Pre-budget Submission 2007-08

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DSICA

Distilled Spirits Industry Council of Australia Inc.

Who is DSICA?

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

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

DSICA's goals are:

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

DSICA members are committed to:

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

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List of Acronyms

ABS	Australian Bureau of Statistics
abv	alcohol by volume (ie alcohol content)
ACS	Australian Customs Service
ADCA	Alcohol and Other Drugs Council of Australia
AIHW	Australian Institute of Health and Welfare
ANU	Australian National University
ANZFA	Australia New Zealand Food Authority
ASSSA	Australian Secondary School Students' Use of Alcohol Report
ATO	Australian Taxation Office
BAS	Business Activity Statement
DHA	Department of Health and Ageing
DSICA	The Distilled Spirits Industry Council of Australia Inc
FSANZ	Food Standards Australia New Zealand
GPs	General Practitioners
GST	Goods and Services Tax
ICAP	International Centre for Alcohol Policies
IGCD	Intergovernmental Committee on Drugs
Lals	Litres of alcohol
LMA	Liquor Merchants Association of Australia
MAT	Moving annual total
MCDS	Ministerial Council on Drug Strategy
MP	Member of Parliament
NAC	National Alcohol Campaign
NAS	National Alcohol Strategy
NDRI	National Drug Research Institute
NDSHS	National Drug Strategy Household Survey
NHMRC	National Health and Medical Research Council
NTS	New Tax System
RHS	Right Hand Scale (in graphs)
RTDs	Ready to drink alcohol products
TES	Tax Expenditure Statement (Commonwealth Treasury)
WET	Wine Equalisation Tax
WHO	World Health Organisation
WST	Wholesale Sales Tax

Executive Summary

- DSICA is the peak industry body representing the interests of distilled spirit manufacturers and importers in Australia.

Evidence-based policy making

- DSICA strongly supports the principles of evidence-based policy making set out in the National Alcohol Strategy 2006 – 2009 (the Strategy). However, DSICA queries some of the key pieces of the evidence base of the Strategy, particularly in relation to underage drinking.
- DSICA believes that the advocates of change bear the burden of proof in demonstrating the need for that change.
- The 2007-08 Budget should not make any taxation changes on alcohol products unless:
  - those changes are based on the best available evidence; and
  - there is reliable evidence that the changes will achieve the Government's objectives.
- There is no reliable evidence that justifies an increase in the tax on ready to drink alcohol products (RTDs). On the contrary, there is now a wide range of reliable evidence demonstrating there is no link between the increased popularity of RTDs and levels of harmful alcohol consumption amongst young drinkers.
- Alcohol consumption data should differentiate, where possible, between risky and high risk drinkers in any analysis of drinking patterns amongst particular age groups.
- The various Federal Government agencies with responsibility for collection and analysis of statistics regarding alcohol production, consumption and revenue should collaborate (with industry input) to establish a defined system and consistent methodology for the collection and reporting of data.
- DSICA looks forward to working closely with relevant officials within DHA's Data Analysis Project regarding further building of the alcohol research agenda.

Taxation policy issues

- Priority should be given to ensuring taxation equivalence between packaged RTDs and packaged beer at the low-alcohol and mid-strength levels in the forthcoming Budget. [Estimated revenue cost: $3.3m]
- In the medium to long-term, full strength packaged and bulk (draught) RTDs should obtain complete taxation equivalence with beer.
- The excise duty rate for spirits should be reduced by an amount equivalent to the New Tax System component of the 1 February 2001 indexation increase. [Estimated cost: $39.2 m]
- The 5% ad valorem protective tariff for imported spirits and RTDs should be abolished. [Estimated revenue cost: $16.6m]
- DSICA would strongly oppose any proposal to increase existing taxes or impose specific levies on alcohol products to fund new strategies to reduce harmful alcohol consumption.
- DSICA does not support hypothecation of alcohol taxes.

Customs and Taxation Administration issues

- *Single administration:* The Australian Taxation Office (ATO) should be the single government agency responsible for the collection of revenue and the administration of imported and locally produced spirits and RTDs. [Estimated revenue saving: $17m].

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Introduction

Summary: *In this Introduction, DSICA outlines how this Pre-budget Submission is structured as an annual progress report on alcohol market data developments and spirits industry actions (and initiatives) relevant to the National Alcohol Strategy 2006-2009. DSICA's proposals for taxation changes can be seen as consistent with the Strategy.*

The National Alcohol Strategy 2006-2009

DSICA is the peak industry body representing the interests of distilled spirit manufacturers and importers in Australia.

DSICA commends the Government on the production of the *National Alcohol Strategy 2006-2009* (the Strategy), and was supportive of, and involved in, its development. The Strategy, now formally approved by the Ministerial Council on Drug Strategy (MCDS), is a plan for national action over the next 2 years. The Strategy has identified a national goal of seeking to reduce alcohol-related harm in Australia (MCDS 2006, p 2). DSICA strongly supports this goal.

DSICA strongly supports the principles of evidenced-based policy making and endorses the approach of the Strategy in this regard. However, DSICA does query some of the key pieces of evidence cited in the Strategy, particularly in relation to underage drinking.

The Strategy outlines four priority areas for coordinated action to develop safer and healthier drinking cultures in Australia with a view to achieving that goal.

The Strategy – a framework for DSICA's Pre-budget Submission 2007-08

DSICA believes that the Strategy provides a strong frame of reference for the recommendations in this DSICA *Pre-budget Submission 2007-08* (PBS 07-08).

This approach was adopted by DSICA in its *Pre-budget Submission 2006-07,* with the then *Draft National Alcohol Strategy 2005-2009* providing the architecture of that Submission's layout.

All recommendations of this PBS 07-08 are intended to clarify aspects of the evidence base of the Strategy, or relate to recommended responses of the Strategy.

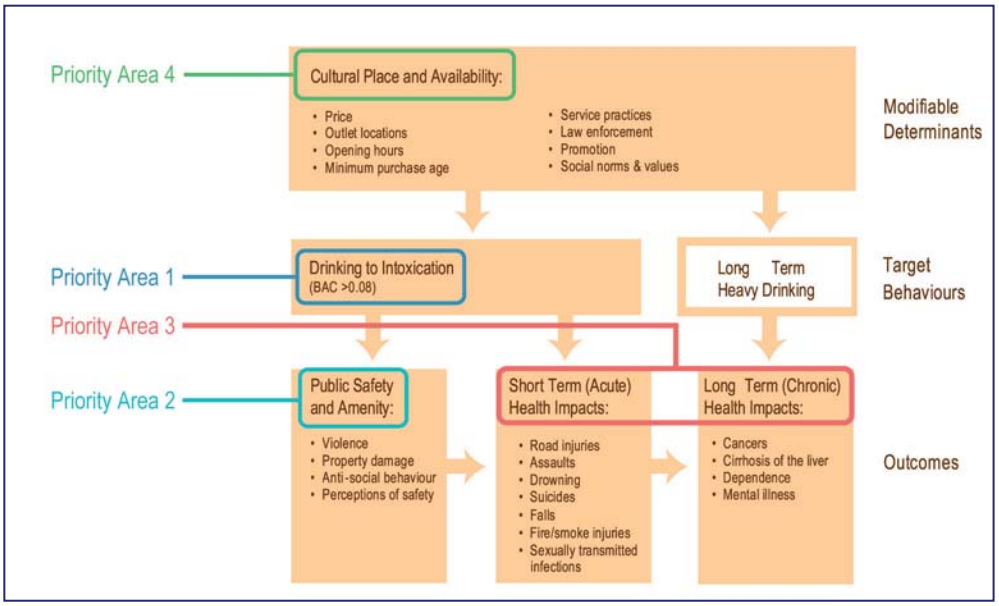
DSICA encourages Ministers and policy-makers to view current issues of alcohol consumption patterns, alcohol research issues, alcohol taxation (and administration issues) against this framework.

Architecture of the Strategy

Conceptual map of the Strategy

A conceptual map of the structure of the Strategy is set out in *Graphic 1*: *Alcohol-related harm: determinants, behaviours and outcomes (*MCDS 2006, p 6).

Graphic 1: National Alcohol Strategy 2006-2009 Conceptual Framework



- The Strategy establishes a logical approach to achieving outcomes by:
  - outlining what are the desirable **outcomes** and key areas of concern**;**
  - recognising the **behaviours** that must be addressed to achieve those outcomes; and
  - identifying the **modifiable determinants** that influence those behaviours.
- The framework shows:
  - **Price** (which can be influenced by taxation) is one of the priorities amongst Modifiable Determinants, ie those policy settings which can be changed to achieve the overall goal of the Strategy (see *Priority Area 4: Cultural Place and Availability*).
  - **Intoxication** is the key Target Behaviour to be addressed (see *Priority Area 1: Intoxication*); with Long Term Heavy Drinking being a second Target Behaviour addressed.
  - **Improvement in Public Safety and Amenity** is a key Outcome (see *Priority Area 2: Pubic Safety and Amenity*).
  - **Reductions in short-term and long-term harms** are also key Outcomes (see *Priority Area 3: Health Impacts*).
- DSICA has analysed (and numbered) the responses in the Strategy to identify which of the recommended responses are relevant to the spirits industry. A copy of the relevant responses (as numbered by DSICA) is set out in *Appendix 1* (which contains an annotated copy of the Executive Summary of the Strategy).
- The Strategy proposes an annual *national alcohol action audit* (and forum) to ensure accountability of all parties involved in the Strategy (MCDS 2006, Response 4E, p 30).
- This PBS 07-08 is part of an ongoing effort by DSICA to seek to clarify the evidence base of, and to support the relevant responses of, the Strategy.

Structure of the Strategy

The Strategy follows a logical structure in an integrated framework which lists:

- 1 Goal;
- 4 Aims;
- 23 Strategies; and
- 80 Recommended Responses.

The content of the Strategy is summarised as follows:

1. Introduction - discusses process and the importance of evidence-based policy making.

2. Strategic framework - discusses the goal and aims of the Strategy, and includes the critical graphic (*Graphic 1*) overlaying the conceptual framework of the Strategy.

3. Context - discusses some of the alleged key evidence (World Health Organisation (WHO) and Australia) as to consumption patterns which justify the recommended responses.

4. Priority areas:

- *Priority Area 1:* Intoxication [This identifies 1 Aim; 4 Strategies and **15 Responses**].
- *Priority Area 2:* Public safety and amenity: [This identifies 1 Aim, 3 Strategies and **17 Responses].**
- *Priority Area 3:* Health impacts: [This identifies 1 Aim, 4 Strategies and **18 Responses].**
- *Priority Area 4:* Cultural Place and Availability: [This identifies 1 Aim, 6 Strategies and **14 Responses**].

5. Where to from here? (discusses the implementation process) [This identifies 6 Strategies and **16 Responses**]

Quotes from the Strategy will be reproduced in this format in the margin in orange type.

