gauges of public opinion, including opinion polls, letters to the editor and online forums, have revealed that the tax increase has not been effective in addressing youth binge drinking and that there are better measures to address the issue. In July 2008 the independent polling organisation Galaxy Research found that 81 per cent of respondents believed that the RTD tax increase should be scrapped in favour of a wider and more comprehensive strategy to tackle binge drinking amongst young people.

In January 2009, having seen the tax in operation, Galaxy asked Australians the same questions. Seventy-eight per cent of the respondents believe that the tax has been ineffective in solving binge drinking amongst young people and 77 per cent of the respondents believe that the Senate should vote down the tax increase, even though it was made clear to respondents how much the tax revenue would generate—approximately \$1.6 billion. This view was confirmed by the government's most comprehensive drug survey, the National Drug Strategy Household Survey, which found that tax increases are one of the least supported policy measures to address harm. There is a widespread and consistently held view by consumers that the RTD tax increase is opportunistic, unfair and ineffective.

Secondly, the RTD tax increase is economically unworkable. The government has been forced to concede on a number of occasions that there will be a dramatic shortfall against what was originally budgeted for the RTD tax increase. When the tax was first announced on the morning of 27 April 2008, the Minister for Health and Ageing said the tax increase would deliver around \$2 billion over four years. Yet, when announced by the Treasurer in the budget speech on 13 May 2008, the additional revenue attributed to the tax change had increased by over 50 per cent to \$3.1 billion.

The government was forced in MYEFO 2009-10 to revise downward the revenue impact of the tax increase by \$1.4 billion or 45 per cent to \$1.7 billion over four years to 2011-12. Most recently, in figures published to accompany the amendment bills, the government has revised the estimated revenue down another \$100 million over four years. Serious flaws in Treasury's original revenue estimates demonstrate that the RTD increase was not properly thought through and how little they understood about the dynamics of the alcohol market.

Beer volumes have risen as a result of the RTD tax increases, with the consistent long-term decline in beer volumes reversed. Volume growth of approximately 2½ to three per cent has returned to the beer market. The volume growth must be put into perspective. Beer accounted for 45 per cent of alcohol consumed in Australia, whereas distilled spirits accounted for 22 per cent. Changes to Australia's alcohol tax system should only be undertaken after a comprehensive assessment of the current regime by Australia's Future Tax System Review Panel or the Henry taxation review.

Thirdly, the RTD tax is unfair. It is now clear that the tax has unfairly hit responsible drinkers. They are now copping a massive 75 per cent tax slug at a time when they can least afford it. It has hit working Australians, people who drink traditional drinks that I have mentioned: Bundy and cola or Gordon's and tonic. The tax is unfair because it is blunt. The data we will present shows that there has been no decline in RTD consumption amongst 18- to 24-year-olds. Instead, independent data shows it has unintentionally and unfairly hit older, responsible drinkers, whose consumption of their favourite traditional mixers is now unfairly taxed.

Fourthly, the RTD tax increase was hastily implemented, despite reliable evidence confirming that there is no link between the increased popularity and consumption of RTDs and the patterns or incidence of risky

consumption amongst young people. The Australian government's latest and most comprehensive survey of Australia's alcohol and drug consumption patterns, the National Drug Strategy Household Survey 2007, confirms that RTDs are not the beverage preferred by the young—that is, 14- to 19-year-old risky and high-risk drinkers.

The government chose to ignore a range of international evidence confirming that isolated tax increases on a single form of beverage, notably RTDs, are not effective in reducing harmful levels of alcohol consumption. Observed patterns of purchasing and consumption behaviour since the RTD tax increase demonstrate that the increase has not had the desired effect of reducing harmful alcohol consumption by young people. Clear evidence of substitution from RTDs to other forms of alcohol, including full-strength spirits and beer, confirms that an isolated tax increase has not achieved the government's stated aim. Data indicating no reduction in alcohol related hospitalisations since the tax change also confirms that the RTD tax increase has failed to achieve its health objective.

Research by the health economics unit of Access Economics has shown that hospital admissions and emergency department presentations combined, for people aged between 12 and 24, for alcohol related diagnoses were higher in May and June 2008 when compared to previous years going back to 2005. For females, the rates were not only substantially higher but also higher than in the earlier months of 2008.

The causes of excessive alcohol consumption are many and varied and there is no one solution. DSICA recognises the government's focus on preventative health and commends the government for a range of initiatives that seek to combat alcohol related harm. We welcome the opportunity of continuing to work with the government to implement initiatives which can be shown and are likely to be successful. We all agree that excessive alcohol consumption is an issue and that we all must take it seriously and our detailed submission to this inquiry outlines our suggested approach to the problem. Until the real issues surrounding alcohol abuse are dealt with in a comprehensive way and in an informed manner, the unintended consequences of this tax trial are too real and too serious for our industry to remain silent.

We argue that the taxation hike should be ended now so that we can move on to real solutions and a balanced approach. This is not a reasonable measure for either health or tax purposes. It is not a positive solution to binge drinking. It is actually a dangerous measure that has failed its every test and the Senate now has the opportunity to put an end to this flawed approach and to move on to a genuine solution to the problem at hand. Thank you for your patience. I would like to take the opportunity for Ms Pezzullo to make some comments on the Access Economics data, please.

CHAIR—Thank you, Ms Pezzullo.

Ms Pezzullo—Thank you very much, Senators. Access Economics also has an interest in reducing binge drinking and risky drinking and we are always interested in having good evidence based policy in order to achieve those sorts of objectives. Also, we are well known for being a company that, over its 20-year history, has become well recognised for the quality and independence of our analysis. We do analysis for the Department of Health and Ageing. We are a panel provider of health economic services to the departments, as we are for many other federal government departments, as well as state government departments.

I am also an expert to the World Health Organisation on burden of disease and injury, and we do a lot of work for all levels of Australian governments that feeds into really good policy. An example of that is the work that we have done in relation to building the aged-care dynamic cohort models for the Department of Health and Ageing, community care models, and most recently evaluation of BreastScreen Australia and evaluation of the national dementia initiative; also evaluation of the Bowel Cancer Screening Program, and that in fact fed into last year's budget, where our recommendations to extend bowel cancer screening to the 50-year-old groups was taken up. Hopefully, all those things will deliver much better health outcomes across Australia.

We also are very conscientious in our analysis and provide the best quality analysis that we are able to. We use the best quality data that can be accessed and we have quite rigorous quality assurance processes within the company. All those processes have been observed in the preparation of our reports. First of all the report that I do not think was tabled but you would be aware of, which is referred to in the DSICA submission called—I will put it up here—*Trends in alcohol related hospital use by young people*.

CHAIR—That has been tabled, Ms Pezzullo.

Ms Pezzullo—Yes. Today we would like to table a follow-up report to that, which is called *Alcohol related use: analysis of newly available months of data*. The report that we did that is dated 20 January, the first report, was for DSICA and that analysed information which was available on trends in hospital use, which was both

admissions to public and private hospitals as well as visits to emergency departments by young people aged 12 to 24 years, male and female, for alcohol related diagnoses. The appendix to the DSICA submission provides some supplementary comments about the data that was used in that report and also corrects some of the misperceptions that there may have been. In relation to the data that we used, there was not one code, there were 24, which were tabled in the report. The data had been cleaned and was guaranteed to be of high quality by the state department data providers, and the data was very robust in terms of the months that hospitals release data. They only release, to purchasers of data, the cleaned and quality data, so all those data are the sorts of data that the hospitals and state departments themselves use for their own analysis.

The data that we have been able to assemble in our new report now covers the period up until September 2008 and we have further months of data that have become available for individual states up to January 2009. This extended data series enables us to do seasonal adjustment and econometric testing and we have undertaken those analyses using EViews, which is a software program, and we have included a number of different tests to try to be as rigorous as possible, and a number of different specifications, in both the seasonal adjustment process and the econometric testing.

The econometric testing involves putting in a dummy variable for the end of April 2008 and seeing whether or not there is a structural change that occurs after April 2008. In that way you can test the hypothesis. The null hypothesis is that there is no change and we were unable to reject the null hypothesis. In other words, the evidence continues to indicate that there has been no change in hospitalisations for young people as a result of alcohol related harm. We did a number of different tests. I could go into more detail on those if you are interested, or receive questions in relation to the continued testing, but the extended data did provide us with very robust evidence.

The other comments I would like to make relate to consumption. We can have long debates about consumption, I suppose, and a lot of the things which have been said I would agree with, in that if you reduce the consumption of RTDs, you can increase the consumption of other substitute products. I think we have a degree of evidence that suggests that there has been substitution into other products and an overall reduction in consumption. In other words, if you have an average reduction in consumption of 2.7 per cent, which I think was mentioned earlier, that does not mean that harm is reduced. People can still be drinking at risky levels. They can still be binge drinking. So to have reductions in consumption of either RTDs or overall does not really say anything about what is happening to the levels of harm.

The people that recognise this are, in fact, the young people themselves, and I would like to read some comments from news.com.au. 'You're drinking less since alcopops tax' is an article by the *Australian*. Here are many pages of comments on this particular article. One of them says, in relation to the article itself, which is reporting on Tanya Chikritzhs' study:

Ms Chikritzhs should be sacked if she purports to be a researcher. Sales figures are not the basis for determining the effect of the alcopops tax. The one and only question that should be asked is 'Has it reduced binge drinking by young people?' Nobody has presented any study figures in that regard at all. Rises and falls in sales demographics are not indicators of the level of binge drinking. Just read what is being posted here.

I thought I would read a couple of the things that have been posted. Here is one by Adam of Sydney:

I've got to say that I personally have increased my consumption of spirits as I now buy a bottle of Bourban every couple of days now instead of the 2-3 cans of 'Woody' I used to. I was able to limit my drinking by having only a limited supply available to me but now that I have a whole bottle of spirits sitting there, after I've had a couple, as long as I've got enough coke to get me through, I tend to drink a few more. Yes, it is cheaper, but I know I'm drinking more. I just can't afford to be buying 4 cans of bourban pre-mix for \$20 when I can buy a 700ml bottle of bourban with 2 litres of coke ...

Senator CAMERON—Is this your evidence based approach?

Ms Pezzullo—No, I am just—

Senator CAMERON—I am really confused. If this is an evidence based approach, I am lost.

CHAIR—Senator Cameron, Ms Pezzullo is giving her evidence and she has the right to read into the record—

Senator CORMANN—You guys have been looking at Facebook comments.

CHAIR—Senator Cormann, I have made a comment. Ms Pezzullo has the call. If her choice in giving evidence in this area is to read these, that is her right. Ms Pezzullo, please continue.

Ms Pezzullo—Thank you. My point, which I will re-emphasise, is that the evidence based research that we have provided is something that has been recognised by people who are in touch with teenagers and teenagers

themselves and young people aged 12 to 24, as you can verify if you do read comments such as these. There is quite some insightful commentary and analysis. The point I was making about reduction in consumption of alcohol, if there is a reduction in the consumption of alcohol overall, is that young people substitute into other products—for example, into drugs, and there is a lot of anecdotal evidence that that may be happening. We do not have data to support that at this stage. There is evidence from people who are in touch with teenagers and talk to teenagers and young people—and I have three teenagers and I listen to what they say—as well as, of course, analysis of the data.

Senator CAMERON—But anyone could have written that, couldn't they?

CHAIR—Senator Cameron, we are not going to your questions yet. That will just slow us down. Ms Pezzullo, have you completed what you wanted to say?

Ms Pezzullo—Thank you. The point is that we have evidence to show that hospitalisations have not decreased, which is what we would normally expect to see. We would normally expect, if a policy has been effective, to see a slight drop or a decline in incidents. We see this in our occupational health and safety data. When a new OH&S measure is introduced, we see a drop. What we have shown here is that we do not see that drop.

What we have also emphasised is that, by switching consumption, it is possible to increase harms. Another point that we would make is that there is an efficiency loss which is imposed from an economic perspective whenever a tax is increased. It is an efficiency loss that is the result of the loss of consumers. We produce a surplus as a result of the introduction of a tax. There has not been any analysis of whether or not those efficiency losses are less than or more than any potential benefits of a tax.

It is important to evaluate prospectively and retrospectively whether or not the costs are greater than the benefits or the benefits are greater than the costs, and that is a process of evaluation that we would normally use in our numerous projects that we do for the government and others. We would have a cost-benefit analysis or a cost-effectiveness analysis to evaluate those sorts of impacts. We would suggest in this case that that sort of approach is adopted, as it is with many other health measures and health program measures. Thank you.

CHAIR—Thank you.