Primary comments by DSICA on the Strategy

DSICA does not accept some of the key pieces of the evidence base of the Strategy.

In particular, DSICA does not accept that there is compelling evidence that RTDs are the preferred drink of underage people drinking at high risk levels.

On the contrary, DSICA believes that its *Indicators of Alcohol Consumption Amongst Young People* demonstrate that at a time when RTD consumption has been increasing:

- there has been a DECREASE in the proportion of 12-17 year olds who are current drinkers;
- there has been a DECREASE in the proportion of 14-17 year olds drinking at high risk levels;
- there has been NO INCREASE in the quantity of alcohol being consumed by young people drinking at high risk levels; and
- there has been a significant DECREASE in alcohol-related deaths amongst young people (DSICA, 2006a).

Media comments by some health groups seek to highlight the need to focus on reducing alcohol consumption amongst at risk groups. When closely analysed, it can be seen that these comments are provided against a background in which it is agreed that, although alcohol

consumption patterns are declining, they are not declining as quickly as the reductions made in relation to tobacco consumption. It is the rate of decrease that appears to be the issue.

The Strategy identifies a key objective of using price-related levers (ie taxation) to reduce consumption of alcohol at harmful levels (MCDS 2006, Response 4B, p 30).

DSICA strongly supports the aim of taking coordinated action to develop drinking cultures that support a reduction in alcohol-related harm in Australia.

However, DSICA does not accept that increased taxation of alcohol products is an acceptable means of achieving this goal. Furthermore, DSICA does not support hypothecation of taxation revenues.

DSICA strongly believes that complete taxation equivalence between low and mid-strength packaged RTDs and packaged beer of similar strength would (partly) achieve this important Strategy objective.

Lack of targets

DSICA continues to be concerned that the Strategy does not specify any particular targets for each aim.

DSICA notes that State Governments are increasingly prepared to specify targets for policy areas. For example, the recently re-elected NSW State Government has set out clear targets (and measurement tools) in relevant areas, as follows:

Healthy Communities: *Priority S3: Improved health through reduced risk drinking*:

Target = Reduce total risk drinking below 25% by 2012 (for the population 16 years and older)

Measure = NSW Health Survey Program (NSW 2006, 46-47).

DSICA would like to see specific targets (and measurement tools) set for each of the key Priority Areas of the Strategy. These could be quite general targets, such as:

- reduce the proportion of young people (12-17) who are current drinkers;
- reduce the proportion of young people (12-17) drinking at high risk levels;
- reduce the number of alcohol-related deaths amongst young people (12-17).

The National Drug Strategy Household Survey (NDSHS) would be the most appropriate measurement tool for measuring progress against some of these targets.

Annual evaluation of progress of the Strategy

DSICA is not aware of whether an annual national action audit (and forum) of the progress made under the Strategy in the last 12 months has been undertaken, as required by the Strategy (see Response 4E).

DSICA encourages the Federal Department of Health and Ageing (DHA) to undertake this annual evaluation of progress under the Strategy, to ensure the accountability of all parties involved in the Strategy. Other Federal Government departments provide annual assessments of the progress made on the implementation of major Strategy documents. For example, the Department of Industry, Tourism and Resources (DITR) publishes an annual evaluation of progress made in the implementation of the Tourism White Paper (the long term strategy for the tourism industry) (DITR 2006).

PBS 07-08 as an annual progress report by DSICA

This PBS 07-08 is intended to provide an annual progress report by DSICA on relevant data developments and actions taken by the spirits industry in relation to the Strategy. This approach has been taken specifically in response to Strategy Response 4E.

Material first published in the PBS 06-07 is reproduced without change, if there have been no significant developments in that area. This approach has been adopted to ensure completeness of this later (annual) submission. This approach will allow the reader to treat the PBS 07-08 as a stand-alone document. The reader will therefore not be required to be familiar with the contents of PBS 06-07. (This approach may result in some duplication between the two submissions in certain areas.)

Structure of the PBS 07-08

DSICA has structured the PBS 07-08 to reflect the structure of the Strategy. That is, this submission has the following sections:

Section 1: *Alcohol market and revenue estimates.* This section addresses evidence issues raised in the Introduction to the Strategy;

Section 2: *Evidence-based policy making.* This section addresses issues raised in Section 2 of the Strategy;

Section 3: *Alcohol consumption patterns in Australia.* This section addresses issues raised in Section 3 of the Strategy;

Section 4: *Underage drinking issues.* This section addresses issues raised in the context of the Strategy Priority *'Intoxication'* (Priority Area 1);

Section 5: *Taxation.* This section addresses issues raised in the context of the Strategy Priority *'Cultural Place and Availability'* (Priority Area 4);

Section 6: *Research.* This section addresses issues raised in Section 5 to the Strategy, regarding implementation;

Section 7: *Other issues:* Customs and taxation administration proposals. This section addresses issues not raised in the Strategy;

Conclusion

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1 Alcohol market and revenue estimates

Summary: *This section provides an overview of the alcohol market in Australia. Included in this analysis are overall total consumption data and trends and also a breakdown of the current alcohol market in Australia by broad beverage category. It also provides estimates of the taxation revenue to be collected on the various categories of alcohol beverage. This addresses issues in Section 1 of the Strategy.*

1.1 Economic contribution of the alcohol industry

The Alcohol Industry in Australia

The Strategy cites DSICA's analysis of net government revenue from alcohol-related taxes and also acknowledges alcohol industry estimates of the economic contribution made by the alcohol industry to the Australian economy (MCDS 2006, p 4).

The alcohol industry makes a significant economic and social contribution to Australia and Australians.

In economic terms, it is estimated that:

- the alcohol industry contributes $18.31 billion annually to the Australian economy (MCDS 2006, p 4);
- the estimated total taxation revenue collected by the Australian governments from alcohol beverages in 2005-06 was $5.61 billion (including $1.37 billion of GST revenue); and
- the industry is estimated to directly employ 36,000 persons in total, and indirectly contributes to the employment of 205,000 (including individuals in pubs, taverns and bars) (MCDS 2006, p 4).

Alcohol is widely enjoyed throughout society and is accepted as a way of relaxing and socialising. Furthermore, evidence over the past decades has shown that, when consumed at appropriate levels, alcohol can provide tangible health benefits for consumers (NHMRC 2001, p 3).

The majority of Australians drink alcohol in a responsible manner without harm to themselves or to others. In 2004, it was estimated that 1.5 million Australians consumed alcohol daily, 6.8 million on a weekly basis and a further 5.5 million on a less than weekly basis (AIHW, 2005a, p 19).

1.2 Alcohol Revenue Estimates

DSICA estimates that the Federal and State Governments in Australia will collect approximately $5.93 billion in taxation revenue from the production and consumption of alcohol beverages in the 2007-08 financial year.

The sources of this revenue are:

- excise duty (on the local manufacture of beer and spirits);
- customs duty (on the importation of beer and spirits);
- Wine Equalisation Tax (WET) (on the wholesale, or equivalent, sale of locally produced and imported wine and cider); and
- Goods and Services Tax (GST) (on the local final consumption of all products).

This section outlines DSICA's estimate of the revenue the Federal and State Governments will collect from the alcohol market in 2007-08.

DSICA Revenue Estimates – 2007-08 year

Methodology

In compiling its revenue estimates, DSICA follows a rigorous methodology and sources information from both reputable industry sources and Government agencies (eg ABS). DSICA must also estimate some variables, such as forecast market growth for different segments (based on current trends) and estimated excise rates (based on estimated CPI increases).

The figures in the graphics below are the output from this process. The detailed historical data and forecasts in relation to these estimates can be found in the soon to be released *Alcohol Tax In Australia 2007* (DSICA 2007, or see www.dsica.com.au).

Revenue estimates for 2007-08

For the 2007-08 year, DSICA estimates that the Federal and State Governments will receive the following taxation revenue from the alcohol beverage sector:

- $1,204m in customs duty;
- $2,663m in excise duty;
- $682m in WET;
- Resulting in $4,549 non-GST revenue (see *Graphic 2*);
- $1,382m in GST revenue for the States and territories (see *Graphic 4*);
- Resulting in $5,931m in total.

Graphics 2, 3 and *4* below tabulate these figures in greater detail.

Graphic 2: DSICA estimates of non-GST Commonwealth revenue from alcohol taxation (2007-08)

NON-GST REVENUE ESTIMATE 2007- 08 ($ MILLIONS)

Product category	Customs Duty	Excise Duty	WET	TOTAL	%
Beer low-strength	-	$92	-	$92	2.0%
Beer mid-strength	-	$197	-	$197	4.3%
Beer full-strength	$40	$1,501	-	$1,541	33.9%
Total Beer	$40	$1,790	-	$1,830	40.2%
Spirits	$1,159	$154	-	$1,313	28.9%
RTDs	$5	$720	-	$725	15.9%
Total Spirits	$1,164	$874	-	$2,038	44.8%
Wine	-	-	$665	$665	14.6%
Cider	-	-	$17	$17	0.4%
Grand Total	$1,204	$2,663	$682	$4,549	100.0%

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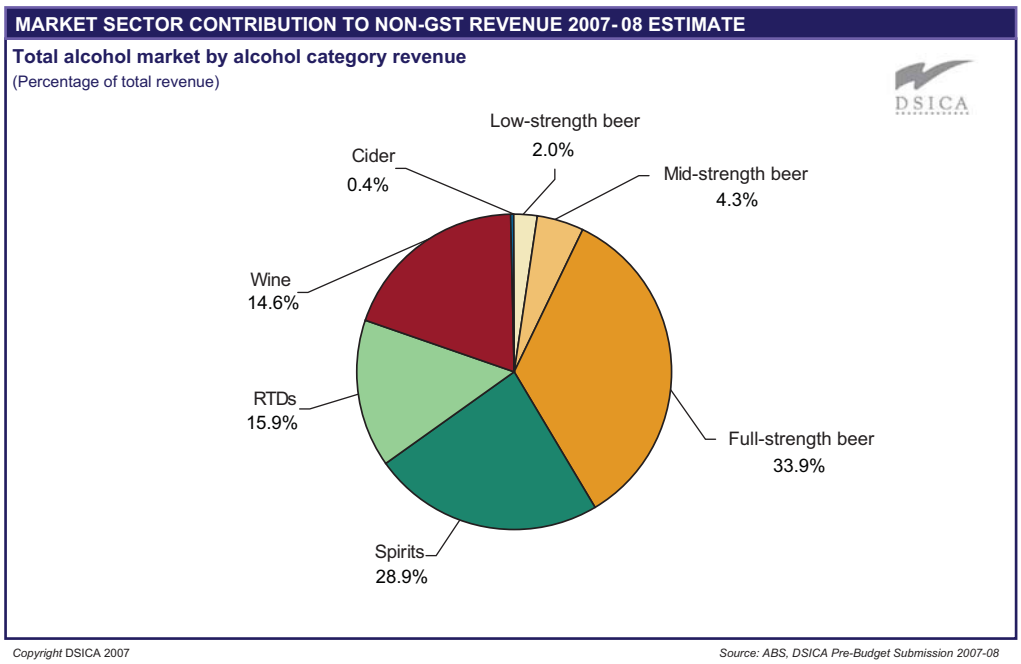
Source: ABS, DSICA Pre-Budget Submission 2007-08

Graphic 3: Market sector contribution to non-GST revenue, (2007-08)



DSICA estimates that the States and Territories will receive $1,382 million in GST revenue from alcohol products in 2007-08 (see *Graphic 4*). This is a conservative estimate, and does not include a component to reflect the GST on the service element where alcohol products are served on-premise.

Graphic 4: DSICA estimates of State and Territory GST revenue from alcohol taxation (2007-08)

GST REVENUE ESTIMATE, 2007-08 ($ MILLIONS)

Product category	Retail sales (GST inclusive)	GST Revenue	%
Beer low-strength	$641	$58	4.2%
Beer mid-strength	$749	$68	4.9%
Beer full-strength	$4,766	$433	31.4%
Total Beer	$6,156	$560	40.5%
Spirits	$2,172	$197	14.3%
RTDs	$2,717	$247	17.9%
Total Spirits	$4,889	$444	32.2%
Wine	$4,056	$369	26.7%
Cider	$103	$9	0.7%
Total	$15,204	$1,382	100%

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Source: ABS; DSICA Pre-Budget Submission, 2007-08

(Note: Figures above may not add to the totals provided, as small differences arise due to rounding.)

1.3 Conclusion

The alcohol industry contributes significantly to Australia's economic well-being. The industry makes a multi-billion dollar contribution to the Australian economy annually, and provides direct and indirect employment opportunities for many Australians. Furthermore, the alcohol industry provides a valuable taxation source to both the Federal and State Governments.

2 Evidence-based policy making

Summary: *This section provides an overview of evidence-based policy making issues. This addresses issues in Section 2 of the Strategy.*

2.1 National Drug Strategy

The Strategy highlights the importance of evidence-based policy making (see MCDS 2006, p 7).

DSICA strongly supports the principles of evidence-based policy making as set out in *The National Drug Strategy 2004-2009* (the Drug Strategy). The Drug Strategy provides a framework for a coordinated, integrated response to reducing drug-related harm in Australia over the period 2004-2009 (MCDS 2004, p 12). The Drug Strategy provides an appropriate emphasis on "evidence-informed practice":

> Wherever possible, all supply-reduction, demand-reduction and harm-reduction strategies should reflect practices that are informed by evidence **derived from rigorous research, critical evaluation,** (including assessment of the cost effectiveness of interventions), practitioner expertise and the needs and preferences of the individual client or consumer.
>
> The National Drug Strategy must continue to encourage innovation and leadership in the development of new approaches. An important goal, which is implicit in adopting this approach is to **build (wherever possible) upon the evidence base**, so that the impact of current approaches is well understood, the options for future actions thoroughly explored, and the policy and program approaches adopted are influenced by this work. (see p 12) (Our emphasis).

2.2 The burden of proof in advocating change

DSICA considers that the importance of evidence-based policy making was particularly emphasised by the Hon. Christopher Pyne, MP, former Federal Parliamentary Secretary to the Minister for Health and Ageing, in his 2004 address to the National Press Club: *Teenage Drinking – Who's responsible?*

The then Parliamentary Secretary stated a number of key principles strongly supported by DSICA:

> When debate over a social problem gains publicity, there is a political imperative for government to act. Sometimes, government acts wisely; sometimes foolishly and ineffectively. All too often, it is driven by a desire to be seen to be doing something about whichever problem has captured the latest headlines … the pressure to act at all costs is inconsistent with the belief that **advocates of change bear the burden of proof in demonstrating the need for that change.** (Pyne 2004, p 1) (Our emphasis)

DSICA believes that the advocates of changes to the existing alcohol taxation structure bear the burden of identifying the evidence that justifies those proposed changes.

'Evidence-based' responses

The Strategy correctly emphasises the importance of evidence-based policy making.

The Strategy states that all responses recommended for implementation must possess the following primary characteristic:

*1. **Evidence-based** with capacity for process, impact and outcome evaluations (p 7).*

DSICA strongly supports this principle.

DSICA believes that changes in alcohol taxation should only be considered where there is firm evidence derived from rigorous research. DSICA does not agree with some of the evidence base of the Strategy (see Section 3).

The 'precautionary principle'

However, the Strategy allows an exception where there is limited or no evidence.

While an evidence base should always be sought in developing alcohol policy, this is sometimes not possible because new issues and questions can emerge ahead of the answers. In this context, it is necessary to approach policy decisions with some caution, akin to a public health concept termed the 'precautionary principle' (Babor et al 2003). (p 5). ….. Where there is limited or no evidence base, the precautionary principle could apply and expert opinion may be sought (p 7).

DSICA does not believe that the 'precautionary principle' should apply to alcohol taxation policy decisions. Where there is limited or no evidence base, or no widespread industry and non-government consensus on the evidence justifying a proposed taxation change, then the precautionary principle should not apply.

DSICA's comments regarding improved research outcomes to improve the evidence base are set out in *Section 6: Alcohol research.*

2.3 Recommendations:

DSICA believes that the 2007-08 Budget should not make any taxation changes on alcohol products unless:

- those changes are based on the best available evidence;
- there is broad consensus regarding that evidence; and
- there is reliable evidence that the changes will achieve the objectives of the Strategy.

3 Alcohol consumption patterns in Australia

Summary: *This section highlights alcohol consumption data at (a) the aggregate level (per capita) and (b) in relation to specific sections of the Australian community. This addresses issues in Section 3 of the Strategy.*

3.1 Per capita consumption data

The Strategy suggests that per capita consumption in Australia is relatively high, when Australia is ranked out of the 185 countries compared by the WHO:

Per capita alcohol consumption in Australia is relatively high, ranked 34th out of 185 countries compared by the WHO (p 8).

DSICA does not agree with these comparisons. The 185 countries compared by the WHO include many developing countries with significantly lower income levels and significantly different religious and social attitudes to alcohol consumption.

Australia's per capita alcohol consumption should be compared with comparable developed countries. Australia's GDP per capita is arguably third in the world, and is higher than comparable developed countries such as the UK, France, Germany, Italy, Spain and New Zealand (Crowe 2006).

The *World Drink Trends 2004* shows Australia's alcohol consumption ranking has fallen from 19th in 1999 to 23rd in the world. Australia ranks 35th in the world for spirits consumption, 9th for beer consumption and 17th for wine consumption (PVGD 2004, p 9). The practical reality is that per capita consumption in comparable developed countries is higher than in Australia – especially in relation to spirits consumption.

Comparison with the other nine OECD countries selected by the *International Comparison of Australia's Taxes* report (Warburton & Hendy 2006) further supports this conclusion. DSICA's analysis reveals that within these ten OECD countries, Australia has the lowest per capita consumption of spirituous beverages.

Australia's declining levels of alcohol consumption

Australasia's alcohol consumption fell 15.4 per cent during the 1990's, the greatest decline of consumption for any region in the world (PVGD 2004, p19). From an alcohol consumption peak in the early 1980's, current consumption rates have fallen to levels of consumption not seen since the 1960's and 1970's.

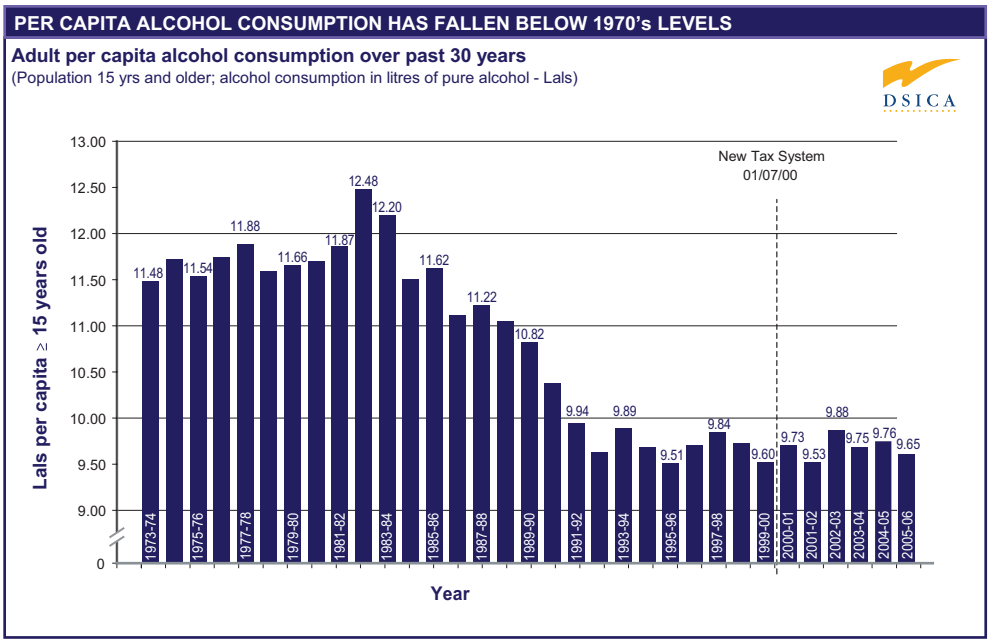
Stable trend in adult per capita alcohol consumption

In 2005-06, DSICA estimates alcohol consumption in Australia at 9.65 litres of pure alcohol (Lals) per capita (population 15 years and over). This is down slightly on 9.76 Lals per capita in 2004-05.

DSICA has summarised a number of key facts in relation to overall alcohol consumption trends. These trends are made clear by *Graphic 5*, which illustrates:

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

Graphic 5: Historical Alcohol Adult per Capita Consumption (Lals) 1973-74 to 2005-06



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Source: ABS, DSICA Pre-Budget Submission 2007-08

Adult per capita alcohol consumption has not increased significantly between 1999-00 (9.60 adult per capita Lals) and 2005-06 (9.65 adult per capita Lals). This data conclusively establishes that the reduction in the tax rate on RTDs under the New Tax System has had no discernible impact on adult per capita consumption levels of alcohol in Australia.

Is per capita consumption an indicator of high risk drinking?

The Strategy suggests that per capita consumption levels are an accurate indicator of the levels of high risk drinking.

Per capita consumption is 'to a considerable extent, related to the prevalence of heavy use, which in turn is associated with negative effects' (Babor et al 2003, p 31) (p 8).

DSICA rejects this proposition. There is no compelling evidence that DSICA is aware of supporting the assertion that per capita consumption levels are a necessary indicator of high risk drinking levels. DSICA believes consumption patterns amongst various age and social groups provide a much more reliable indicator of the prevalence of high risk drinking.

3.2 Alcohol consumption in Australia – product categories

The Strategy highlights the importance of alcohol consumption data in relation to specific sections of the Australian community (see MCDS 2006, Section 3). DSICA supports this approach.