Senator SIEWERT—Could I confirm a couple of questions. The issue here is that, having this tabled now, we are unable to review it. Even superheroes could not read this and be able to ask you any questions about it. So, unfortunately, it is not helpful to us right now. In relation to the ICD codes, the criticism of the first report was that it was only, I think, F10 that was used. If I understand what you have just said correctly, it is that in fact you did not just use F10 but you used all the relevant codes. Is that correct?

Ms Pezzullo—If you want to refer to table 3 in the original January report, the codes there are F10, some use of X45, Y90 and Y91. There were a number of codes that we did not include, and there were good reasons for those that we developed with people who are familiar with data. As you will see in the appendix to DSICA's submission, we excluded a variety of different codes that were inappropriate to the age group under consideration. Those were codes for newborn or foetal illness due to maternal use of alcohol, which are codes in blocks O and P, or that would be expected to be close to zero for the age group since they are health issues that take many years to develop—niacin deficiency, which is E52; alcohol gastritis, K29.2; alcoholic liver disease, K70:

Other codes were excluded if they had both extremely few observations and ambiguity; for example, while the external cause codes (X45, Y90 and Y91) might help to identify alcohol-related assaults, road accidents or incidents related to alcohol, there is ambiguity surrounding these data (eg, alcohol use might be only 'suspected' and/or the level unknown and X45 is defined as 'accidental' rather than purposeful).

Again, we believe that the data that we have used made absolutely sure that they were alcohol related incidents. F10 refers to acute intoxication, harmful use and dependence. So they are the correct codes to use.

Senator SIEWERT—So you have used all of them, not just F10. That is the point, isn't it?

Ms Pezzullo—We have used F10 and X45, Y90 and Y91 in some instances. F10 includes 10 different subcomponents, as does Y90, and Y91 also includes subgroups.

Senator SIEWERT—And you used all the subgroups of F10?

Ms Pezzullo—We used all the subgroups of F10.

Senator SIEWERT—Thank you.

CHAIR—For all your analysis, Ms Pezzullo.

Ms Pezzullo—For all of the analysis. It is as we would have done had we done the same analysis for the government.

Senator SIEWERT—We heard in evidence yesterday that in fact it is extremely difficult to apply the ICD codes and that states have been applying them differently, and it was the Australian Drug Foundation I think who were saying that they had to spend a lot of time working with individual areas in New South Wales to get consistent application of the codes and reporting for the research that they are doing. How have you dealt with those issues?

Ms Pezzullo—When we have requested the data, we have spoken to the data providers about the coding. They provide the data with quality assurances, and the data is cleaned. If there are any caveats, they let us know what those are. For example, in the most recent return, the Victorian data for the months after November did not include the Mercy Hospital, so they will write, ‘The Mercy Hospital has not returned their data currently.’

Senator SIEWERT—I would like to move on, because I have not had a chance to analyse this. Obviously, the questions that I had for you are now different because of this, so I am reserving the right to put some questions on notice.

Ms Pezzullo—That is fine.

Senator SIEWERT—Can I return to issues around advertising and promotion and ask, Mr Broderick, how much has DSICA spent in the last 11 months (a) in opposing this tax and (b) in additional promotions of spirits?

Mr Broderick—DSICA does not promote spirits, so the answer to question (b) is nothing.

Senator SIEWERT—Okay. What is the answer to question (a)?

Mr Broderick—I think it is our democratic right to resist this tax that we do not think is working, and I regard the money that we have expended on obtaining research to put before this committee and other forums as confidential.

Senator SIEWERT—I am not saying that you do not have a democratic right, but what you are doing is coming here and presenting data about how the tax is not popular et cetera, and I would like to know how much you have spent in promoting that very idea.

Mr Broderick—Nothing.

Senator SIEWERT—Okay. We will split hairs: how much have you spent in opposing this tax, which has been a very public campaign? You have been very high profile. So I would like to know how much you have spent, and you just told me that you are unwilling to tell us.

Mr Broderick—I am just saying that it is confidential.

Senator SIEWERT—You are unwilling to tell us.

Mr Broderick—I regard it as confidential.

Senator SIEWERT—Right. The issues that we have been talking about in terms of substitution: you have been listening to the evidence that has been presented from the brewers and from the winemakers, and they are saying that there has not been substitution into those types of alcohol. Do you still maintain that there has been? On what basis do you maintain that there has been, given that the brewers and the winemakers themselves are saying there has not been substitution into those alternative types of alcohol?

Mr Broderick—Yes, I do still maintain that position, and I will go to Mr Ryan to respond to your question in detail.

Mr Ryan—Treasury in its MYEFO publication put on the public record that there has been substitution into beer as well as spirits. I refer to page 52 of MYEFO, and I could read that. This was written in November:

Since budget, there has been a significant fall in production of ready-to-drink beverages following an increase in their excise rate, which is only partly offset by a substitution towards domestically produced and imported spirits—
which we all know—

and other excisable alcoholic beverages.

The only other beverages in the alcohol market in Australia which are subject to excise, other than RTDs and spirits, are beer, so it is clear that Treasury had identified in November that there was evidence of substitution to beer, and the ACNielsen data tabled yesterday by the ADF shows that the growth in the beer market has

actually accelerated since November. So we would say categorically that there is evidence, as Treasury identifies, of substitution into beer as a result of the alcopops tax increase, the RTD tax increase.

Senator SIEWERT—The brewers say it is accelerating and it is a seasonal influence from November.

Mr Ryan—What is interesting about that proposition is that the pack of slides provided to the committee yesterday by the ADF can be found on the ADF website, but there is one slight difference. In the ADF website pack, there is a comparison of beer volumes against month of the previous year going back over the last 12 months, and that shows very simply that, in six out of the seven last months from January going backwards, beer volumes in the current period were greater than the beer volumes of the previous year. So it is very clear—

Senator CORMANN—Is that for the same period?

Mr Ryan—Month against month.

Senator CORMANN—So you cannot talk about seasonal variations as such because you are comparing January with January. Is that correct?

Mr Ryan—Correct. So from reading this ADF chart of ACNielsen data, August is the only month in the last seven months since July when beer volumes in the current period were lower than the previous period.

Senator SIEWERT—The point that the brewers made—and you heard the quote that I read out earlier—is that, over the four-month period on either side of the introduction of the tax, there was an increase. But if you looked at, I think it was eight months—I do not want to misquote the report and I have misplaced it now—there had not been an increase; in fact there was a drop. The point I am trying to make is: is it not that we are constantly doing duelling statistics?

Mr Ryan—I think the slide that was discussed with the committee yesterday, slide 6, which showed a net increase of nine million standard drinks in the month of January 2009 compared to January 2008, clearly shows that there was a net increase in beer and a net increase in spirits, which more than offset the net decline in RTDs.

Senator SIEWERT—That was in one month.

Mr Ryan—That was in one month, but the trend line that can be seen there is an upward trend line, the lowest point of which was in May.

Senator SIEWERT—I see.

Mr Ryan—And we would say that that has been trending up and certainly the slide in the ADF website pack shows, as I said, for six out of the seven months of the last seven months, that beer volumes have been greater in the last period than they were in the equivalent period in the previous year.

Senator SIEWERT—Yes, you are right for the four months. But what the brewers are saying is:

However, when comparing a six month period of deliveries either side of the introduction of the tax ...

So there was in fact a decrease. What they are showing is an increase here but what they are saying is that, if you look at six months compared to six months, there has been a decrease.

Mr Ryan—I guess it depends which six months you choose, but you have not had the benefit of seeing what is on the ADF website, which shows each month the beer volume for that month compared to the beer volume of the month of the previous year and, in six of the seven of the last months in this report, beer volumes exceed volumes in the same period of the previous year. It is extremely unlikely that six out of seven monthly increases in beer volumes could be put down to seasonal variations when they are comparing a month against the month in the previous year.

CHAIR—Mr Ryan, will you table that?

Mr Ryan—Certainly.

CHAIR—That would be good.

Senator SIEWERT—That would be appreciated. I want to go back to the issue around advertising. How do you relate to your members of the council? What is your understanding about how much has been spent by individual members? Have you had any sort of coordinated campaign with your individual members around advertising the tax, in response to the tax?

Mr Broderick—No.

Senator SIEWERT—There has been no coordinated campaign with your individual members?

Mr Broderick—Our individual members advertising about the tax increase? No.

Senator SIEWERT—What about any promotional activities; increasing their promotional activities around, for example, the sale of spirits or specials where you get two bottles of spirits plus a bottle of soft drink thrown in?

Mr Broderick—That is not an area in which the council gets involved.

Senator SIEWERT—Are you aware of those ads?

Mr Broderick—I read the newspapers, yes.

Senator SIEWERT—You read the newspapers. Does that mean that you are saying, yes, you are aware of those ads?

Mr Broderick—Yes, I am aware of those advertisements.

Senator SIEWERT—And you are saying that there has been no coordinated campaign by your members to have either those promotional activities or the timing of when those promotional activities are on?

Mr Broderick—I think the ACCC would say something about it if there were; but there was not and there has not been.

Senator SIEWERT—Do you know how much your members have spent on advertising?

Mr Broderick—I have no idea.

Senator SIEWERT—Do you have any idea whether there has been an increase?

Mr Broderick—No.

Senator SIEWERT—So all the promotional activities have occurred independently of your council?

Mr Broderick—Absolutely.

Senator SIEWERT—Is there anything out of the ordinary, in that there seems to have been a significant increase in the number of promotional activities around spirit sales?

Mr Broderick—Not that I am aware of.

Senator SIEWERT—So it is normal?

Mr Broderick—Quite honestly, I do not monitor alcohol price advertising, which is what I think you are talking about.

Senator SIEWERT—So you do not talk about that in the council at all?

Mr Broderick—No.

Senator SIEWERT—You do not talk about how you promote sales of alcohol in the council?

Mr Broderick—No.

Senator SIEWERT—Is that not part of your business, to promote alcohol sales?

Mr Broderick—No.

Senator SIEWERT—What is your business then?

Mr Broderick—My business is talking to people like you.

Senator SIEWERT—If it is not your business to promote alcohol sales, how is it your business to then run a campaign opposing the RTD tax?

Mr Broderick—Because the RTD tax impacts on the members' sales universally.

Senator SIEWERT—So you run campaigns to oppose things that influence sales but you do not run campaigns to promote sales?

Mr Broderick—No, we do not run campaigns to promote sales.

Senator SIEWERT—But you do acknowledge that you are running a campaign to oppose this tax?

Mr Broderick—We have run a campaign, which is our democratic right, to oppose a tax that we think is flawed and does not work.

Senator SIEWERT—And you have talked to all your members about that?

Mr Broderick—Certainly.

Senator SIEWERT—But you do not talk to your members about promoting alcohol?

Mr Broderick—No.

Senator SIEWERT—Just opposing tax.

Mr Broderick—It is not just a question of opposing. Taxes like this come very rarely. Mr McShane would like to respond, if he may.

Mr McShane—When it comes to individual members, as well as being members of DSICA, we are also competitors obviously. When it comes to running in-store promotions, you are well aware that we have a number of large retail chains in this country, and they decide what promotions they do and do not run. As members and individual companies—and I can only speak for my own company in that regard—they speak to individual companies, they put their promotional grids together, so to speak, and you fund accordingly. They decide what they do and do not do.

To go back to your earlier question about some of the advertising you referred to—two-for deals and ‘buy six of this and a case of that’—those sorts of ads have been running in the retail environment for a number of years. Has it increased or decreased since the tax has come in? I can certainly say to you, in terms of the ready-to-drink products, it has decreased, simply because of the way that the chains and other retail banner groups are advertising. But it is an individual issue. It is certainly something we do not discuss with each other, because we are competitors as well as members of DSICA.

Senator SIEWERT—I appreciate that you will have run specials before. I am not naive enough to think that you would not, but I have never seen before an ad saying, ‘Beat the RTD meanies. Buy two bottles of spirits, plus a free bottle of Coke.’

Mr McShane—If you are talking about the retail environment, it is not up to the individual suppliers to decide what and how they run an advertisement. If you see an advertisement in the paper, for example, it will not say a particular company or any particular member, it will say retail banner group. They are the ones who decide what and how they advertise. As we all know, it is not up to us. We are not allowed to dictate retail pricing in this country. We have a wholesale price, and discount structures that go with it, of course, but the way advertisements are run in terms of specials, so to speak, is all dictated at the retail level.

Senator SIEWERT—But did you see the ads that said, ‘Beat the RTD meanies’?

Mr McShane—I have certainly not seen the ad you are referring to, no.