The Strategy correctly observes the changing mix of the Australian alcohol market, by category:

There have been significant shifts in the alcoholic product preferences in Australia, characterised by declines in the consumption of beer and increases in the consumption of wine and spirits (see Figure 6) (p 10).

The increases in consumption of spirits have been driven by increased consumption of 'Ready to Drink' (RTDs) pre-mixed spirits products (see Figure 7) (p 10).

However, the Strategy fails to recognise that increases in RTD consumption have occurred in substitution for full strength beer and full strength bottled spirits.

Changes in the categories within the Australian alcohol market

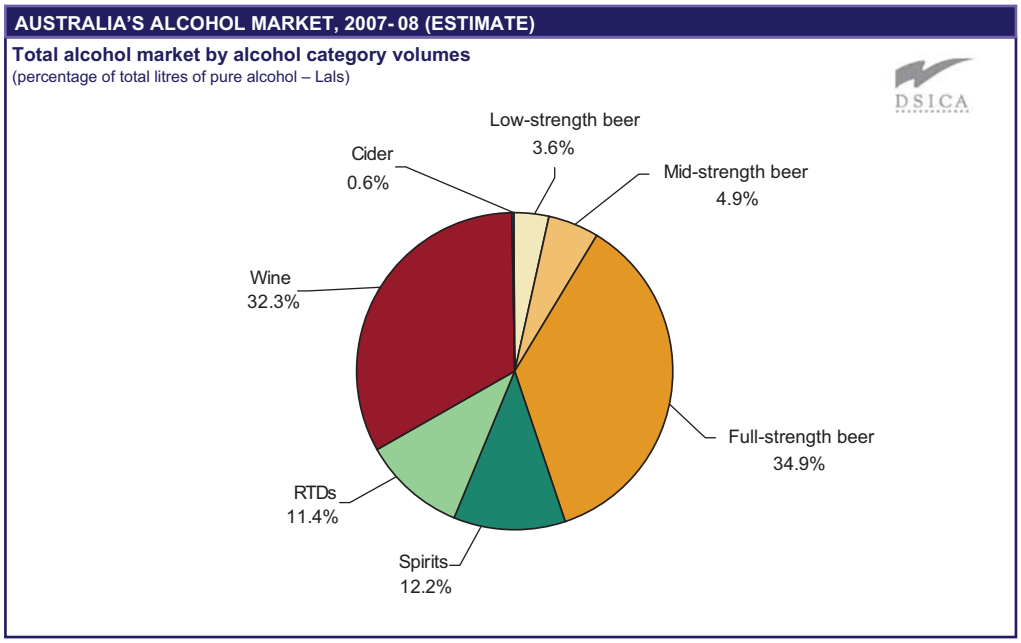
The breakdown of the alcohol market in Australia remained stable between 2004-05 and 2005-06. In 2005-06, beer comprised 46% of the market (down 1% on 2004-05), spirits (including RTDs) making up 22% (up 1%) and wine 32% (relatively stable). Estimates for 2006-07 suggest this stability will continue, with beer comprising 45% of the market, spirits accounting for 23%, and wine remaining stable at 32%.

Based on industry calculations, DSICA forecasts that in 2007-08 beer will comprise approximately 43% of the total alcohol market, and wine (including fortified wine) will comprise 32%, with spirits (including RTDs which will comprise approximately half of this share) estimated to make up 24%. The measure adopted for comparison purposes is litres of pure alcohol (Lals) rather than litres of product.

These forecasts follow current trends observed in the market, with beer in decline (down approximately 4% in the last 7 years), wine experiencing reasonable growth (up 17.4%) and spirits growing strongly (up 43%) – exclusively due to the growth in the RTD market (the full strength spirits market has declined 5% over the last 7 years).

Graphic 6 illustrates forecast market shares of key alcohol product categories in Australia for 2007-08. See *Alcohol Tax in Australia 2007* for DSICA's detailed and historical data regarding Australia's alcohol market by alcohol category.

Graphic 6: Australian Alcohol Beverage Market - % share in Lals (2007-08 estimate)

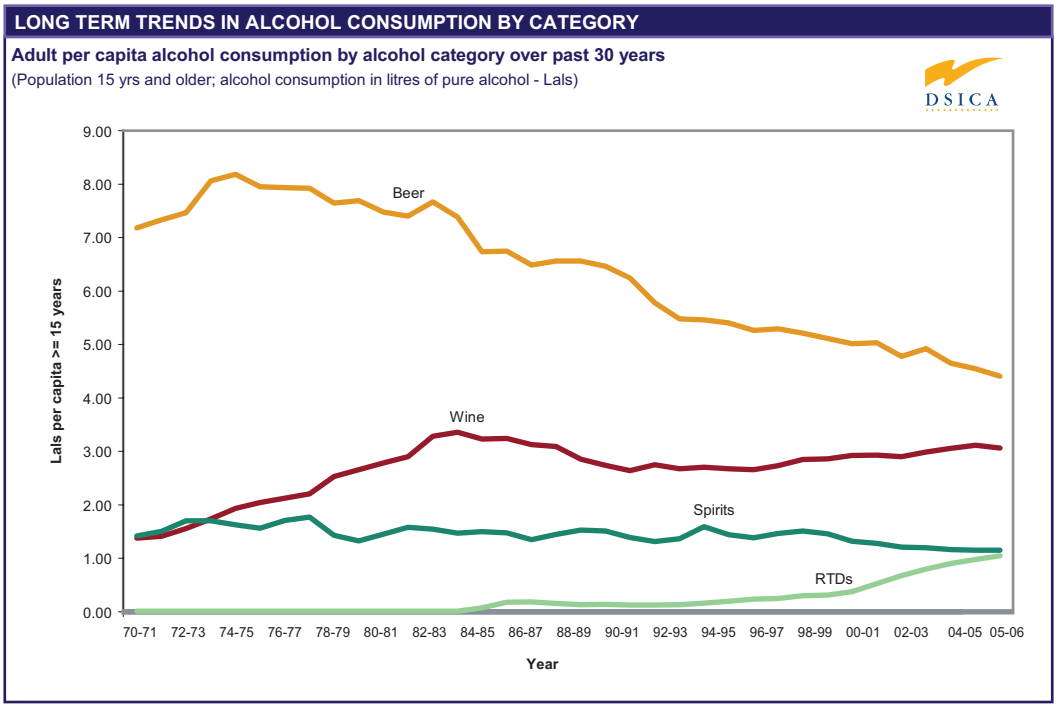


Copyright DSICA 2007
Source: ABS, DSICA Pre-Budget Submission 2007-08

Trends in alcohol consumption by product category

Graphic 7 illustrates a time series trend in alcohol consumption by product category since 1970-71. This diagram reflects the trends discussed in the preceding section.

Graphic 7: Australia's adult per capita alcohol consumption by alcohol category (1970-71 to 2005-06)



Copyright DSICA 2007
Source: ABS, DSICA Pre-Budget Submission 2007-08

The spirits market

Analysts and commentators on the alcohol market often evaluate the spirits market by combining full strength bottled spirits with RTDs. However, to gain a full understanding of the dynamics of the sector, DSICA believes these two key and distinct sub-components require separate analysis.

For example, when taken together, the market shows growth of 43% over the 7 year period to 2005-06. However, analysis of the two sub-categories illustrates a very different story - it is interesting to reflect on recent trends in these two sub-categories.

Full strength bottled spirits

As outlined above, the bottled spirits market has declined by 5% in the period 1999-00 to 2005-06. Full strength bottled spirits currently comprise 11.9% of the total alcohol market, down from 13.8% in 1999-00.

Long term analysis between the periods 1969-70 and 2005-06 reveals spirits consumption has only grown at an average annual rate of 1.4%. This conclusion, when read with the observations from *Graphic 5*, illustrates that a significant proportion of the growth in RTDs has been at the expense of full-strength spirits.

3.3 Ready to Drink alcohol products (RTDs)

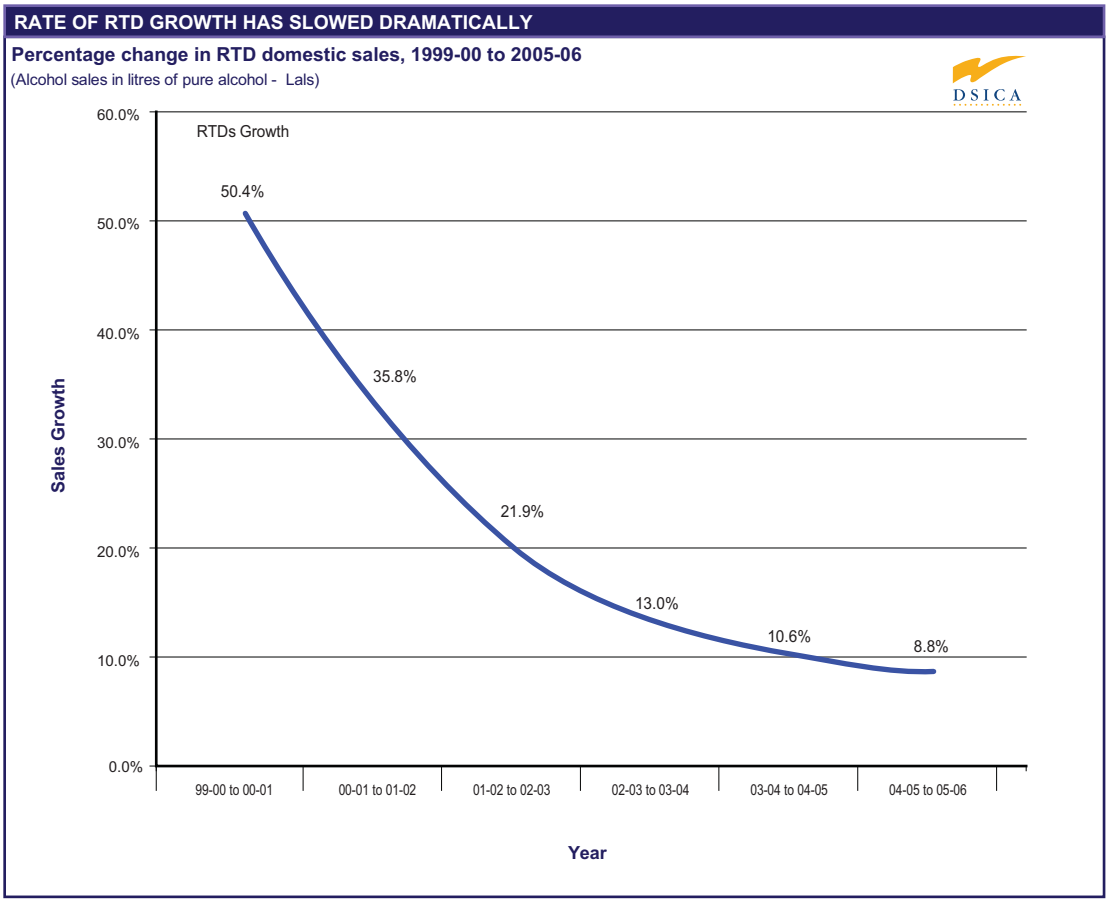
DSICA believes it important that the best available industry data regarding the key features of the RTD market is disseminated and understood by interested parties.

DSICA outlines in this section a number of key facts which concern the RTD beverage market in Australia:

- the majority of RTDs are similar in alcohol content to full-strength beer (about 5% alcohol by volume (abv));
- RTDs are forecast to comprise only 11% of the Australian alcohol market in 2007-08;
- 74% of RTDs are dark spirit-based, and are preferred by males 24 years and older; and
- the RTD market has grown 235% in the 7 year period since 1999-00. However, it should be emphasised that this has been growth from a very low base of 3% in 1999-2000.

Another important observation for this sector is the slowing rate of growth exhibited over this period (see *Graphic 8*). As the graphic shows, growth has slowed from 50.4% in 2000-01 to 8.8% in 2005-06. This trend suggests that growth in this market has now plateaued.

Graphic 8: Slowing growth in RTD market, 1999-00 to 2005-06



Copyright DSICA 2007

Source: DSICA Pre-budget submission 2007-08

It can be seen that the increase in the popularity of RTDs has been primarily in substitution for bottled full-strength spirits and full-strength beer, and is not due to an overall increase in consumption.

Further detailed analysis regarding the consumption patterns occurring in the RTD market are contained in *Appendix 2: Alcohol Market and RTD Facts.*

3.4 Patterns of alcohol consumption

The Strategy highlights the importance of alcohol consumption data in relation to patterns of alcohol consumption amongst specific sections of the Australian community (see MCDS 2006, Section 3).

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

Professor McAllister's 2003 analysis of the key national data and trends is currently being updated to take account of the detailed findings of the *2004 National Drug Strategy Household Survey* (NDSHS) (see McAllister, 2003).

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

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

Risk

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

Each of these levels of risk is defined as follows:

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

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

Benefits of consuming alcohol at low risk levels

The Strategy recognises the potential health benefits of consuming alcohol at low risk levels:

There is also evidence that alcohol can benefit the health of some individuals, if consumed at low levels, by contributing to the reduction of cardiovascular disease risk from middle-age onwards. Everyday, thousands of Australians benefit in some way from alcohol (p 4).

DSICA strongly supports this finding. In particular, DSICA believes the fact that large proportions of individual age groups are either abstainers, or consume alcohol at low risk levels requires greater recognition. The beverage product choices of low risk drinkers should also be noted (see McAllister 2003).

Risky and high risk drinking categories

DSICA does not agree with the emerging practice of grouping risky and high risk groups together into a *"high**er** risk"* category, for analysis purposes. This description has been used in the National Alcohol Campaign results (King et al 2003) and in the National Indicators reports (Chikritzhs et al 2004). This practice blurs the clear focus that we should have on the urgent need to develop strategies targeted at reducing levels of *high risk* drinking. The danger in using the 'higher risk' description is that the findings will be assumed to apply to the high risk group alone. DSICA notes that the Guidelines have not adopted this misleading 'higher risk' category.

It is often necessary to group risky and high risk drinkers together to ensure a sufficiently large sample size. Where this occurs, this should be reflected by referring to the group as 'risky and high risk drinkers', to ensure that the adding together of two groups is transparent (see an example of this approach in AIHW 2005b, p 28).

It is important thereafter to differentiate between *risky* and *high risk* drinkers in any analysis of drinking patterns amongst particular age groups.

3.5 Government statistics on alcohol consumption

The Strategy correctly identifies that there is an urgent need for greater consistency between official WHO and national estimates of alcohol production and consumption data:

The availability of reliable data on alcohol consumption in Australia remains a contentious issue. …. Consequently, there are now at least four different estimates published from four different sources using four different methodologies (see Figure 4). ….. it must still be emphasised that the estimates from the ABS, the National Alcohol Indicators Project (NAIP), and the WHO are also likely to contain some inaccuracies (p 9).

There are several Government publications which record, or forecast, the quantities of alcohol (by category) and revenue derived (or foregone, by way of tax expenditure) from the Australian alcohol market. However, there is no consistency between these publications. These publications are issued by various Government agencies including:

- ABS;
- the Australian Institute of Health and Welfare (AIHW);
- Treasury; and
- The Australian Taxation Office (ATO).

Customs does not publish any relevant data, which is regrettable.

A summary of issues surrounding the consistency and methodology of government statistics is listed below.

ABS publications

During 2006, the ABS released the most recent edition of a significant publication which provides important data on the Australian alcohol market. This publication is *Apparent Consumption of Alcohol, Australia*, 2004-05 (ABS 2006).

This publication contains estimates of the quantity of beer and wine available (in litres) for consumption for the years 2003-04 to 2004-05. It also provides estimates of the amount of pure alcohol (measured in Lals) available for consumption for beer, wine and spirits. Estimates of the apparent per adult consumption (persons aged 15 years and over) are also provided. The issue of this publication follows the release of publications for the periods 1996-97 to 2002-03

(ABS 2004) and 1999-2000 to 2003-2004 (ABS 2005), prior to which they had not been produced for many years.

DSICA commends the ABS for the consultative manner in which it has approached the preparation, and revision, of this publication. DSICA supports the ABS decision to update this publication annually.

However, there remain significant weaknesses in the publication, due to the unavailability of key customs data. In particular, the ABS has not been able to publish any RTD (or full strength spirits) consumption figures for the three financial years ending 30 June 2000, 2001 and 2002. This weakness has a significant impact on the ability of researchers to properly analyse the changes in the RTD market under tax reform.

This flaw in the ABS data set has prevented the Strategy document from being able to document the changes in the RTD market prior to 2002-03 (MCDS 2006, p 10).

DSICA has estimated the size of the RTD and full strength spirits market in the relevant years. So too has Treasury. However, it is unfortunate that there is no relevant ABS estimate for those years (see DSICA 2006b).

AIHW publications

The AIHW is Australia's national health and welfare statistics and information agency.

Relevant AIHW publications include the *2004 National Drug Strategy Household Survey First Results* (AIHW 2005a), *2004 National Drug Strategy Household Survey Detailed Findings* (AIHW 2005b), and *Statistics on drug use in Australia 2006* (AIHW 2007).

DSICA considers the NDSHS to be the Australian "gold standard" in terms of the best available national survey evidence on alcohol consumption patterns in Australia (DSICA 2006a, p 14). DSICA believes that these are extremely important surveys and commends the Australian Government on continuing to undertake and enhance these surveys since 1985. However, DSICA recommends that the survey should be conducted more frequently than every three years (see DSICA 2006a, p 14).

In *Statistics on drug use in Australia 2006,* AIHW states that the publication "provides a summary of major drug-use statistical collections …" (AIHW 2007, p vii). DSICA recognises that this publication serves an important purpose. However, the methodology adopted in documenting international comparisons of per capita consumption of alcohol beverages is of some concern.

AIHW has documented data which is whole of population ***per capita consumption*** data (AIHW 2007, p 19). The internationally accepted measure preferred by the WHO (and correctly applied by the ABS) is *adult* ***per capita consumption (ie by persons aged 15 years and over)*** (ABS 2005; WHO 2000). AIHW has recorded the former (ie per capita consumption data) in its international comparisons notwithstanding that it has documented consumption by persons aged 15 years and over in the main chapter of the publication devoted to alcohol (AIHW 2007, p 16).

DSICA recommends that the AIHW adopt a consistent approach in the reporting of consumption data by applying the internationally accepted method - in this case per capita consumption by persons aged 15 years and over.

Treasury publications

Relevant Treasury documents include the annual Commonwealth *Budget* (Treasurer 2006) and the annual *Tax Expenditures Statement* (Treasury 2006).

Annual Budget

DSICA has commended the Treasurer on the improved detail and presentation of Budget data and forecasts in *Budget Paper No. 1* in relation to several alcohol category/revenue issues sought by DSICA. These enhancements include:

- increased number of years (Actual, Estimates and Projections) now published;
- global Customs duty estimate for revenue collected on excise equivalent goods (alcohol, tobacco and petroleum); and
- global estimate of refunds and drawbacks of customs duty (for all goods) (see *Table 9* in *Statement 5*, *Budget Paper No. 1*, Treasurer 2006, p 5-16).

DSICA recommends that this data should be further disaggregated in future Budget documentation as follows:

- Excise duty: the Budget should include separate excise duty revenue estimates for:
  - full-strength spirits (including brandy); and
  - RTDs (ie other excisable beverages not exceeding 10% alcohol by volume) (this change would only involve one extra row in Table 9);
- Customs duty: the Budget should include separate revenue estimates for:
  - beer;
  - full-strength spirits (including brandy);
  - RTDs (this would involve three extra rows in Table 9).
- Customs duty drawback: the Budget should identify the estimates for:
  - customs duty drawback to be paid on alcohol (this would involve one extra row in Table 9).

Annual Tax Expenditures Statement (TES)

DSICA commends Treasury on the detailed data provided in the annual TES in relation to tax expenditures (and negative tax expenditures) on the various categories of alcohol products.

ATO publications

Relevant ATO publications include the annual *Taxation Statistics* publication (ATO 2007). DSICA commends the ATO on the detailed data published on the quantities of alcohol products subject to excise, and revenues collected.

Customs

It is extremely regrettable that Customs chooses not to publish any data regarding quantities of imported alcohol by category, or collections of customs duty from those alcohol categories. DSICA's *Pre-Budget Submission* and *Alcohol Tax in Australia* are among very few sources of publicly available estimates of these data.

Action required

DSICA recommends that the various Federal Government agencies with responsibility for collection and analysis of statistics regarding alcohol production, consumption and revenue collaborate to establish a defined system and consistent methodology for the collection and reporting of consistent data.

This process and methodology should be developed in consultation with industry representatives with outputs also being transparent to industry. Relevant agencies to be involved in this process (at a minimum) should include ABS, AIHW, ATO, Treasury and Customs.

DSICA has raised this issue with the Alcohol Corporate Consultative Forum run by the ATO, and progress is being made in possibly addressing DSICA's concerns.

3.6 Recommendations

DSICA recommends:

- that all alcohol consumption data should differentiate, where possible, between *risky* and *high risk* drinkers in any analysis of drinking patterns amongst particular age groups; and
- that the various Federal Government agencies with responsibility for collection and analysis of statistics regarding alcohol production, consumption and revenue collaborate (with industry input) to establish a defined system and consistent methodology for the collection and reporting of consistent data.

4 Underage drinking issues

Summary: *This section outlines conclusions utilising the latest and best available evidence regarding alcohol consumption amongst one of the groups in society at more risk of harm from alcohol – young people. We also outline commentary and describe some initiatives that have been introduced to combat risky and high risk drinking. This perspective is provided within the context of the Strategy Priority "Intoxication" (Priority Area 1) which considers measures to reduce the incidence of intoxication.*

4.1 Reducing the incidence of intoxication

The Strategy's aim in *Priority Area 1* is to reduce the incidence of intoxication amongst drinkers. DSICA strongly supports this aim.