Senator CORMANN—Starting off with Ms Pezzullo, there are obviously a range of indicators that you would look at when you try and assess whether a measure like this has been successful in reducing harm from excessive alcohol consumption. You have talked to us about alcohol related hospital use. What are some of the other indicators that might be good indicators for us to look at as we assess whether it has been successful?

Ms Pezzullo—Hospitalisation is probably the most obvious one, because the data is available very quickly and you can establish patterns in the data quite well. Another one that could be used over time would be polls of binge drinking. I think there has been some evidence presented in relation to that, not by us but by others. There are a variety of different databases that could be used or mined. For example, you could look at police data and see whether there are any increases or decreases in alcohol related crime, and perhaps visits by young people to alcohol rehab or intoxication programs. Those sorts of things would all provide a body of evidence, but they take longer.

Senator CORMANN—Are you aware of any evidence that harmful excessive alcohol consumption has reduced since the introduction of RTDs? You have told us that, in relation to alcohol related hospital use, there has been no change. But are you aware of any evidence that there has been a reduction in harm from alcohol related—

Ms Pezzullo—No, we are aware of no evidence of any reduction in harm.

Senator CORMANN—The government has told us, in answers to questions in the Senate, that since the increase in the RTD tax in April 2008 they had:

... not collected any consumption data on the reduction of risky or high-risk and/or at-risk behaviour ...

Given the public interest and the question mark as to whether the measure the government introduced would be effective in reducing alcohol abuse related harm. Do you think that the government should have, could

have, commissioned research that would have given us some indications as to whether there had been an impact on at-risk levels of consumption?

Ms Pezzullo—The way that policy measures are usually introduced is that frequently you have a prospective evaluation, where you look at what is likely to happen and you develop some prospective information. That did not happen in this case, so a retrospective evaluation could have been introduced to look at the effectiveness of the measure. As far as I am aware, there has not been any such evaluation done retrospectively.

Senator CORMANN—So a more strategic and a more traditional way of developing policy is to determine what we are trying to achieve and then produce some measures so that we can evaluate, once we are a fair way down the track, whether or not we have achieved what we set out to achieve. Is that fair?

Ms Pezzullo—Yes, that is how you would normally go about introducing measures to target a particular problem.

Senator CORMANN—It is not how it happened in this instance, is it?

Ms Pezzullo—No. Normally you would have some literature which would suggest things that might be effective, then you would look at the efficacy of those particular measures—what they would cost, what their benefits might be—you might pilot a program and then evaluate the pilot program. Again, we do a lot of that sort of evaluation of pilot programs for state and Commonwealth governments.

Senator CORMANN—Questions were raised in estimates and also today as to whether the data in your alcohol related hospital use analysis is comparable between states. I suspect that there may well be some question marks as to whether you can compare the data strictly from state to state, but would it be fair to say that you can validly compare the trend lines within individual states and that that gives you an indication as to what is happening?

Ms Pezzullo—That is absolutely correct. Even if there was some understating in Queensland relative to New South Wales, what we are looking at is the trend, so that would be irrelevant.

Senator CORMANN—When I asked that question of Secretary Halton of the health department—and I thought it was a legitimate question—she described your analysis as the shoddiest piece of work that she has seen in some time, and she got some publicity for that. Your research essentially was shot down in pieces, according to the press. What is your comment on that?

Ms Pezzullo—I think sometimes the press repeats what it receives in a media release. The press reporting basically quoted exactly the same thing in most of the reporting, except, as I understand it, the *Australian*, which had done some investigative analysis of the work itself.

Senator CORMANN—Is yours a shoddy piece of work?

Ms Pezzullo—Not at all. We have provided the appendix supplement and shown that the criticisms that were made of the report were not factually correct.

Senator CORMANN—I am rushing through because I am keen to stay within the time lines. Going to DSICA itself, all of the health groups and health experts that appeared yesterday essentially argued that this was the first step in the direction of what ultimately should be the approach to alcohol taxation from a public health point of view, which I call a content based tax, referred to as a volumetric taxation approach. What is your preferred approach to alcohol taxation?

Mr Ryan—DSICA's position was stated in front of the committee last year and it has not changed. DSICA supports a graduated volumetric tax structure under which higher rates of tax apply as alcohol content levels rise. DSICA's view, in its submission to the Henry review, is that ideally bands of alcohol content would be identified and, as the alcohol content in those bands increased, there would be a common rate across all the products in each band that would rise as the alcohol content rose.

Senator CORMANN—That appears to be consistent, in a board sense, with what health groups have been arguing for it. Do you think that this measure that we are currently looking at is a step in that direction?

Mr Ryan—No, it is fundamentally inconsistent with and contradictory to that principle. Effectively, it seeks to tax two ranges of products at a very high rate, regardless of the fact that one group of those products has quite low alcohol content. In fact, many of the RTDs that are now subject to the spirits tax rate are of equivalent alcohol content as beer at 4.8 per cent.

Senator CORMANN—Are you aware of any evidence, where overseas jurisdictions might have introduced or implemented a tax increase like this one on RTD products, as to why this happened? They might have had longer periods of having that sort of tax increase in place.

Mr Ryan—Certainly. In our submission we included data from Germany and Switzerland which saw substitution effects that resulted in an overall increase in the size of the alcohol market within one or two years after a discriminatory single-category tax increase on RTDs. The German example is very clearly set out in our submission and one of our concerns about the trend line coming through the ADF-Nielsen data is that it is starting to look very similar to the German data which we have referred to.

Senator CORMANN—Indeed, Treasury forecasts seem to go along the same lines, do they not?

Mr Ryan—Correct. Absolutely. We believe that the Treasury forecasts are showing significant growth in the various categories in the alcohol market.

Senator CORMANN—I have asked this same question of all of the different alcohol product category representatives, for want of a better word: out of the total population of RTD drinkers, what proportion would drink RTDs at responsible levels and what proportion would drink RTDs at problem levels?

Mr Ryan—We do not have that data.

Senator CORMANN—Is that data that you are able to get access to?

Mr Ryan—Not readily. The only data that might throw any light on that is the AIHW *National Drug Strategy household survey* report, which shows that the preferred beverage for at-risk under-age drinkers is full-strength beer for males and full-strength bottled spirits for females.

Senator CORMANN—Are you aware of any evidence which would suggest that the level of problem drinking of RTDs is higher, lower or different to any of the other alcohol product categories?

Mr Ryan—All we can do is point to the AIHW report, which identifies what the preferred drink is of high-risk drinkers in the different age groups, and RTDs are not the preferred drink of any of the highest risk age groups identified by the AIHW.

Senator CORMANN—The minister and others have expressed concerns that alcopops are deliberately targeted at young people and under-age drinkers. Bearing in mind that the supply of alcohol to under-age drinkers is illegal, does your industry target under-age drinkers with alcopops?

Mr McShane—Senator, if I could answer that: the answer is no, absolutely not. As members, the majority of companies have very strong marketing information guidelines that must be adhered to. It would be completely unacceptable, both as an individual and as a company, to be marketing to under-age drinkers.

Senator CORMANN—If this measure is defeated in the Senate, where should the money go that has been collected over the last 11 months?

Mr Broderick—DSICA has quite clearly said that we believe that the money should not come back to the industry but should be used for preventative health measures by the government.

Senator CORMANN—So if there were a move to essentially amend the legislation that way in the parliament, as an industry body you would not be opposed to that?

Mr Broderick—We would totally support that.

Senator BILYK—Following on from that comment, have you lobbied your members about that or is that something you are just saying here today?

Mr Broderick—No, it is in our submission.

Senator BILYK—It is in your submission that you have actually lobbied all the members and found that they are happy to—

Mr Broderick—No, not lobbied them. It is a decision that they have individually taken.

Senator BILYK—I understand that some manufacturers do in fact want the revenue to be returned to them.

Mr McShane—The advice that we have seen and which was discussed last week was that, should the tax be defeated, the funds may need to be returned to the duty payer. In some cases it could be the distillers, in some cases it could be the wholesalers, depending on who the duty payer is. From DSICA's point of view, we have discussed it at DSICA and DSICA's position is quite clear on it and is contained in our submission today: that we are not seeking a return of those funds; that DSICA's position, supported by its membership, is that those funds should be invested in alcohol research and education type programs. We have a very strong

interest in promoting a responsible drinking culture in this country. It is good for the country and it is also good for business, quite frankly.

Senator BILYK—And your members have agreed to that?

Mr McShane—Absolutely.

Senator BILYK—Great. You quote Access Economics as a health authority. They say, and I quote from your submission:

... alcohol (unlike cigarettes) produces health benefits in low-risk drinkers ...

Have you engaged medical authorities to get that comment or is that just something that the economists have come up with?

Ms Pezzullo—I probably should answer that one. Certainly it is a well established—

Senator BILYK—Yes. That was not the question. The question is: for the Access Economics submission that you have given us, were medical specialists engaged?

Ms Pezzullo—Health economists have done a lot of analysis of health related data and from those data you can establish what is called an attributable fraction. An attributable fraction tells you how much harm or benefit there is, what the relative risk or the relative protection is for particular risk factors in relation to particular conditions. Those data are published and the AIHW uses the same data in terms of positive health benefits.

Senator BILYK—I am not quite clear that you have really answered the question. Basically, you are telling me that it was done by economists. My husband is an economist. It is like me going to my husband and saying, 'I've got a sore leg,' and him saying, 'You'll be right.'

Ms Pezzullo—A health economist is a particular type of economist, and certainly there are master's and PhD degrees, as well as undergraduate degrees, in health economics, and it is a specialty field. We also do work extensively with clinicians and practitioners.

Senator BILYK—But did you with regard to the Access Economics submission that you have put forward?

Ms Pezzullo—I am unclear of the precise question, I am sorry.

Senator BILYK—Basically, you quote Access Economics as a health authority, as I said, so I want to know: did you employ any health authorities to help with developing that submission?

Ms Pezzullo—I would consider that people with decades of experience in health economics are health authorities, yes. They are authorities who were invited to the 2020 Summit to give their views in the health stream on health issues.

Senator BILYK—You also quote research that alleges to show that the tax is failing because there is strong opposition to the RTD tax hike from liquor retailers. That is hardly a surprising comment, is it? They are likely to make that comment. Is that statistical?

Mr Broderick—Where are you referring to?

Senator BILYK—Sorry. I have got a few hundred submissions here, but it was in your submission.

CHAIR—It is in your submission, Mr Broderick. It is not in the Access Economics report.

Senator BILYK—The question is: it is hardly surprising that there would be strong opposition to the tax hike from the liquor retailers, is it, because basically it is a profit issue? You get less profit if you have to pay more tax.

Mr Broderick—It has taken away a substantial part of their business which other people are seeking to fill.

Senator BILYK—What statistical research is there on that actual part?

Mr Broderick—We retained Enterprise Marketing and Research Services to undertake that research.

Senator BILYK—And you paid them for that research, obviously.

Mr Broderick—Researchers do not give their work for nothing.

Senator BILYK—No, which takes me back to the question to which I presume I will get the same answer as Senator Siewert did: how much money have you actually spent on opposing the tax hike increase?

Mr Broderick—We regard that as confidential.

Mr McShane—I should add too, in relation to your last question, that it is not true to suggest that all retailers sit there and make commentary based purely on a profit motive.

Senator BILYK—I did not say they were. I said there is a profit issue involved.

Mr McShane—There is a profit issue. That is certainly not the only issue at all. In fact, I had a certain retailer come to me only yesterday to say that he was concerned about it, purely on health grounds. This is a tax that is showing substitution into other products; in some cases that is entirely inappropriate. In fact, from where a lot of members sit, and certainly retailers, we do not want to see an increase in binge drinking, inappropriate consumption, under-age consumption. We have a really strong interest in this, as do a lot of retailers who are family members, and obviously for a lot of other reasons, and so this is really important. It worries me at times that we talk about people as statistics in age groups and things. At the end of the day they are people—anybody—and when they consume alcohol inappropriately it is a real problem for us, and we are not going to sit here and say that there is not a problem. There is, and that is something you do not want to see continuing. We want to do everything we can, and certainly we applaud the government for doing what it is doing because this is now on the agenda, and it is something that we have a strong interest in, and we applaud that. So any debate in this area is a good debate.

Senator BILYK—I just want to go to the substitution issue. There was a recent study in the Medical Journal of Australia by health experts, and they suggested that the case for substitution was limited and found that overall there was a total decline in alcohol consumption of 2.74 per cent or 64 million standard drinks when they did the study. The 2008 study period was compared with the year before. So I am wondering where your information on substitution comes from, bearing in mind that comment from the Medical Journal of Australia.

Mr Broderick—Mr Ryan can comment on the specific report, but I would like to table a drinks trade which contains an advertisement for Strongbow Spark which says:

Spark up your sales!

- Cider is flying—it's the fastest growing alcohol category
- Maintain your RTD profits with a new, 'fun' cider for 18-24Yos
- Strongbow Spark will offset lost RTD convenience pack sales

I think that is substitution.

Senator BILYK—No.

Senator CAMERON—Is it your submission that we should then look at applying a tax to cider? Is that your submission?

Mr Broderick—I think the Henry review should look at all alcohol beverage taxation policies.

Senator BILYK—Getting back to the issues of profitability, I would like to clarify that I did not say, 'All retailers are just in it for profit.' I want to be very clear about that, but obviously people are in it for profit. You are not there for the good of your health.

Senator CORMANN—There is nothing wrong with that.

Senator BILYK—No. As I said, you are not there for the good of your health; you are there for profit. We are all there to make a dollar in whatever we do. But between 2000 and the increase in the excise last year, there was a 254 per cent increase in the sale of alcopops, and alcopops sales per head of population are far higher in Australia than in any other comparable nation. Obviously, your members are making a pretty good profit out of them, so the tax increase would be an issue.

Mr McShane—I heard commentary yesterday, talking about the different disparities. It is true that the ready-to-drink products basically started in Australia. I noticed some comparison was talked about yesterday with the UK. Predominantly the UK is an on-premise type of market—lots and lots of pubs, as we all know. Australia is quite the opposite. We are an off-premise-driven market; approximately 70-plus per cent of our sales are in the packaged area. The reason that ready-to-drink products have done well in this country is mainly around occasion and convenience. It is true that, when we look at our data, for example, there are two sources. Yes, we see the quantitative type of data, which is what you talk about with Nielsen, which is off-premise packaged sales. We also talk about the qualitative data, which is how sales occur.

I heard some percentages talked about yesterday: 200-odd per cent increase on sales off a very low base is a big percentage, but in volumetric terms it is very small. I noticed yesterday a comment was made that another category of alcohol was only growing at three per cent, but three per cent on their base is an increase greater than the largest RTD product on the market. So there are things that you look at. Quite frankly, what I keep

coming back to is: what is the right thing to do? What is responsible, and how do we actually market? How should alcohol products be treated? It comes back to our initial submission, which is: alcohol is alcohol. We believe that, certainly for all RTD and like style products, a graduated volumetric tax is the way to go. We do not want to see products marketed in inappropriate ways. When we talk about products like cider, if we do not address this, we are only going to shift it from one to another, and it is going to continue.

Senator FURNER—On the subject of revenue return, all your members have been surveyed, or have responded in respect of this position that you are taking?

Mr McShane—In our submissions that we make? Yes.

Senator FURNER—The oral submissions that you have made here today, saying that all your members support your position on revenue return.

Mr Broderick—That is council policy.

Senator FURNER—Council policy.

Mr Broderick—Yes.

Senator FURNER—What about Bacardi Lion? What is their position on revenue return?

Mr Broderick—They support the council's policy. They reserve the right to do what they wish when the revenue issue is decided.

Senator FURNER—I understand that they have come out and indicated that they want their return.

Mr Broderick—They still support the council policy.

Senator FURNER—How can they support the policy if they want their refund?

Mr Broderick—Well, they do.

Senator FURNER—Doesn't that go against the council?

Mr Broderick—That is one particular company's view. It is not the council's view.

Senator FURNER—So they are going against the council?

Mr Broderick—They have their own view, yes.

Senator FURNER—Okay, thanks.

Senator JACINTA COLLINS—This is relatively limited, obviously, because we have not had sufficient opportunity to absorb what has been tabled today, but I did want to take Ms Pezzullo back to the earlier research. When I looked at that, fairly quickly, I was a little surprised that in the executive summary, understanding the various limitations, there is a professional research agency Access Economics highlights in the report—and I think we all accept that and share a common desire to see more health outcome related measures—but I was a little bit surprised to see the reflection in the second-last paragraph, which goes on to say:

... there is likely to be a package of alternatives including education and other policies that would have a more broad based and direct impact on the drinking behaviours ...

I just do not see where this research takes you to that conclusion.

Ms Pezzullo—In the body of this particular report, we have not provided that research. That research is available from other sources. If you would like me to table some other sources, I am quite happy to do so.

Senator JACINTA COLLINS—I am more concerned about the point that, yes, we have a dearth of health outcome related research, but then in terms of getting reliable independent research, if we have reports making that extra jump—and this is probably more a message to those people that sought to have this research undertaken—then, yes, there are going to be issues with the credibility factor. Just looking at the next research, my concern then goes further, because the language about the findings in this one is quite clear. It is essentially saying that the findings:

... do not support claims that the RTD tax policy has reduced risky drinking by young people.

The summary of the research findings on the next one says:

The research provides further empirical evidence of little change.

There is a shift in the language, it is not empirically based, and I am yet to comprehend whether some of the other technical deficiencies that were highlighted even by the research itself have been addressed in the second

dataset. I do not know the answer to that yet. So I thought I would give you an opportunity to comment on that point.

CHAIR—I am sorry. If there is a response, I will have to take it on notice because we are moving towards question time. I have allowed this session to go on way too long, but it was important because it was a very important development. There could well be some questions on notice, but the senators will have to leave now for question time and then we will reconvene with the next witnesses.

Mr Broderick—Thank you very much for the courtesy expressed to us.

CHAIR—Thank you very much, Mr Broderick.

Proceedings suspended from 1.54 pm to 3.12 pm

MOODIE, Professor Alan Rob, Chair, Preventative Health Task Force

CHAIR—Welcome, Professor Moodie. You have information on the protection of witnesses and evidence. Would you like to make an opening statement and then we will go to questions?

Prof. Moodie—Yes, I will make a few brief comments. Thank you very much for the opportunity to appear before you. Firstly, we have a concern that major shifts have occurred in our drinking culture in Australia over the last 25 years and that intoxication has become almost normal in Australian life. I will go through some of the reasons that has happened. There have been many more appealing high-alcohol volume products on the market in this time, major increases in promotion generally, and distinct increases in the aggressive promotion of high-alcohol products, particularly for young people. Also, young people, 13- to 17-year-olds, are exposed to as much advertising on alcohol as Australians who are legally allowed to drink. The initiation age of drinking has dropped over this time and unfortunately we have established the world's worst practice in consuming alcopops.

We lead other nations and in 2007 we drank 150 million more litres of alcopops than we did in 2000 as a nation. Added to this are the major increases in availability, the hours of opening, the number of outlets and the local aggressive promotions used—whether they are happy hours, two-for-one promotions or whatever—which have increased in ubiquity in pretty much every state of Australia.

I will give you one small example of what has happened over this time. We have looked at this data over 20 years in Victoria. From interviews of 12- to 15-year-olds and 16- to 17-year-olds we know that tobacco rates have come down dramatically. We now have the lowest levels of tobacco smoking in these age groups than we have ever had in the last 20 years. On the other hand, amongst the same children we have, in a sense, the exact opposite, with harmful or risky levels of drinking. You have this dual effect amongst the same kids, with one going down and the other worryingly increasing over time.

The task force is very concerned about the levels of harmful drinking. We have commented in our discussion paper about the direct costs to those who put themselves at risk both in the short and long term, and in particular the secondary harm, whether it is assaults, sexual assaults—and we have seen recent cases of this obviously with high-profile footballers—domestic violence, road deaths, fires and a whole increase of the notion of Australians feeling unsafe in their community particularly around areas with high levels of drinking. If you do not believe me, ask police commissioners. The new Victorian commissioner has obviously stated his case very convincingly about his concern, and I have had lengthy discussions with the New South Wales Police Commissioner, Andrew Scipione, and his staff about the major diversion of resources that are going into, as he says, young people who are outsourcing their own personal responsibility to the police and the emergency departments. Again, of course, we are asking directors of emergency departments how much our culture is changing and how much they have to put up with from the effects of binge drinking. It is a major concern for them.

I want to address two more things. One was the government's binge drinking strategy and, secondly, where the task force might be going on this issue. Certainly there is the government's binge drinking strategy, of which the alcopops tax forms one part. A considerable amount of money—\$50 million—has been put into early intervention, changing the culture of sporting clubs—and we have had a long involvement in this—and in social marketing. This really is the first major national intervention to diminish the human, financial and productivity costs of harmful consumption. This is the first major intervention in a long time to really try to address the root causes of harmful alcohol consumption.

Our report, which focuses on obesity, tobacco and alcohol, will be presented in June 2009. As we put in our discussion paper, we see the need for a comprehensive, long-term and multipronged approach. If we can look at some of our past successes in Australia where we have done very well, whether that is in tobacco, road trauma, skin cancer or cardiovascular disease just to name a few, there has been this essential sort of multipronged combination of education, social marketing, relevant regulation and legislation, use of primary health care, mobilisation of communities and support of funding. That has only really worked because they are all working together. If you take one leg away then it weakens the whole strategy. With this, pricing and taxation is one element of a comprehensive strategy. It also has to entail public education, social marketing, looking at labelling of alcohol products, enforcing the existing legislation, liquor control legislation, standardising these approaches across Australia, and it also requires looking at regulation of alcohol promotions much more effectively, how we can use brief interventions at a primary health care level much more effectively, how we can more effectively work within and with Indigenous communities and, lastly,

building our research, monitoring and evaluation base. As I said, we see it being absolutely necessary to have a comprehensive multipronged approach. Thank you very much.

CHAIR—We will now go to questions.

Senator HUMPHRIES—Obviously you and the task force believe that we need to have an evidence based approach towards developing strategies to reduce harm occasioned by the abuse of alcohol in our community?

Prof. Moodie—Yes, we certainly do. It is both an evidence based and an evidence building approach.

Senator HUMPHRIES—The committee is obviously examining this particular increase in the taxation levels on one particular alcoholic product. Do you have a view on that? I am sure you have appeared before our committee previously, but I forget what your area of specialisation is. Is it in public health policy?

Prof. Moodie—In public health and I previously worked in general practice and in Indigenous health.

CHAIR—You have probably come with many hats at different times.

Prof. Moodie—Indeed.

Senator HUMPHRIES—Can you give us an opinion, either on your own behalf or on behalf of the task force, about how effective you think the increase in this particular product is as a way of being able to reduce the harmful effects of alcohol abuse across-the-board in Australia?

Prof. Moodie—I would make two points. One is to look at the international evidence. In other words, what can we learn from what has happened internationally? We have looked at studies from 25 different countries that confirm the notion that, when you increase alcohol pricing, you reduce consumption.

Senator HUMPHRIES—Did you say when you ‘increase’ alcohol pricing?

Prof. Moodie—Yes. Three recent systematic reviews combine the evidence of over 100 studies on the impact of price on alcohol consumption and find consistent significant relationships such that you get an increase in price of 10 per cent reducing total consumption by around five per cent on average.

Senator HUMPHRIES—I will interrupt you there. The studies that we have seen in that respect are generally studies that look at the overall increase, a lifting of the baseline taxation levels on alcohol. There is nowhere for a drinker to escape the increase in taxation. We have a different phenomenon in this particular instance where only one type of product is being taxed. Do you have data on that experience?

Prof. Moodie—Again, other international experience would say that when that happens you still get an overall reduction in consumption. As we have seen with the data in Australia, we have had real reductions in overall spirits consumption.

Senator HUMPHRIES—Yes. But, as I said, the objective here is not to reduce alcohol consumption per se; it is to reduce harmful use of alcohol, alcohol abuse, particularly among young people. I think it is fair to say that that evidence is not compelling or extremely evident in the course of this inquiry.

Prof. Moodie—Again, the international studies that we have looked at show that price increases reduce problems due to alcohol, including binge drinking and a variety of alcohol related harm.

Senator HUMPHRIES—Can you show me where those studies—

Prof. Moodie—We can certainly show you those studies.

Senator HUMPHRIES—Of course, I am not looking at studies where it has been an across-the-board increase. I am looking at ones where a particular product has been targeted.

Prof. Moodie—I can certainly make those available to you.

Senator HUMPHRIES—Thank you. You mentioned in the course of your comments a number of factors that contributed to increases in the number of young people abusing alcohol. You mentioned availability of and access to alcohol. I think you also touched on exposure to alcohol in the media and so on by young people. How do we develop a strategy that is genuinely going to bring together all of the parties that can influence that kind of outcome? For example, the federal government has, as you have pointed out, embarked on a number of preventive measures based around the \$50 million or so package that was linked to this particular measure. But there is nothing in that package per se that addresses questions about trading hours. It is trying to counter the effect of advertising on television, I suppose, but there is nothing about reducing the harmful impact of existing alcohol advertising on television in terms of restricting it or reducing it. Isn't that a major problem? Are we not looking here at a single plank in what should be a comprehensive platform of measures that have

been synchronised and developed at the same time rather than a single measure that by itself might help but potentially will not work unless it is rolled out with other measures at the same time?