This is an issue for many age groups, especially some of the older age groups. Much of the focus of the Strategy and of health groups is on underage drinkers.

However, DSICA has several concerns regarding the manner in which the Strategy presents its evidence on underage drinking to intoxication (MCDS 2006, p 13).

DSICA's position

DSICA commends the Strategy for not citing any of the several widely publicised occasional surveys of drinking behaviour which are not reliable.

DSICA acknowledges the ongoing perception by some in the community - partly attributable to these unreliable sources - that there are increasing levels of abuse of alcohol by young (especially underage) drinkers. Unreliable sources have also contributed to the view that the increasing popularity of RTDs among young drinkers is contributing to (if not causing) increased levels of alcohol abuse by young people.

The perception that an increased level of underage drinking is product-driven, is not supported by reliable evidence. While the dimensions and causes of underage drinking require further examination, the industry has shown it is capable of ensuring its products are manufactured and developed responsibly and in line with community expectations through the self-regulatory systems.

DSICA believes that the highest priority should be given to reducing the levels of *high risk* drinking amongst vulnerable groups in our community, including amongst underage (12-17 year olds) and young adult (18-24 year olds) drinkers, and indigenous groups. In addressing the issues surrounding underage drinking, policy options must consider broad youth issues and should be backed by sound research into effective delivery of initiatives that have real impacts on reducing problematic behaviour.

The goal of reducing the incidence of intoxication amongst young people should remain a priority area that must not be influenced by sensationalism. Rather a foundation of reliable evidence must become the basis for the implementation of a comprehensive range of harm reduction strategies.

4.2 Indicators of alcohol consumption amongst young people

Background

In its 2005-06 Pre-budget Submission (PBS 05-06), DSICA introduced a new reference tool – *Indicators of Alcohol Consumption Amongst Young People* (the Indicators). This tool consists

of six key indicators in relation to consumption patterns amongst young people and seeks to identify:

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

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

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

Graphic 9 below provides an update of the Indicators following release of the DHA Research Report, *Australian secondary school students' use of alcohol in 2005* (White & Hayman 2006).

A detailed explanation of the current state and trends of each of the Indicators is provided in a comprehensive DSICA publication: *Indicators of Alcohol Consumption Amongst Young People* (see DSICA 2006a – also available at http://www.dsica.com.au). This publication includes a detailed explanation of each of the 6 Indicators.

DSICA has recently updated the Indicators to its Fourth Release, and the summary Indicators Table is set out on the following page.

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

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

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

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

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

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

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

Graphic 9: Indicators of alcohol consumption amongst young people

DSICA

INDICATORS OF ALCOHOL CONSUMPTION AMONGST YOUNG PEOPLE

April 2007

Indicators	Snapshot		Trend	
	Facts	Timeframe (Source)	Facts	Timeframe (Source)
Indicator 1: Age of initiation At what age is alcohol most commonly first consumed?	**Males = 16.6 yrs** (mean age of initiation, 20 yr olds and over) **Females = 17.9 yrs** (mean age of initiation, 20 yr olds and over)	2004 NDSHS[1]	**Trendless fluctuation**	1991-2004 NDSHS[2]
Indicator 2: Prevalence What proportion are current drinkers?	**Males** **30%** of **12-17** yr olds (are current drinkers - past week) **Females** **27%** of **12-17** yr olds (are current drinkers - past week)	2005 ASSSA[3]	**Decrease: 12-15** yr olds **Slight decrease: 16-17** yr olds	1984, 1999, 2002, 2005 1999-2005, ASSSA[4]
Indicator 3: High risk drinkers What proportion engage in high risk drinking?	***Short-term (single day):*** **9.4%** of **14-17** yr olds (are high risk drinkers) **19.1%** of **18-24** yr olds (are high risk drinkers) ***Long-term (regular weekly pattern)*** **1.8%** of **14-17** yr olds (are high risk drinkers) **8.0%** of **18-24** yr olds (are high risk drinkers)	2004 2004 NDSHS[5]	**Decrease: 14-17** yr olds **Increase: 18-24** yr olds **Decrease: 14-17** yr olds **Decrease: 18-24** yr olds	2001-2004 NDSHS[6]
Indicator 4: Standard drinks consumed What is the average number of standard drinks being consumed by risky and high risk drinkers on each drinking occasion?	***Males: Short-term (last drinking occasion):*** **12.4 std drinks** for **15-17** yr olds (average consumed by risky and high risk drinkers) ***Females: Short-term (last drinking occasion)*** **9.0 std drinks for 15-17** yr olds (average consumed by risky and high risk drinkers)	2004 2004 NAC[7]	**Slight decrease: 15-17** yr old males **Decrease:** 5% fall for **15-17** yr old females	Feb 2000-Feb 2004 NAC[8]
Indicator 5: Alcohol attributable deaths How many are dying from alcohol attributable deaths?	**One 14-17 yr old dies per week** (from alcohol-attributable injury and disease caused by risky/high risk drinking) (501 deaths over 10 yrs 1993-2002))	2002 Other[9]	**Declined markedly:** 41% fall **14-17** yr old males 46% fall **14-17** yr old females	1993-2002 Other[10]
Indicator 6: Product preference What is the product most commonly consumed by high risk drinkers?	**Full-strength beer** (preferred by risky and high risk males **14-19** yrs) **Spirits** (preferred by risky and high risk females **14-19** yrs)	2004 NDSHS[11]	**No Change**	2001-2004 NDSHS[11] DSICA

Footnotes to Graphic 9: Indicators of Alcohol Consumption Amongst Young People

Please refer to the DSICA publication *Indicators of Alcohol Consumption Amongst Young People, Third Release, April 2006* (DSICA 2006a) for full references of the footnotes in *Graphic 9*. Note that footnotes 3 and 4 have since been updated to reflect the results of the latest Australian Secondary School Students Survey.

Also note that the Indicators publication contains a detailed analysis of all of the data underlying each Indicator. For example, each Indicator is separately extracted for analysis, utilising the following graphical approach:

Graphic 10: Indicators of alcohol consumption amongst young people: Indicator 1

INDICATORS OF ALCOHOL CONSUMPTION AMONGST YOUNG PEOPLE

December 2005

Indicators	Snapshot		Trend	
	Facts	Timeframe (Source)	Facts	Timeframe (Source)
Indicator 1: Age of initiation At what age is alcohol most commonly first consumed?	**Males = 16.6 yrs** (mean age of initiation, 20 yr olds and over) **Females = 17.9 yrs** (mean age of initiation, 20 yr olds and over)	2004 NDS[1]	**Trendless fluctuation**	1991-2004 NDS[2]

DSICA

1. McAllister, I, 2005, *Alcohol consumption among adolescents and young adults December 2005 update*, Research School of Social Sciences, Australian National University, Canberra. (McAllister, 2005)
2. McAllister, 2005

The comments below are drawn from the relevant parts of the Indicators publication, and are updated where appropriate (DSICA 2006a).

4.3 The Indicators and the Strategy

DSICA is disappointed that the Strategy does not directly address the evidence compiled in the Indicators Table and in the more comprehensive Indicators publication.

In summary, the Indicators Table balances some of the evidence quoted rather selectively in the Strategy with the following facts:

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

The Strategy does not report that the best available national evidence shows no overall increase in the average age of initiation to alcohol (DSICA 2006a, p 3).

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

The Strategy seeks to create the perception that there has been an increase in the proportion of adolescents who are current drinkers:

*In 2004, almost a third of 12-15 year olds drank alcohol, and this figure **rose** to three quarters for 15-16 year olds (AIHW 2005) (p 13). (Our emphasis)*

However, the fact is that these figures have been relatively stable, or have fallen, over the past 20 years (White & Hayman 2006, p 25). This fact clearly shows that there is no evidence of any link between increasing levels of RTD consumption and the prevalence of drinking amongst young people (DSICA 2006a, p 6).

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

The Strategy seeks to create the perception of an increase in the number of 15-17 year olds drinking at risky and high risk levels:

Between 34 and 50 per cent of males aged 15-17 years who drank within the previous three months reported consuming alcohol at higher risk levels (equivalent to seven or more standard drinks), while among females, the rate was between 42 and 47 per cent (equivalent to five or more standard drinks) (King et al 2005) (p 13).

This is misleading.

Males: The fact is that the research quoted shows that the proportion of 15-17 male drinkers who consumed alcohol at higher risk levels has DECREASED between 2000 and 2004. The 34% figure relates to the sample taken in the later year 2004 and the 50% figure relates to the sample taken in the earlier year, 2001 (King et al 2005, p 40).

Females: Similarly, the fact is that the research quoted shows that the proportion of 15-17 female drinkers who consumed alcohol at higher risk levels has DECREASED between 2001 and 2004. The 42% figure relates to the sample taken in the year 2000 and the 47% figure relates to the sample taken in the year 2001. When all 5 surveys are considered, we see that the figure has actually declined from 47% in 2001 to 44% in 2004 (and was actually 41% in 2003) (King et al 2005, p 41).

These facts clearly show that there is no evidence of any link between increasing levels of RTD consumption and the proportion of young people who drink alcohol at risky or high risk levels (DSICA 2006a, p 8).

Also, DSICA notes the findings of the NSW Government, that the proportions of risky drinkers in the population (16 years and over) have fallen between 1997 and 2005 (NSW 2006, p. 47). This is consistent with DSICA's data.

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

The Strategy does not mention that the average number of standard drinks being consumed by 15-17 year olds drinking at risky and high risk levels has NOT INCREASED during the period that RTD consumption has increased (see DSICA 2006a, p 10; King et al 2005, p 48).

Clearly there is no link between levels of RTD consumption and the quantity of standard drinks consumed by these young drinkers.

In the past, concern has been focused on the tendency of young people to 'free pour' full-strength spirits into mixers with the result being a beverage that has a far higher alcohol content than pre-packaged RTDs and beer.

With the increased popularity of RTDs has come the ability of the consumer to clearly understand the amount of alcohol being consumed through a measured dose of alcohol, combined with clear packaging that highlights the alcohol content in terms of number of standard drinks. There is evidence that with the increase in popularity of the more expensive RTDs there has been a slight reduction in the number of standard drinks being consumed by underage drinkers (DSICA 2006a, p 10).

As discussed in Section 3, trends in alcohol consumption confirm an increased consumption of RTDs at the expense of full-strength bottled spirits, where volumes have been falling since 1999. As RTDs provide an ability to consume a "measured dose" of alcohol, DSICA would suggest that this provides greater protection in preventing high risk consumption over "free pouring" full strength spirits and mixing them with other beverages (eg soft drinks). Accordingly, DSICA argues that there are a number of distinct health benefits from the development and increased popularity of RTDs.