Prof. Moodie—I think this is a first major step in the right direction. As I have said, little has been done in the last period of time. Certainly from the task force's point of view we would see the need, as I said before, for a multipronged approach, which is absolutely essential. But things have to start somewhere. I would congratulate the government on its commitment to doing something about binge drinking, and as I said before, around early intervention, sports clubs and social marketing. This is starting to change Australia's appreciation of its own culture of drinking. This will take a number of years to change. In a sense it has taken 25 years for us to develop a culture where, as I said before, intoxication is perceived to be pretty normal, and we are unfortunately reaping some of those benefits. Am I surprised that that is the case by virtue of the, in a sense, laissez-faire approach we have taken to alcohol? No, I am not. That is why we do need a number of different approaches to be combined over a considerable period to have an effect.

Senator HUMPHRIES—What worries me from a public policy point of view is that what we are attempting might not succeed in doing that. In fact, it might even be counterproductive. As has been pointed out, we actually do not have much clear data about what is happening to young people and their drinking habits as a result of this particular change. Presumably that is going to be collected by somebody at some point. We hope that will be the case. Where it is collected, if it demonstrates that young people have moved off RTDs into other sorts of alcoholic products or even other sorts of substances, and it demonstrates the fact that there has been no ameliorating effect with these changes at all in terms of the bottom line of harm and abuse from alcohol, isn't it a danger that we actually take a step backwards then and people say, 'This is not a measure that has worked. We have to look at other things and abandon that particular plank in this approach'?

Prof. Moodie—I would be very surprised if it does not show real changes in both consumption and subsequent effects by virtue of the international evidence and by virtue even of our own experience. If you look at what happened in the Northern Territory when there was an increase in tax on cask wine, that showed very marked changes in behaviour and improvement in health situations in the Northern Territory. In a sense we have our own experience about a specific product that was increased in price. I do not think we could say that we do not have prior experience. In that sense, we do. I think that, again, this is about a first step. I think that, as to changing the culture, we have done it successfully with road trauma and drinking. It is done progressively. If you look at the decline in road deaths or the decline in tobacco and you look at the changes in either education, legislation, regulation, they have not all been done at once. They have actually been happening sequentially and in a sense progressively. I would not see it being terribly different from here.

Senator HUMPHRIES—I think you could argue there were very substantial differences in the approach taken on road safety and drink driving with random breath testing coming along and things like that. But that was applied uniformly

Prof. Moodie—In 1971 it was seatbelts. It was not until seven years later that random breath testing came in. In a sense they all added to each other and happened at once.

Senator HUMPHRIES—Do you think that we ultimately need higher levels of taxation overall on alcohol? Do you see this measure of increasing the tax on RTDs in a sense being a spearhead to begin to raise taxation levels in other areas as well?

Prof. Moodie—I think what you would want in an ideal situation, in a sense, is market design or market signals that really shift it towards lower risk products. In other words, you have a taxation system where there were lower levels of taxation on lower alcohol products and, in a sense, you had an alcohol industry that made profits from lower risk products. The more that we could generate that approach the better off we would be.

Senator HUMPHRIES—I will put my question in a different way. We have uniformly increased the cost of tobacco in Australia. Today it is much more expensive than it was 20 years ago—much more expensive—and it is all because of increased taxation. That taxation has been pretty well uniform. I think it is undeniable that that has had an effect on tobacco consumption. Do we make alcohol available too cheaply in this country?

Prof. Moodie—I think the answer to that is that over the last 20 years that is certainly the issue. There are particular populations where there has been a lack of controls and incredibly cheap alcohol, particularly in many rural communities. An issue that the task force will also be looking at is that of minimum floor price. Price is certainly an important part of the overall package, but it is not the only part.

Senator HUMPHRIES—What do you think of the measures that you refer to for prevention and education in the government's plan? You mentioned the \$50 million-odd and you said it was a considerable amount.

Others have suggested to us that \$50 million out of originally \$3,100 million—now \$1,600 million—is a pathetic amount and if the government was serious about this as a harm prevention measure rather than as a revenue measure there would be a much larger amount of hypothecation between those two figures.

Prof. Moodie—The issue is where do you start. In a sense it has to start somewhere. Compared with what has happened before—and I reiterate—this is the first major national intervention for a considerable period. The government's commitment to prevention of nearly \$1 billion through the COAG agreement is an important step forward as well. But certainly as we look forward to the National Preventative Health Strategy then obviously there will be major financial requirements for the implementation of that over the next five to 10 years.

Senator HUMPHRIES—Are you suggesting that we do not need to spend more at this stage?

Prof. Moodie—No, as I said before, we will have to.

Senator HUMPHRIES—Will we need to now? You could comfortably spend 10 times that amount of money on prevention strategies, education and measures where you could get a lot of bang for your buck for \$500 million.

Prof. Moodie—Yes. The point that we have been making in the discussion paper in a sense is the value or the bang for the buck of prevention across these three areas. What we will be presenting to government is evidence around where we think that should be best spent. That will be produced in June.

Senator CAROL BROWN—Could you comment on the work of the Ministerial Council on Drug Strategy? I know you have been involved in that. Are you able to provide us with some comments on their work?

Prof. Moodie—In this area they have been the holders of the National Alcohol Strategy. We have been working with them, as we have been working with the Australian National Council on Drugs and other relevant bodies, and obviously we have been discussing with individual ministers across the nation about all three areas, but in particular with respect to alcohol. We have been working with them.

Senator CAROL BROWN—How does your position as chair of the task force work in with the ministerial council? You obviously also have to focus on alcohol abuse as well. How does that connect?

Prof. Moodie—We are providing the government, through the minister, a National Preventative Health Strategy in June 2009. We have presented a discussion paper and are really working hard at producing the strategy and designing it in a way that, as we understand it, the ministerial council will take its lead. It will take our report very seriously when determining the next national alcohol strategy.

Senator CAROL BROWN—Will your report have recommendations to it?

Prof. Moodie—In a sense it has recommendations. It is a strategy to the minister, but it is a strategy for Australia and not just the Commonwealth government. A lot of the strategies, as mentioned before by Senator Humphries, will involve issues that are relevant to states.

Senator CAROL BROWN—You have indicated that this is the first major intervention in a long time in Australia. What message do you think not passing this measure in the Senate will send to the community, that is, if this measure is voted down in the Senate?

Prof. Moodie—I think it would be quite devastating. As I said before, this is a major effort on the government's behalf to really address a serious problem in the Australian community. Again, you need to talk to police commissioners and emergency department officials. This is something where they see huge diversions of resources and, as they put it, a dramatic 'drink to get drunk' culture that is becoming part of our own way of life. That is very concerning.

Senator CAROL BROWN—There has been quite a bit of comment about the validity of data that has been published and put out there for public comment. In your experience what length of time do you think it might take for us to expect to have any meaningful data about the effect of this measure?

Prof. Moodie—It is going to take a lot longer than we have at the moment. Also, as we have seen before, you will have to look at things in an overall sense. It is often sometimes quite difficult to tease out directly attribution, and that is one of the big problems we have with prevention initiatives. It is the same with tobacco or even road trauma. You need to look back and say, 'What exactly caused this? Can you attribute this particular outcome to that particular intervention?' We will have to measure the right things. We really do need to look at things such as alcohol related injuries rather than the longer term issues. But it is going to take a

while. As with road trauma in the initial stages and with tobacco, we did not know in the first six months whether it was going well.

Senator CAROL BROWN—I would like to go on from an earlier point about cost affecting driving behaviour. I understand there would be quite a bit of data about that measure being very effective. During an inquiry we held last year VicHealth presented a paper on measures that are effective in driving behaviour. The top one was cost. In your experience, and with the data behind that measure, would you agree with those comments?

Prof. Moodie—Yes. Pricing has been shown to have a very important role in this area and in other areas, for example, with tobacco. It has been shown that people who are fairly alcohol dependent are also price sensitive. It is an important part of the package.

Senator CAROL BROWN—Have you had a chance to have a look at the report that has been presented by Access Economics at all? Have you seen that report?

Prof. Moodie—The one tabled today or previously?

Senator CAROL BROWN—Have you seen the one that was tabled today?

Prof. Moodie—Very quickly. I have not had time to go through it.

Senator CAROL BROWN—Have you looked at the one that was tabled last week?

Prof. Moodie—Yes.

Senator CAROL BROWN—I have not had a chance to go through the Access Economic one that was tabled today, but do you have any comments on their report?

Prof. Moodie—With the first report we had fairly grave concerns about its methodology, the way it was carried out, and what it was in fact looking at, in terms of whether it was measuring things that were potentially changeable in such a short time, anyway. I must admit that this is a group that has done a lot of other work like this, and I was sufficiently concerned by this particular methodology, or the approach that they took—and certainly going back to look at other work they had done—which may have even been supportive of public health interventions. In particular, as to the relationship between tobacco and mental health, we have looked at that again. There are major criticisms with that in terms of overstating the case.

Senator CAROL BROWN—Do you support the measure being passed in the Senate?

Prof. Moodie—I do, yes.

CHAIR—Thank you. We deeply appreciate your evidence.

Prof. Moodie—Thank you very much.

[3.45 pm]

BARRON, Ms Christine, General Manager, Indirect Tax Division, Department of the Treasury

BROWN, Mr Colin Leslie, Manager, Costing and Quantitative Analysis Unit, Tax Analysis Division, Department of the Treasury

BRYANT, Ms Jennifer, First Assistant Secretary, Population Health Division, Department of Health and Ageing

DOVERTY, Dr Mark, Senior Adviser, Population Health Division, Department of Health and Ageing

KALISCH, Mr David Wayne, Deputy Secretary, Department of Health and Ageing

McCREA, Mr Glen James, Manager, Indirect Tax Unit, Indirect Tax Division, Department of the Treasury

WHITE, Mr Damien, Manager, Revenue Analysis Unit, Department of the Treasury

CHAIR—I welcome officers from the Department of Health and Ageing and also officers from the Department of the Treasury. You are well experienced in these processes, so you understand the rules of evidence and also the fact that you will not be required to answer questions on opinions. It is actually on the legislation. I remind senators of that as well. Mr Kalisch, you have a short opening statement. We will do that and then we will go to questions from the senators—after the division.

Proceedings suspended from 3.47 pm to 4.00 pm

CHAIR—Now that the division has concluded, we will recommence. I understand that no further divisions are imminent. Mr Kalisch, you were about to make a short opening statement before the division was called.

Mr Kalisch—Thank you. The department welcomes the opportunity to appear before the committee today. I would like to remind you of what we said, when we appeared before last year's inquiry, about drawing on international research around the likely impact on alcohol consumption. Drawing on that international research, we pointed to an expectation that increasing the tax rate of RTDs was likely to reduce the consumption of RTDs and there was likely to be some substitution of other forms of alcohol but that overall consumption of alcohol would be reduced as a result of this measure. We now understand that data from the Australian Taxation Office in the form of excise duties paid by the industry on the amount of pure alcohol entering the market show that, from May 2008 to January 2009, total spirit clearances have decreased by 7.9 per cent compared with the same period in 2007. This change in total spirit clearances was brought about by a 35 per cent decrease in RTD clearances and a 17 per cent increase in full-strength spirits clearances. I suppose I could just reiterate that, to date, the data that is available seems to be bearing out our expectation and that the industry's own sales data indicates that there are approximately 20 million fewer standard drinks being consumed each month.

As we noted at our additional estimates hearings, the department of health has serious reservations about the report produced by Access Economics for the Distilled Spirits Industry Council of Australia. Our serious concerns about the Access report is centred on four main dimensions: concerns about whether the data they have received is suitable for the purposes to which it has been put; concerns about the quality and comparability of the data they have used; concerns about the analysis that Access have used; and concerns about the short-time series of data they have used to draw their conclusions and about a number of methods they have used in their analysis.

On the data side, our concerns go, firstly, to the fact that there are a number of ICD codes related to alcohol use and Access have sought and used information primarily around one major sets of codes, F10; as was mentioned by Ms Pezzullo, F10 has a number of sub elements. Some of these data items, particularly the F10.0: acute intoxication, are better suited to measuring hospitalisation due to a binge drinking episode; however, we would suggest that a number of other codes are more suited to measuring chronic and persistent alcohol abuse rather than binge drinking. There are some issues around the purpose for which that data is being collected and used.