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

The Strategy seeks to highlight the number of alcohol-attributable deaths amongst underage drinkers:

Over the ten years 1993-2002, an estimated 501 under-aged drinkers died from alcohol-related injury caused by risky or high risk drinking, and in 1999/00, there were 3,300 14-17 year olds hospitalised for alcohol related conditions (Chikrtzhs et al 2004) (p 13).

Of course any single death is extremely regrettable. However, the Strategy does not mention that these death rates have fallen by over 40% for 14-17 year old males and females between 1993 and 2002 (Chikritzhs et al 2004, p 3).

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

The Strategy seeks to highlight changes in alcohol product preferences of underage drinkers consuming at higher risk levels as a rationale for an implied increase in tax on full strength RTDs:

Among those male drinkers consuming alcohol at higher risk levels there has been a reduction in the proportion drinking beer (77- 59 per cent) and an increase in those drinking pre-mixed spirits (18-51 per cent) while those who reported drinking spirits (not pre-mixed) remained relatively stable. Among females consuming alcohol at higher risk levels, there was a significant shift to pre-mixed spirits/liqueurs, from 21 to 78 per cent while the proportion drinking other beverage categories declined (King et al 2005) (p 13).

However, there is a fundamental flaw in this data. Survey respondents were asked which, of the range of available alcohol products, they consumed. Multiple answers were therefore possible, where a respondent consumed a number of different forms of alcohol. Total responses thus exceeded 100%.

DSICA believes that where multiple preferences are reported, it cannot be concluded which of the range of products consumed contributed most to the high risk drinking.

Secondly, a breakdown of respondents between those drinking at risky levels, and those drinking at high risk levels, is also essential before any conclusions can be drawn.

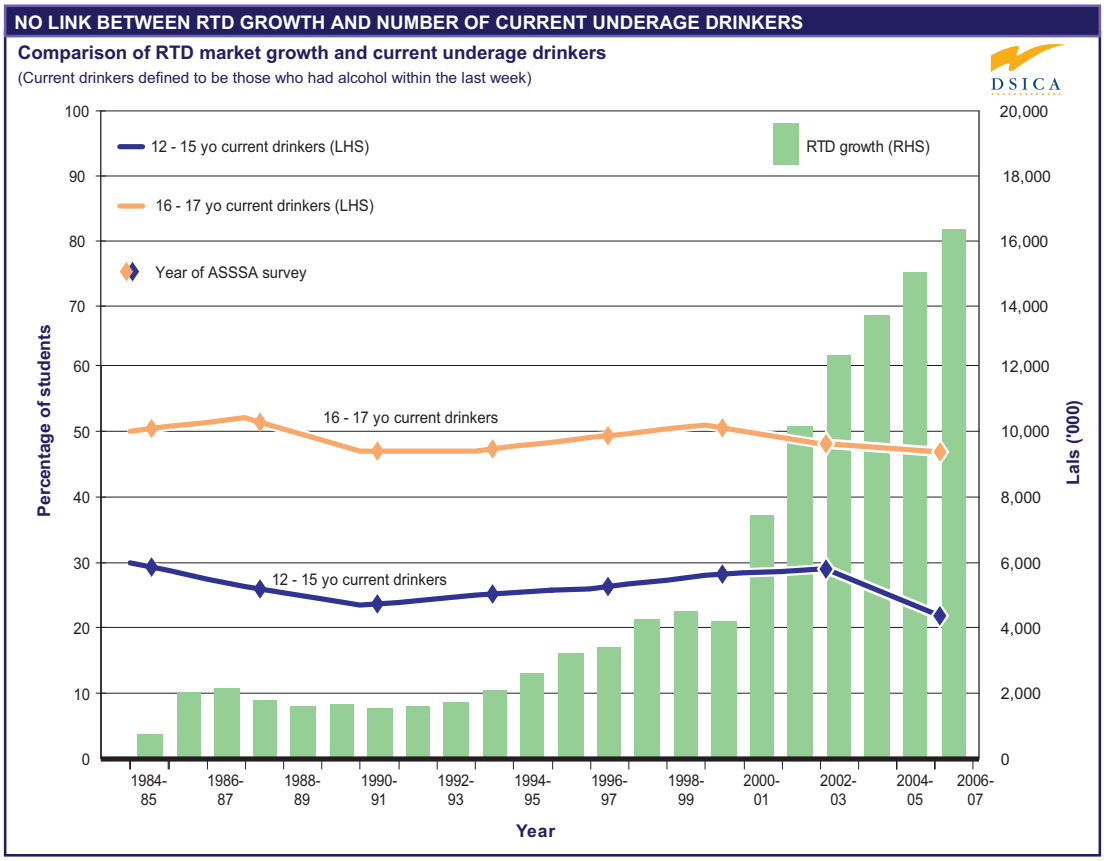
Thirdly, DSICA's preferred method of analysis is to total all of the alcohol consumed by the high risk group, and then identify what proportions belonged to which product category. This is a fundamentally different approach, where the quantities of different product category, when added together, equal 100% of the total amount of alcohol consumed. This is a far more reliable methodology than the 'suite of preferences' approach cited.

4.4 Relationship between RTD sales growth and the Indicators

DSICA acknowledges that RTD sales have been growing (from a very low base) since 1993-94. The excise duty on RTDs was reduced on 1 July 2000, under the New Tax System. There was significant growth in RTDs immediately after that time. RTD sales have increased 235% between 1999-00 (4.9m Lals) and 2005-06 (16.4m Lals). Most of this increase has been in substitution for full-strength beer and spirits. However, growth in RTD sales has now slowed dramatically (8.8% growth in 2005-06 compared to 50.4% growth in 2000-01). DSICA estimates that RTD sales growth will continue to trend downwards in 2006-07 (5.7% growth in 2006-07 to 17.4m Lals).

Despite the continued growth in RTD sales, the most reliable evidence available from the key national surveys shows that increased RTD sales have NOT led to increased levels of harmful alcohol consumption amongst young people, as measured by these six key Indicators. The argument made by some in the community that the increase in RTD sales has contributed to higher levels of consumption by young people is not based on any reliable evidence. On the contrary, as the detailed analysis of Indicator 2 and Indicator 3 shows, despite RTD sales growth, levels of harmful alcohol consumption amongst young people has generally decreased. See *Graphic 11* regarding this point (DSICA 2006a, pp7, 9).

Graphic 11: No Link Between RTD Growth and number of current underage drinkers



Copyright DSICA 2007

Source: ASSSA 2002, ASSSA 2005, DSICA Pre-budget submission 2007-08

No reliable evidence to justify an increase in tax on RTDs

The facts and trends outlined in the updated *Table of Indicators* present a compelling argument against the view that an increase in RTD sales has contributed to higher levels of harmful alcohol consumption amongst young people. Hence, DSICA must conclude that on the basis of a range of contemporary reliable evidence, there is no link between the increased popularity of RTDs and the levels of harmful alcohol consumption amongst young people.

Accordingly, DSICA believes that, based on the best available evidence, there is no justification for an increase in the tax on RTDs on health grounds.

Any advocates for an increase in the tax on RTDs on health grounds should bear the onus of demonstrating what reliable evidence is available to justify a tax increase on health grounds (see further discussion in Section 6).

4.5 Labelling

One of the Strategic Initiatives outlined in the Strategy is to:

1A. Increase community awareness and understanding of the extent and impacts of intoxication

DSICA supports this Initiative and, in particular, the specific Response relating to labelling:

Continue to work with industry to develop labelling of alcohol products to facilitate knowledge and self-monitoring through readily seen, consistent, graphic standard drinks labelling (p 14).

An innovation from one of DSICA's member companies, Diageo, has been the development of a 'standard drink' logo. The logo clearly indicates to the consumer the number of standard drinks in the container in the most simple form (see *Graphic 12* below). The size of the logo is significantly greater than the minimum font size currently required under the Food Standards Code (the Code) issued by Food Standards Australia New Zealand (FSANZ).

Graphic 12: Standard drinks logo being applied voluntarily by DSICA members to product labels

The logo has been adopted on a voluntary basis by all DSICA member companies. Significant progress has been made in this regard since the voluntary introduction of the logo, and almost all products of DSICA members now carry the logo.

Similar logos have now been developed by the wine industry and the beer industry, and are being progressively implemented.

5 Taxation

Summary: *In this section, DSICA outlines its views and recommendations on reform of the alcohol taxation system in Australia. This perspective is provided within the context of the Strategy Priority "Cultural Place and Availability" (Priority Area 4) which considers, amongst other things, changes to the alcohol taxation system aimed at reducing harmful consumption of alcohol. Hypothecation of taxation revenue is also addressed.*

5.1 Modifying alcohol taxation ('price-related levers')

The Strategy's aim in Priority Area 4 is to facilitate safer and healthier drinking cultures by developing community understanding about the special properties of alcohol and *through regulation of its availability* (MCDS 2006, p 26) (our emphasis). One of the key Strategic Initiatives outlined in the Strategy is to:

4B: Investigate price-related levers to reduce consumption of alcohol at harmful levels.

Investigation of 'price-related levers' essentially revolves around the use of taxation as a tool for influencing price levels, and therefore demand and consumption of, alcohol beverages. DSICA believes that the current system of Commonwealth alcohol taxation is in need of fundamental reform. Despite some significant changes made to the taxation of alcohol beverages with the introduction of the New Tax System (NTS) on 1 July 2000, there remains the need for essential reforms to correct for the distortions and anomalies that exist in the current system.

DSICA strongly supports the aim of taking coordinated action to develop drinking cultures that support a reduction in alcohol-related harm in Australia.

However, DSICA does not accept that increased taxation of alcohol products is an acceptable means of achieving this goal. Furthermore, DSICA does not support hypothecation of taxation revenues.

Ongoing dialogue on alcohol taxation concepts

DSICA supports Strategic Initiative 4B and the specific Response on the need for ongoing dialogue between relevant parties:

Focus ongoing dialogue on price-related levers to reduce consumption of alcohol at harmful levels (p 30).

DSICA believes that any discussion of options for changes to alcohol taxation first requires a sound understanding by all stakeholders of:

- the existing conceptual framework of alcohol taxation in Australia; and
- the concept of tax expenditures.

Each of these is discussed in detail in the following sections.

5.2 The "conceptual framework" of alcohol taxation

Each year, the Commonwealth Treasury (Treasury) produces a Tax Expenditures Statement (TES). The most recent TES, *Tax Expenditures Statement 2006*, was released in December 2006. The purpose of the TES is to provide details of concessions, benefits or incentives delivered to taxpayers through the tax system.

In compiling the TES, Treasury has outlined a "conceptual framework" for the taxation of alcohol in Australia. DSICA strongly supports this framework.

Tax bases and tax benchmarks

Assessing "tax expenditures" (which is the purpose of the TES) requires identification and definition of "tax bases" and "tax benchmarks" for the taxation treatment of various commodities as follows:

- a "tax base" is defined as the activity or transaction subject to tax. In the case of alcohol beverages, the tax base is the consumption of the beverage; and
- a "tax benchmark" constitutes a reference point for Treasury analysis. A benchmark comprises the regular taxation arrangement that applies to similar taxpayers or types of activity (Treasury 2006, p19).