Further, there are some practical reasons why we have some serious concerns with the data that is collected and compiled. Around emergency departments in particular, data is generally entered by the busy clinician. Usually only one code is entered, although there is an opportunity to enter more, and there are no consistent Australia-wide standards. This means that, in the data that is collected and provided by states and territories,

there are likely to be quite a number of alcohol-related incidents that are not identified if the presentation is coded as 'road trauma' or 'treatment of a fracture', for example. With hospital admissions, the data quality is better with greater national consistency in the series. We understand that Access sought this data from states and territories on an informal basis rather than having it directed through the states' CEOs, and it has not always gone through the areas of the state departments responsible for ensuring data quality and data standards.

Senator CORMANN—Are they essential?

Mr Kalisch—They are important in terms of checking the quality of the data. We understand from one state that they were told by Access that the data had been provided by all other states and now they find, from the published report, that a number of jurisdictions did not provide the requested information. The data used by Access has not gone through all of the usual checks that such data is subjected to before formal publication. The protocol that we have with the states includes a caveat that the data is preliminary and subject to change if it is published within six months. States have an arrangement that they will provide data within six months of the end of the financial year to the Institute of Health and Welfare, and the Institute of Health and Welfare can then take three to four months to undertake further checks around data quality. In a number of instances, they do make very serious and useful changes to the data items that are entered. We do have serious reservations about the comparability of data that has been sourced from respective states. I have mentioned major concerns about the comparability of the ED data; but it is also apparent, from the Access report, that a number of states have used the two alcohol intoxication sub-codes and in other states they have not used that. So there are some issues about adding the state data together.

Moving beyond the concerns we have around the source data, we have further concerns about the analysis reported by Access. While in the first report they conclude that they need a longer time period and to undertake regression analysis to come to firm conclusions, there are still a number of elements and comments within the first report where they state there has been an increase in the rates of alcohol-related hospitalisation since the excise on RTDs was increased. We do not believe that these comments of a perceived increase in alcohol-related cost realisations, drawn predominantly from plotting data points on a chart, looking for trends after the excise change and drawing upon data for only two months of May and June, are appropriate. Serious questions should be raised about analysis relying on the aggregation of data, especially ED presentation, which we know is not collected on a consistent state-by-state basis.

I would note that the second report from Access Economics, which we have briefly reviewed only today, appears to respond to a number of the difficulties identified with that first report. While the second report now produced by Access is moving in a better direction—in terms of having a couple of months more data and using regression techniques more likely to determine an impact and a more measured conclusion—we would still suggest that the analysis is severely constrained by the data problems that I noted earlier. In addition, we have very serious reservations about the lumping of ED presentation and hospital separation data together for the analysis. We note that evaluations of second-round effects generally use much more than four to five months data. The F10 code predominantly used to reflect risky drinking behaviour still remains a major problem with the analysis. The other aspect that I would also draw to your attention is that anecdotal evidence we have received from ED departments suggests that there has been no change to ED presentations since the change in the excise.

CHAIR—Thank you. I am sure that many questions will be generated out of that process. It is one of those times when it would be very useful if the person who wrote and defended the report today in evidence and those who had issues with it were co-located. It would make things much easier.

Senator CORMANN—What were the public health policy objectives of the government when, in April 2008, they introduced the 70 per cent increase in the tax on RTDs?

Ms Barron—That was set out in the relevant budget paper.

Senator CORMANN—Can you remind us what the public health policy objectives of the measure were?

Ms Barron—Sure. The measure sought to reverse an earlier decision and, in so doing, be consistent with other health prevention policies that the government had in place to address binge drinking, particularly amongst young people.

Senator CORMANN—I understood the minister said that the aim was to reduce binge drinking and at-risk levels of drinking and harm from alcopops-related abuse; is that correct?

Ms Barron—Yes.

Senator CORMANN—Did the government put in place any performance measures at the time against which you could measure whether or not success had been achieved in terms of the original policy objectives?

Ms Barron—No specific performance measures beyond what we would normally do, which is to keep an eye on the data after we have made a change.

Mr Kalisch—Perhaps we could indicate what data we anticipate to be made available.

Senator CORMANN—Maybe I can just go through my questions and at the end, if you think you have something to add—

Mr Kalisch—It was related to that question.

Senator CORMANN—Essentially, you spend a lot of time in your opening statement criticising, I guess, the Access Economics report. Essentially, you have said that, as far as you are concerned, there is no change in alcohol-related hospitalisations. As to that measure, there does not as yet appear to be any evidence that there has been any reduction in alcohol abuse related harm as far as that indicator is concerned. Are you aware of any evidence that harm from excessive alcohol consumption has reduced as a result of and since the introduction of an increased tax on RTDs?

Mr Kalisch—I think my opening statement really goes to the fact that, from the hospital data that is currently available, it is difficult to draw a conclusion about whether there has been a reduction or no change in harmful drinking.

Senator CORMANN—I asked a question as to what evidence there is—and you would be aware of this—in the context of an order of the Senate. The response that I got back was that, since the RTD excise increase in April 2008, the Australian government had not collected any consumption data on the reduction of risky, high-risk and/or at-risk behaviour. Given the public interest and the question mark as to whether this was going to be an effective way to reduce at-risk levels of drinking and harm from alcohol abuse, and given your concerns with vested interests commissioning their own research, why hasn't the department commissioned research of its own that could establish, as conclusively and independently as possible, whether or not the measure has achieved the intended objective?

Mr Kalisch—I will ask Ms Bryant to talk about the data, some of which is in the field and some of which is planned, that would provide evidence as to the likely impact of this change.

Ms Bryant—We have a number of data collections in prospect. We have the Australian Secondary School Students Survey, for which the field work was completed in the second half of 2008. The findings are being analysed currently and will be published in late 2009. We expect there to be data available from that survey to enable comparisons to be made with the data from the same survey conducted in 2005, although, at the time the field work was undertaken, there was a very short window between the excise measure being implemented and the data being collected. So I would not anticipate it to show a dramatic impact, but we will have some data from that.

The National Drug Household Survey, which we conduct every three years and which you are familiar with, will be conducted again in 2010. We currently are designing a specific RTD module to go in the next survey in 2010; that will look at attitudes, behaviours et cetera specifically to do with the RTD issue. In addition, we currently are looking at a program to standardise and improve the quality of our core data.

Senator CORMANN—Would you perhaps provide all of those things on notice? I am just conscious of the time and we have a lot of things to get through. It would be great if you could provide, on notice, a list of all of the data sets that you are expecting.

Ms Bryant—Sure.

Senator CORMANN—This is a question of process rather than of content of advice or judgements on whether something is right or wrong: within the Australian Public Service, are there standards and guidelines in terms of what is a sound public policy development process?

Mr Kalisch—A report, I think, was produced by the Department of Prime Minister and Cabinet and the Australian National Audit Office around crime—

Senator CORMANN—But does that include a requirement to have performance measures and clear targets that would enable you to evaluate the success or otherwise of a program or an initiative?

Mr Kalisch—There is an expectation that robust evaluations will be undertaken, generally every three to four years, of major initiatives. I suppose the issue that you are getting at is really around the appropriateness

and suitability of getting information almost immediately after a policy change. Obviously, some policies are amenable to collection of information; others require periodic surveys. Periodic surveys are not cheap vehicles. They do take some time to design and implement. They take some time in the field and then for analysis to take place. Generally they are undertaken often within a time frame of two to three years, as you would be aware.

Senator CORMANN—Let us go back to some of the things we can measure, such as how much revenue has been raised since the tax increase. As of today, how much additional revenue has the government raised as a result of the increase in the tax on RTDs?

Mr Brown—Regarding the additional revenue that we expect to raise from the measure, a revised estimate was included in the explanatory memorandum to the bill. I am just adding up the years. Essentially, the impact on the fiscal balance for 2007-08 was \$55 million; for 2008-09, it is \$345 million; for 2009-10, it is \$370 million; for 2010-11, it is \$400 million; and, for 2011-12, it is \$435 million.

Senator CORMANN—Are you answering as to how much additional revenue in actual terms you have raised?

Mr Brown—That is the expected additional revenue based on the revised estimates of—

Senator CORMANN—Are you saying that you cannot answer how much additional revenue has been raised as of today?

Mr Brown—That is the difference between the revenue that we would have expected to raise before the measure and what we have been collecting since the measure.

Senator CORMANN—How does the revenue estimate moving forward compare with the revenue anticipated in the budget?

Mr Brown—It is less.

Senator CORMANN—By how much?

Mr Brown—I am sorry; I do not have the actual total for the individual years over that period.

Senator CORMANN—Roughly, would it be \$1.5 billion?

Mr Brown—We are talking about approximately \$1.5 billion or so. We are down \$1 billion, \$1½ billion or something like that.

Senator CORMANN—The health department have just mentioned that they knew all along that there would be substitution. I am looking at a Treasury minute that was tabled last year in the House of Representatives by the minister. It says, ‘On balance the cost price elasticity estimates are assumed to be zero’—and that is on your assumptions regarding the increased taxation of ready-to-drink beverages. That is, Treasury assumed in its modelling that there would be no substitution. Is that the reason for your overestimating the revenue that the government will collect as a result of this measure?

Mr Brown—No. For the purposes of a costing, we assumed that the cross-elasticities would be zero; that was a technical assumption. We were not actually saying that there would be no cross-substitution. But, if you substitute from a product that is taxed at one rate to a product that is taxed at the same rate, there is no revenue impact from that. The substitution between ready-to-drink beverages and spirits does not have a revenue impact and, in that costing, we were estimating the revenue impact.

Senator CORMANN—When the budget was introduced, you assumed there would continue to be a growth in RTD consumption, did you not? You assumed that there would be a lesser growth, but you still assumed that there would be growth over the forward estimates.

Mr Brown—There was an underlying rate of growth in RTDs, which formed the base of our costing; so the reduction in RTD volumes was off that base.

Senator CORMANN—I am quoting Senator Conroy here, who said, ‘The measure is expected to reduce but not reverse the growth in RTD consumption.’ I am looking at the information you provided in response to my question: the mid-year economic and fiscal overview of clearance growth rates estimates. Essentially, there is a drop of minus 15.3 per cent in other excisable beverages, which are RTDs. However, in the out years of 2009-10, 2010-11 and 2011-12, you assume that the sales of RTDs is actually going to increase by 7.8 per cent in each one of those years. How realistic is that?

Mr Brown—That would represent a return to the underlying growth after the initial drop in the demand for these products. There is still underlying growth in demand that we have to take into account in those projections.

Senator CORMANN—I am just looking at your projections in the budget as originally tabled. So, in 2008-09, there was a calculation based on the revenue that you expected to collect. The underlying growth, as you call it, was expected to come in at 5.3 per cent in 2008-09—correct me if I am wrong; 9.3 per cent in 2009-10; 8.8 per cent in 2010-11; and 9.6 per cent in 2011-12. There has been a staggering turnaround for 2008-09, essentially by about a 20 per cent reduction compared with your estimate. In the out years, 2009-10, 2010-11, 2011-12, there is hardly any shift at all from what you call underlying growth. Are you saying that, irrespective of this 70 per cent increase, after this financial year we will see growth of 7.8 per cent in the sale of RTDs from here on in?

Mr Brown—All we are saying is that we would expect that the demand has shifted downwards to a new base, but the base is still going to grow.

Senator CORMANN—In your estimation there is going to be growth of 7.8 per cent every year in the sale of RTDs, irrespective of this increase in the tax on RTDs?

Mr Brown—Other things are still growing. Population is growing. You have growth in the economy at some stage. These things are taken into account when we do projections.

Senator CORMANN—As to spirits, in the answer that you provided to me you have said that in the period from 1 May 2008 to 31 January 2009 the consumption of spirits has risen by 17 per cent. That is in the answer D3. When I go down to D6 and I look at the Mid-Year Economic and Fiscal Overview clearance growth rate estimates, I see spirits are estimated to increase by 6.6 per cent in 2008-09, and then 1.4 per cent, 2.9 per cent and 2.8 per cent in the out years. Why is there such a discrepancy between the 17 per cent that you have already observed and the 6.6 per cent in 2008-09 that is your estimate?

Mr White—The numbers in D3 up to the end of January include much more data than we had available when we did our MYEFO estimates. We only had data available up to about the end of September when we did the MYEFO estimates. If you were doing some new estimates based on the end of January data you probably would not get a number like 6.6 per cent anymore.

Senator CORMANN—Your assumption would be that the sale of spirits—the spirits category—would have to be significantly revised upwards compared with what was in MYEFO?

Mr White—Yes. RTDs in D3 are down by 35 per cent and we only had them down by 15 per cent at MYEFO. RTD revenue would have to be revised down as well.

Senator CORMANN—As to your submission, I am trying to make sure that I have got this right in terms of what you have actually done. Essentially you have increased the other excisable beverages not exceeding 10 per cent by volume of alcohol category from \$39.36 to \$66.67 per litre of alcohol, which is equivalent to the full strength spirits category; is that right?

Ms Barron—Yes.

Senator CORMANN—Essentially what you have done is abolished the other excisable beverages not exceeding the 10 per cent category; is that right?

Ms Barron—Yes, in effect.

Senator CORMANN—I am now asking you for a policy explanation, not an opinion. As you best recall it, why was that category of other excisable beverages not exceeding 10 per cent by volume of alcohol introduced effective 1 July 2000?

Ms Barron—I honestly cannot answer that question.

Senator CORMANN—Can you take that on notice?

Ms Barron—I can take it on notice.

Senator CORMANN—What sort of excise applies to beer?

Ms Barron—The rate that applies to beer is the rate that used to apply to other excisable alcohol less than 10 per cent, which is \$39.36.

Senator CORMANN—Some people have given us evidence that the reason that category of excisable beverages not exceeding 10 per cent by volume of alcohol was introduced was to make sure there was not a

perverse incentive between beers below 10 per cent and other alcoholic beverages with less than 10 per cent alcohol content. Are you aware that there are Australian produced beers with 11 per cent alcohol content?

Ms Barron—No.

Mr McCrea—We are not aware of that.

Senator CORMANN—What would be the excise treatment of Australian produced beers with 11 per cent alcohol content?

Ms Barron—If it met the definition of ‘beer’ it would be taxed as beer.

Senator CORMANN—So, it would be taxed at the same rate as present, at the same rate as other excisable products?

Ms Barron—Yes, it would be taxed at \$39.36 per litre of alcohol.

Senator CORMANN—I hope I am not asking for an opinion, but are you aware of any public policy explanation in government as to why it would be justified to tax one alcohol product category that has alcohol content up to 11 per cent differently from another alcohol product category that has similar alcohol content? Are you aware of a public policy explanation in government?

Ms Barron—The best answer that I could give to that is that you have heard from lots of people before this committee about the rates that apply to different alcoholic products—wine is taxed very differently from both beer and spirits—and that larger issue of the appropriate taxation treatment of alcohol is currently being considered by the Australia’s Future Tax System Review Panel.

Senator CORMANN—You mentioned the tax review panel. Is this an equitable tax?

Ms Barron—That would be asking me for an opinion. What I can say is what was said by the government at the time this tariff proposal was put forward, and that is that this measure seeks to tax alcohol that is already mixed with a soft drink at the same rate as if you bought the spirits and mixed it with a soft drink yourself.

Senator CORMANN—Although the drink itself has an alcohol content that is equivalent to, if not lower than, the alcohol content of some beers. I think the point has been made. I would like to go back to some health questions. Mr Kalisch, out of the total Australian drinking population are you aware of any data that would tell us what proportion of the Australian drinking population would drink at high-risk or problematic levels?

Ms Barron—Just bear with us while I find the right table. You are asking about the population overall as opposed to—

Senator CORMANN—I am talking about the drinking population overall. Perhaps you can provide us with some information on notice. I will give you all of my questions, which you can take away and whatever meaningful information you can give to the committee would be very much appreciated. I am trying to get an understanding as to the proportions of responsible drinkers versus risky, high-risk binge drinkers. Mr Kalisch made an important and valid distinction, which was chronic alcohol abusers versus binge drinkers. If there are distinctions in data that you could point us to, that would be appreciated. Specifically, what I am interested in is any data that you might have that would tell us whether there are differences between beer drinkers, wine drinkers, alcopops, RTD drinkers or hard spirit drinkers in terms of that proportion between responsible drinkers versus other drinkers. Is there anything that you can give us on that now?

Ms Bryant—I suspect we could give you more and better data on notice. In terms of short-term risk or high-risk monthly alcohol consumption, for the population overall or among males aged 12-plus in 2007 the figure was around 22.9 per cent. In females aged 12-plus, in the 2007 data, 16.7 per cent are drinking at high-risk or short-term risky levels in terms of their monthly alcohol consumption.

CHAIR—On what data is that based?

Ms Bryant—It is the household survey.

CHAIR—It is really important when we are quoting figures to get it clear. So, it is the household survey?

Ms Bryant—Yes. It is data we have provided in submissions previously, which are all referenced and footnoted. I am trying to pull out individual tables.

Senator CORMANN—Perhaps take that on notice so I can keep moving through my questions. Obviously, all of us would be very concerned if alcohol products were supplied by suppliers to underage children. Is that

something that you monitor as a population health issue around Australia? Do you have any data on the incidence of illegal supply of alcohol products to under aged children?

Ms Bryant—The short answer to that is, no. We do know that clearly people do drink and we have data on the number of young people aged 12 to 19 who drink. We also have data on the source of alcohol, which indicates that most commonly it is parents who supply them with that alcohol.

Senator CORMANN—Do I take it from what you are saying that the problem is not in the main that liquor outlets or alcohol industry representatives are selling to underage children, it is that parents or associated adults are the ones who purchase products and then supply them off premises? Did I summarise you correctly?

Ms Bryant—The source of supply to young people is most commonly parents. There are several policy concerns with the level of RTD consumption. They encourage younger people to start drinking. A New Zealand study, Huckle et al in 2008, showed that females aged 14 to 17 who consume RTDs are much more likely to be heavy drinkers. We know that RTDs expose younger and inexperienced drinkers to a higher than normal risk because they are more likely to make false judgements about the product they are consuming. That is from the Taste and Perception Study done by the National Drug and Alcohol Research Centre.

Senator CORMANN—Have there ever been any studies done as to why parents would choose to supply their children with RTDs instead of other alcoholic beverages?

Ms Bryant—I would have to take that question on notice.

Senator CORMANN—I would like you to also take on notice what strategies, programs and initiatives the department is currently working on to address that problem of parents supplying, essentially illegally, alcoholic drinks to underage children. From what we have heard the problem is children being introduced to alcoholic products and so on.

Ms Bryant—We are doing selective work on that. The Council of Australian Governments in March 2008 referred to the Ministerial Council on Drug Strategy the issue of, among other things, secondary supply of alcohol to teenagers. It also referred issues such as the responsible service of alcohol, operating hours for licensed venues and so on, and asked the ministerial council to give them a report, which is due to be provided to COAG in 2009. As part of that work the officials group, which supports the ministerial council, has been doing research into why this occurs. Usually it occurs as parents make alcohol available in private homes for teenage parties. I can probably give you some more information on notice.

Senator CORMANN—Thank you for that. I congratulate you on that. These are great initiatives and I hope they are going to be really successful. It is much more appropriate to do that in a targeted fashion than to penalise all of the responsible drinkers of any product with a 70 per cent tax hike.

Ms Bryant—The point I would make is that in a public policy sense the alcopops excise measure is a necessary but not sufficient measure in itself.

Senator CORMANN—You are expressing an opinion now.

Ms Bryant—No. The department has always maintained from a public policy point of view, which is reflected in things like the discussion paper of the preventative health task force, that a balanced package of measures, including public education and information campaigns, community prevention initiatives, treatment programs and so on is necessary, and that price strategies such as the excise one are an important part of a balanced package, and are indeed a platform off which a number of those other things came through.

Senator CORMANN—You have now expressed an opinion on policy and hence I am going to ask a question. I do not disagree with anything that you have just said, except when you apply the price strategy on one product in isolation. Given that you have expressed an opinion, if we wanted to do something effective about reducing risky levels of drinking and alcohol abuse related harm shouldn't we have taken a strategic comprehensive whole-of-government approach from the outset rather than pursue this as an ad hoc measure? Would that not have been more effective?

Ms Bryant—There are a couple of points I would make in relation to that. There is evidence when a particular product or products are a problem strategies that target those products and those alone are effective. There is international evidence, which I can cite for you—

Senator CORMANN—I have asked you that specific question. Let us go back to where we started. Do you have any evidence that the increase in the tax on alcopops, done in isolation on that product category alone, has reduced at-risk levels of alcohol consumption or alcohol abuse related harm? All of the health experts that appeared yesterday conceded that there was no such evidence.

CHAIR—I am sorry, but that is not accurate.

Senator CORMANN—They conceded there was no evidence that at risk levels of consumption by alcopops drinkers have been reduced as a result of this. If there is any evidence I would like to see it.

CHAIR—Go ahead, but I think it is important that we review the *Hansard* from yesterday on that basis.

Senator CORMANN—I am very happy to do that.

Ms Bryant—I can only repeat a number of the points made. We would not yet expect to see the evidence of that impact. In terms of the impact of risky drinking and the harms flowing from it we are seeing a change in consumption, which is a good indicator that there may be positive impacts revealed in the data after a period of time.

Senator CORMANN—People raised the point yesterday that we are seeing a reduction in consumption. Do you know who is drinking less? Is it the responsible drinkers or is it the at risk/high risk binge drinkers? Do you have any data that will show us who it is that is consuming less? Is it the target audience or is it everybody?

Ms Bryant—We have asked the AIHW to do some additional data analysis for us from the National Drug Strategy Household Survey.

Senator CORMANN—Is that the 2007 data?

Ms Bryant—Yes.

Senator CORMANN—That was before the increase in the tax. I am not going to waste the time of the committee, but in answers only a week ago, collectively I assume through the department, you provided answers to say that the Australian government had not collected any consumption data on risky levels of drinking. I assume that that has not changed. As to my closing questions on notice for Treasury, Mr Brown was not able to answer the question on the spot; he was just giving me the publicly available MYEFO data. I would like to have an update as of today, 11 March, as to how much additional revenue has been raised by the government as a result of the increase in the tax on RTDs.

Mr White—We get only monthly data.

Senator CORMANN—The most recent data for end of February.

Mr White—We do not have that yet, but we would have it within a week or two.

Senator CORMANN—How long does it take to get the data?

Mr White—We have actual data to the end of January at the moment. We do not have actual data to the end of February yet. It takes a few weeks after the end of the month to get that data off both the ATO and Customs.

Senator CORMANN—I am asking for the most recently available actual data.

Mr White—Yes.

Senator FURNER—The committee has sought to gain information from, in particular, the Distilled Spirits Industry Council of Australia about what would happen to revenue that has already been collected and returned to their members? Although they indicated that as a council it was their policy that it should not be returned, I understand one of their members is seeking the return of any revenue that has been collected. Can you outline what would happen to the revenue already collected, should this legislation not be passed?

Ms Barron—That is an issue of administration for the Commissioner of Taxation and the head of Customs, but they have advised us that they would proactively return excise and customs duty paid to the excise and customs duty payers to whom they have paid it.

Senator CORMANN—That is subject to the form of the legislation of course. That is subject to the form of the legislation that is ultimately passed.

Ms Barron—If the bill is simply defeated—

Senator CORMANN—That is right.

Senator FURNER—Please go on. You were halfway through.

Ms Barron—No, I think that is it. They would return it to the people who had paid it.

Senator FURNER—Irrespective of a supplier or manufacturer not wishing to have it returned?

Ms Barron—As I said, I do not want to speak too much about an area of administration that is not my responsibility, but my understanding is that, from the tax office at least, they would regard it as money they had incorrectly collected.

Senator FURNER—Can you provide us with information on how the measures have affected the clearance figures for RTDs and spirits?

Mr White—As was noted in the opening statement, to the end of January clearance data for RTDs is down 35 per cent between May 2008 and January 2009 compared with the period in the year before. Straight spirits are up 17 per cent and overall spirits are down eight per cent for that period.

Senator FURNER—That is a significant amount of revenue measures, isn't it?

Ms Barron—I think that would be, yes.

Senator FURNER—In your view can you indicate whether the budget can afford a loss of such an amount of revenue measures, if that collection has not been received?

CHAIR—I do not think that is a question the officers could answer.

Senator FURNER—Turning to 'malternatives', what degree of consultation occurred with respect to that particular part of the legislation for the 'malternatives'?

Ms Barron—Are you referring to the amendments to the bill that sought to change the definition of 'beer'?

Senator FURNER—That is correct.

Ms Barron—On that particular definition, the 'beer' definition, we consulted with the Brewers Association and the Micro Brewers Association. We consulted with the Winemakers' Federation of Australia on the changes to the 'wine' definition. We did those consultations before the amendments were introduced into parliament. We are still in the process of consulting with importers of beer and wine.

Senator FURNER—What is the result of that consultation? What has been the outcome?

Ms Barron—The outcome, before the introduction of the amendments, was the amendments. We have not yet heard from all the importers. A couple of issues have been raised with us to date, but we would basically be waiting until the consultation period is finished, which is the end of this week, before we have a good feel for what issues, if any, there are.

Senator FURNER—Just going back to data, I have not had a great deal of time to examine the Access Economics summary that was provided in today's hearing, but I do understand the department may have had an opportunity to examine at least some of it, if not all. Jane Halton from the department described the previous report as some of shoddiest work she had ever seen. How does that previous data refer to the current data that has been provided at today's hearings?

Mr Kalisch—From our brief look at the latest report by Access, I suppose our judgement is that the analysis is getting better but still has some way to go to meet acceptable standards.

Senator FURNER—I think you reported in your opening statement that there have been some states excluded from providing that data and there have been some indications of the codes that have changed as well; is that correct?

Mr Kalisch—We still hold some serious reservations about the quality of the data used in the analysis and in particular the meshing of ED presentation data with hospital admission data to produce a combined data set that the analysis is then undertaken on. The form of the analysis that they undertake is much more robust, but it is still undertaken on data that we would have serious reservations about. One of the issues that you mentioned is around not having data from every state and that there are state differences in the data that is collected that cannot be accounted for or amended in the data sets.

Senator FURNER—Is that data only collected as a result of hospital admissions and not persons ending up in clinics that open later on in the hours of the evening?

Mr Kalisch—The data is collected in two forms. One is for hospital admissions. It is up to the states as to how they define their hospitals. The second aspect is related to ED presentations, which would probably be more the after-hours presentations that you are referring to, although not at 24-hour GP clinics, for example.

Senator CAROL BROWN—I am sorry if you have already mentioned this, but can you clarify whether this measure was introduced before or after the announcement of the National Binge Drinking Strategy?

Ms Bryant—I think the binge drinking strategy was announced by the Prime Minister on 14 March 2008 and this measure was announced on 27 April.

Senator CORMANN—Do you think or do you know?

Ms Bryant—No, it was in March. Whether it was the 14th or the 18th I would stand to be corrected, but it was March.

Senator CAROL BROWN—How much is the government's investment in preventative health?

Ms Bryant—The government's investment in preventive health overall I would probably need to take on notice for you. The public health expenditure report provides some data on that which shows that across prevention initiatives overall expenditures are in excess of a billion dollars. However, most recently the government, following COAG in November 2008, announced a further investment of some \$872 million in a preventive health partnership agreement with the states and territories. That \$872 million is over six years and includes significant investment in a number of settings based initiatives to reduce risk factors and so on in the workplace. There are healthy workers initiatives. There are healthy children initiatives aimed at children under 16 in childcare centres, preschools, schools and in the family context. There are programs that the Commonwealth will be implementing such as healthy communities initiatives, which will be rolled out in conjunction with local government and non-government organisations particularly in socioeconomically disadvantaged areas. There is also an investment in social marketing strategies and building health infrastructure, if you like, the national health risk survey, implementation of our national preventive health agency and so on. It is a sizable investment in preventive health which is in addition to the base funding that is documented in the public health expenditure report, which AIHW publishes.

Senator CAROL BROWN—Those initiatives that you mentioned, particularly healthy workers, healthy children and healthy communities, have a focus on preventing alcohol abuse?

Ms Bryant—They are strategies directed at reducing risk factors for chronic disease, alcohol among them, but they will also include measures that look at tobacco and obesity as risk factors. But certainly alcohol is a component of those strategies, because it is such a problem and risk factor for long-term chronic disease.

Senator CAROL BROWN—Can you also tell me what the investment is in the National Binge Drinking Strategy that has already been committed?

Ms Bryant—The binge drinking strategy is \$53.5 million.

Senator CORMANN—What would happen if the legislation were defeated? Is there a precedent on when legislation was not validated by parliament such as in relation to excise on alcohol products and what happened on that occasion?

Ms Bryant—I am not aware of one where it has not been validated, but I can take it on notice.

Senator CORMANN—You might just take it on notice and let us know what happened. In relation to the draught beer concession and the Excise Tariff Proposal (No. 2) 2000, which was introduced into parliament to increase the rates of excise on alcoholic beverages to offset the repeal of the sales tax legislation. Essentially there was a component there which was ultimately not validated by parliament, and I think you will find that those funds that were collected by government without legal authority ultimately were directed to a foundation to reduce the impact of excessive use of alcohol and other legal drugs. Perhaps you could provide on notice the detail as to what happened at the time from a process point of view and essentially what you did in response to what the parliament decided at the time?

Ms Barron—Yes, I can do that. I have one slight clarification. My understanding is that the parliament on that occasion validated the whole amount, so there never was any amount illegally collected, and then a separate appropriation was made of moneys into a fund and the appropriation equalled the difference between one and the other rate, but there was never any amount illegally collected.

Senator CORMANN—If you could have a close look at whether there was or was not. Senator Furner raised the hypothetical circumstance where parliament does not validate it. Equally parliament could validate funds collected up until this point and make a decision as to how those funds ought to be allocated. That would technically be possible and surely then the government would have to act according to that instruction—or that legislation and the way it is passed; is that right?

Ms Barron—The Senate would need to make a request to the House, yes, and if the House agreed it could come back to the Senate, yes.

Senator CORMANN—If the parliament as a whole supported that approach, the government would not be returning funds to alcohol suppliers, they would actually be allocating it according to the instructions of parliament; is that right?

Ms Barron—Yes, that is correct, because parliament would have agreed to the increase, yes.

Senator SIEWERT—I apologise; I was detained in other meetings, which can happen when meetings are held during sittings. I apologise if I am asking questions that have already been asked. If so, just tell me and I will look at *Hansard*. I am aware that you answered the question in terms of revenue per year from this measure. How much is it in total over the five years? Could you just confirm that for me, please?

Mr Brown—The expected revenue over the five years—I have actually added them up now—from the revised financial impact is expected to be \$1.6 billion from 2007-08 through to 2011-12.

Senator SIEWERT—Does that include this previous nearly 12 months; is that what you are saying?

Mr Brown—That is right.

Senator SIEWERT—In terms of the binge drinking strategy and the \$55 million you referred to in answer to Senator Brown's question, is that over the life of the program? In what timeframe is that \$55 million being spent?

Ms Bryant—The binge drinking strategy was over four years, I believe. It was \$53.5 million over four years. It included \$14.5 million in community level initiatives, \$20.1 million for an advertising campaign, and \$19.1 million to fund an early intervention program.

Senator SIEWERT—That adds up to the—

Ms Bryant—To the \$53.5 million.

Senator SIEWERT—That is a four-year program, is it?

Ms Bryant—Yes, it is.

Senator SIEWERT—I suspect I am getting into areas now that have already been asked about. Have you had a chance to look at the supplementary submission from Access Economics?

Mr Kalisch—Yes.

Senator SIEWERT—I will not bore you all by asking the same questions again. Once again, I apologise; I was not able to be here earlier. Have you also talked about the issues in terms of substitution and the duel in data that we have been having?

Mr Kalisch—At our last hearing you might have even asked the question about substitution and the impact, and we did refer to the international data that we suggested would lead us to the expectation that there would be a reduction in RTDs, some substitution but overall a net reduction in alcohol; and that was borne out with the data that we are seeing at the moment.

Senator SIEWERT—That is what I want to pursue now. We have been provided with data during this inquiry in terms of both the ATO's figures, the ACNielsen's figures and various interpretations of the figures. The industry claimed there has been substantial substitution with straight spirits, and it does look like there has been some substitution?

Mr Kalisch—There has been some.

Senator SIEWERT—Some elements of the industry say there has been substitution from both beer and wine, but the brewers and the winemakers believe that there has not been a statistically significant substitution between beer and wine. How are you interpreting the figures?

Mr Kalisch—The ATO data that we look at and use—and I think Treasury has quoted the same figures—point to a significant reduction in RTD excise clearances and some increase in the excise clearances around straight spirits, and overall a net reduction. I think it was about eight per cent.

Senator SIEWERT—An eight per cent increase—

Mr Brown—That is RTDs and full strength spirits. The total alcohol in those is down by about eight per cent.

Senator SIEWERT—We heard from a number of health organisations yesterday and I cannot remember off the top of my head which particular health organisation presented the figures around average number of

standard drinks that have been reduced. I think it was a 148.6 standard drinks reduction. You are saying that there has been a reduction of eight per cent in terms of alcohol consumed?

Mr Brown—In the form of spirits. That is overall alcohol consumption in the excise system, so it does not include wine because we do not have comparable numbers for wine. It is taxed differently. But overall in the period from May through to January alcohol consumption is flat compared with the period before so effectively no change. Normally you would expect a trend increase in alcohol consumption each year. I think in previous years it has been roughly five per cent.

Senator SIEWERT—I think AHA yesterday said there had in fact been a drop in alcohol consumption over a period. You are saying that in fact there has been an increase in alcohol consumption?

Mr Brown—It would probably depend on what sorts of figures you are looking at, whether you are going per capita or—

Senator SIEWERT—Per capita?

Mr White—We are not saying alcohol consumption has increased. We are saying that it is basically unchanged.

Mr Brown—Yes, in this period.

Senator SIEWERT—Yes, in this period?

Mr White—From May to January.

Senator SIEWERT—I may have misspoke then. What I meant is over a significant period they are saying alcohol consumption has been going down?

Mr White—Over a number of years.

Senator SIEWERT—I thought the NHMRC had said in the report it released the other day that in fact it has been fairly flat and it is just the mix that has changed. There has been a change in the proportion of different types of alcohol being drunk.

Mr Brown—It is in fact in the Treasury submission to the inquiry, but we note that the growth in excisable alcohol weakened to 0.1 per cent in the period May to January 2009 compared with the same period a year ago. If you look at each of the previous three years, the growth was 6.6 per cent in 2005-06 on the previous year, two per cent in 2006-07, and 2.7 per cent in 2007-08. So, to be flat essentially it is coming down from some trend increase, but that trend increase is in total alcohol consumed. If you were looking at it as alcohol per capita, for instance, it may be a little different. The measures are important.

Senator SIEWERT—Yes, exactly. For the past two days we have had a statistical duel. ‘We will see your statistics and raise you one’—that sort of thing. You have to wade through a lot of data to find the facts.

Mr Brown—Those growth rates are the growth in total alcohol consumed in the excise system. They do not include wine.

Senator SIEWERT—Yes.

Mr Kalisch—The one paper that we are aware of that does deal with this issue is around the *Medical Journal of Australia*, which does talk about a reduction overall in standard drinks.

Ms Bryant—Some Australian Bureau of Statistics data on the apparent consumption of alcohol 2006-07 suggests that in terms of apparent consumption of alcohol per person aged 15 years and older there was a total of 9.84 litres in 2005, 9.86 litres of alcohol per person in 2006 and 9.85 litres in 2007.

Senator SIEWERT—It is fairly constant. Is that the point?

Ms Bryant—Overall. There are differences in patterns perhaps by different age cohorts within that.

Senator SIEWERT—The NHMRC—

Mr Kalisch—While you are talking about NHMRC, I will refer you to the guidelines that actually talk about young people drinking.

Senator SIEWERT—I did see those. As I understand it, what they are saying is that, although that has remained constant, our drinking trends have changed in terms of the types of drinks that people are drinking? Is that a division?

CHAIR—It is a division.

Senator SIEWERT—That means it is time to go.

CHAIR—Do you have any further questions?

Senator SIEWERT—I will ask that one in a minute.

CHAIR—Is that it?

Senator SIEWERT—Yes.

CHAIR—Senator Birmingham had one to put on notice. I wanted to let the witnesses go. Senator Siewert has finished.

Senator BIRMINGHAM—I am delighted to be able to keep the committee going for a few minutes while we pursue the very significant issues around ginger beer. You may have seen the submission by Angove Family Winemakers, a constituent of mine in South Australia, and the evidence given by Mr John Angove yesterday. What consideration, if any, has been given in the drafting of the amendments that were made to this legislation a couple of weeks ago to traditional brews and beers such as ginger beer?

Ms Barron—I saw Mr Angove's submission yesterday and he emailed it to me this morning, so we will consider it as part of our consideration over the next few days as we finalise our consultation on the announced changes.

Senator BIRMINGHAM—In your drafting instructions you sought to avoid the inclusion of traditional wine products. Did you give consideration to the fact that there may be other traditional beer products or was that matter not brought to your attention?

Ms Barron—Traditional wine products was an existing category in the law, and that was not the case for beer.

Senator BIRMINGHAM—I welcome your commitment that you will look at it, as I know the committee will, too. Thank you.

CHAIR—Thank you very much. This committee considering the excise tax will now adjourn.

Committee adjourned at 5.07 pm