Treasury indicates that defining each element of a benchmark is based on two principles:

- a benchmark should represent the taxation treatment that applies consistently to similar taxpayers or types of activity; and
- a benchmark should incorporate structural elements of the taxation system. Such elements could include long standing or integral design features of the taxation system.

In respect of the taxation of commodities, the tax base will either be the price or quantity of the good sold.

Tax bases and tax benchmarks for alcohol beverages

In its TES, Treasury has identified three components to the tax base for alcohol beverages, namely:

- lower alcohol content beverages (beverages with up to 10% alcohol content), such as beer and RTDs;
- higher alcohol content beverages (beverages with more than 10% alcohol content), such as brandy and spirits; and
- wine and cider (Treasury, 2006, p30).

Wine and cider are given their own category due to the different taxation treatment that applies to wine and cider (*ad valorem* taxation) versus beer and spirits (volumetric taxation).

Categorisation of tax bases for alcoholic beverages

Whilst DSICA commends the identification of tax bases by Treasury as a progressive step in taxation policy analysis, we would like to recommend that the tax bases be numbered to be consistent with the reporting standards of the OECD and the Warburton and Hendy Report. The OECD's *Consumption Tax Trends* (OECD 2006, pp 57-62) and the Warburton and Hendy Report (Warburton & Hendy 2006, pp 268-273) categorise alcohol products into beer, wine and 'alcoholic beverages' (ie spirits). DSICA believes that adopting a similar hierarchy/approach and the classification of tax base numbers would further aid taxation and research analysis for government, industry and health professionals.

Accordingly, we suggest the following amendment to the conceptual framework outlined in the TES:

Graphic 13: Tax benchmarks applying to alcoholic beverages

ALCOHOL CONSUMPTION TAX BENCHMARK RATES

	Tax base component	Benchmark rate
Tax base 1	Lower alcohol content beverages (0 - 10% ABV)	The excise rate that applies to full-strength packaged beer (including the excise-free threshold of the first 1.15% of alcohol content)
Tax base 2	Wine and alcoholic cider	The Wine Equalisation Tax (WET) rate
Tax base 3	Higher alcohol content beverages (More than 10% ABV)	The excise rate on spirits other than brandy

ABV = Alcohol by volume

DSICA

Copyright DSICA 2007

Source: ABS, DSICA Pre-Budget Submission 2007-08

DSICA has developed a graphic to depict the three tax bases as proposed above. See *Graphic 14*.

Graphic 14: Australian Alcohol Taxation Structure: Three Tax Bases

DSICA supports the logical foundations of this Tax Base framework. That is, that alcohol beverages of similar content within each tax base should be taxed at similar rates as other products in that tax base, regardless of the form of alcohol.

DSICA provides comments on Tax Base 1 and Tax Base 3 only: that is, Lower alcohol content beverages (0 – 10% abv) and Higher alcohol content beverages (>10% abv).

Following this section, this Submission will identify each tax base by the suggested numbering above.

It is important to note that while DSICA supports the framework's foundations, it does not support the current ad hoc nature of the taxation system for alcohol beverages. Further details on the reform needed to the taxation system for alcohol in Australia are set out below. Furthermore, DSICA does not necessarily support all of the tax benchmarks identified, in particular, the benchmark for Tax Base 3 (higher alcohol content beverages).

The second key concept relevant to alcohol taxation in Australia is the concept of tax expenditures.

5.3 The concept of taxation expenditures

Understanding taxation expenditures is the key to appreciating the major current inequities in alcohol taxation in Australia.

The concept of tax expenditures

One of the primary functions of Australia's taxation system is to promote government objectives. This can be achieved by reducing taxes in selected areas to create economic opportunities and provide assistance to various individuals, businesses or activities.

A "tax expenditure" refers to a tax concession implemented by government which provides a benefit to a particular activity or a specified class of taxpayer. A tax expenditure may arise due to a tax exemption, tax deduction, tax offset, concessional tax rate or deferral of a tax liability (Treasury 2006, p 1).

In contrast, a "negative tax expenditure" occurs when the system imposes a further cost or charge instead of a benefit on a particular activity or class of taxpayer (Treasury 2006, p 1).

DSICA believes tax expenditures analysis is fundamental not only to the transparency principle of good government, but also in providing insight into the current taxation structure. In the context of alcohol beverages, it allows for the examination of the impact of tax expenditures on different products (and producers/suppliers), particularly as negative tax expenditures shift the tax burden onto products that are not treated favourably.

DSICA believes that the identification of tax expenditures is therefore an effective tool in the development of incremental tax reform agendas. In the framework of alcohol beverages, a good taxation regime is crucial to achieving acceptable health policy goals as well as sufficiently contributing to government revenue. Tax expenditure analysis can provide the necessary foundations for the progressive move towards improved taxation policy.

A very comprehensive and recent discussion on tax expenditures analysis can be found in *An Agenda for Tax Expenditure Research in the Asia-Pacific Region* by Adrian Cooper (Cooper 2007)(an unpublished paper presented to the *Asia Tax Forum* in Hanoi, 18th April 2007).

Calculation of tax expenditures under the revenue foregone approach

The TES utilises (consistent with the prevailing OECD approach) the revenue foregone approach to measuring tax expenditures (see World Bank 2003). Under this approach, an

estimate is made of how much tax revenue is reduced/increased (relative to a benchmark) because of the existence of the tax expenditure.

The comparison between current treatment and the benchmark is made on the assumption that consumer behaviour is unchanged. That is, the revenue foregone estimate is calculated as follows:

the current amount of consumption X a rate (being the difference between the benchmark and the current rate)

It is important to note that this calculation does not take account of any elasticities of demand in response to a change in the current tax rate to the benchmark rate. For example, in cases where the level of activity is highly sensitive to a concession's existence, the removal of the concession may not result in any additional revenue collection. Consequently, the tax expenditure estimates should NOT be viewed as accurate estimates of the budgetary impact of a change of the relevant rate to the benchmark rate (see TES 2005, p. 16).

Econometric modelling

DSICA's estimates of revenue changes as a result of changes of current rates to the benchmark rate are (similar to TES) not based on any econometric modelling that factors in changes in consumer behaviour in response to changed taxation rates.

DSICA would hope to have econometric modelling estimates (ie budget impact estimates) for such changes in next year's PBS 2008-09.

Tax Base 1: Tax Expenditures

TES 2006 identifies six tax expenditures in relation to Tax Base 1. These six tax expenditures are numbered as follows:

- F9 Concessional rate of excise on low-strength packaged beer;
- F10 No excise-free threshold for excisable alcoholic beverages (other than beer) not exceeding 10 per cent alcohol;
- F11 Concessional rate of excise levied on draught beer;
- F12 Concessional rate of excise levied on brew on premise beer;
- F13 Excise concession for microbreweries;
- F14 Consumption tax exemption for privately produced beer.

DSICA has consolidated an extract from TES 2006, setting out the revenue forecasts for each tax expenditure (over an eight year period). See *Graphic 15*.

Graphic 15: Six tax expenditures in Tax Base 1

F9 Concessional rate of excise on low-strength packaged beer

Not allocated to function ($m)

2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
10	15	15	15	15	15	15	15

Tax expenditure type: Concessional rate *2005 TES code:* F9
Commencement date: Introduced before 1985
Expiry date:
Legislative reference: Item 1 of the Schedule to the *Excise Tariff Act 1921*

F10 No excise-free threshold for excisable alcoholic beverages (other than beer) not exceeding 10 per cent alcohol

Not allocated to function ($m)

2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
-90	-100	-135	-150	-165	-185	-205	-230

Tax expenditure type: Increased rate *2005 TES code:* F10
Commencement date: 2000
Expiry date:
Legislative reference: Item 1 of Schedule of the *Excise Tariff Act 1921*

F11 Concessional rate of excise levied on draught beer

Not allocated to function ($m)

2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
150	150	160	160	160	170	170	180

Tax expenditure type: Concessional rate *2005 TES code:* F11
Commencement date: 2001
Expiry date:
Legislative reference: Item 1 of Schedule of the *Excise Tariff Act 1921*

F12 Concessional rate of excise levied on brew on premise beer

Not allocated to function ($m)

2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
..	..	..	..	..	..	..	..

Tax expenditure type: Concessional rate *2005 TES code:* F12
Commencement date: 1993
Expiry date:
Legislative reference: Item 1 of Schedule of the *Excise Tariff Act 1921*

F13 Excise concession for microbreweries

Not allocated to function ($m)

2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
..	..	..	..	..	..	..	..

Tax expenditure type: Concessional rate *2005 TES code:* F13
Commencement date: 2000
Expiry date:
Legislative reference: Paragraph 50(1)(zzd) of the *Excise Regulations 1925*

F14 Consumption tax exemptions for privately produced beer

Not allocated to function ($m)

2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
25	30	30	35	35	40	45	45

Tax expenditure type: Exemption *2005 TES code:* F14
Commencement date: Introduced before 1985
Expiry date:
Legislative reference: Schedule to the *Excise Tariff Act 1921*

Source: TES 2006

Tax Base 3: Tax Expenditure

TES 2006 identifies one tax expenditure in relation to Tax Base 3. This tax expenditure is numbered as follows:

- F18 Concessional rate of excise levied on brandy.

DSICA's proposals

DSICA's taxation policy proposals for reform of the alcohol taxation system in Australia are outlined below in the context of the relevant Tax Base and the related tax expenditures. We also provide revenue estimates in this section for the 2007-08 year in relation to our policy proposals.

1 August 2006 excise duty rates

DSICA has based many of its following graphics on the excise duty rates prevailing as at 1 August 2006. These calculations have deliberately not been updated for the excise duty rate increases that took effect from 1 February 2007. This is because the TES 2006 was published in December 2006, and its tax expenditure estimates would have been based on the 1 August excise duty rates. For the purposes of maintaining ongoing consistency with TES, DSICA will update its graphics on an annual basis, to take account of the 1 August excise duty rate increases only.

The following sections address DSICA's proposals for reform of:

- **Section 5.4:** Tax Base 1: Taxation incentives for low and mid-strength RTDs
- **Section 5.5:** Tax Base 1: Taxation equivalence for full strength RTDs
- **Section 5.6:** Tax Base 3: Inequities in the taxation of full strength spirits

5.4 Tax Base 1: Taxation incentives for low and mid-strength RTDs

DSICA's highest priority is to obtain taxation equivalence between low and mid-strength packaged RTDs and packaged beer of similar alcohol content.

National Alcohol Strategy

DSICA supports the Strategy observation regarding the lack of taxation equivalence between low and mid-strength RTDs and similar strength beer products:

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

In relation to Tax Base 1, DSICA believes that the current system of alcohol taxation needs to be fundamentally addressed as the system:

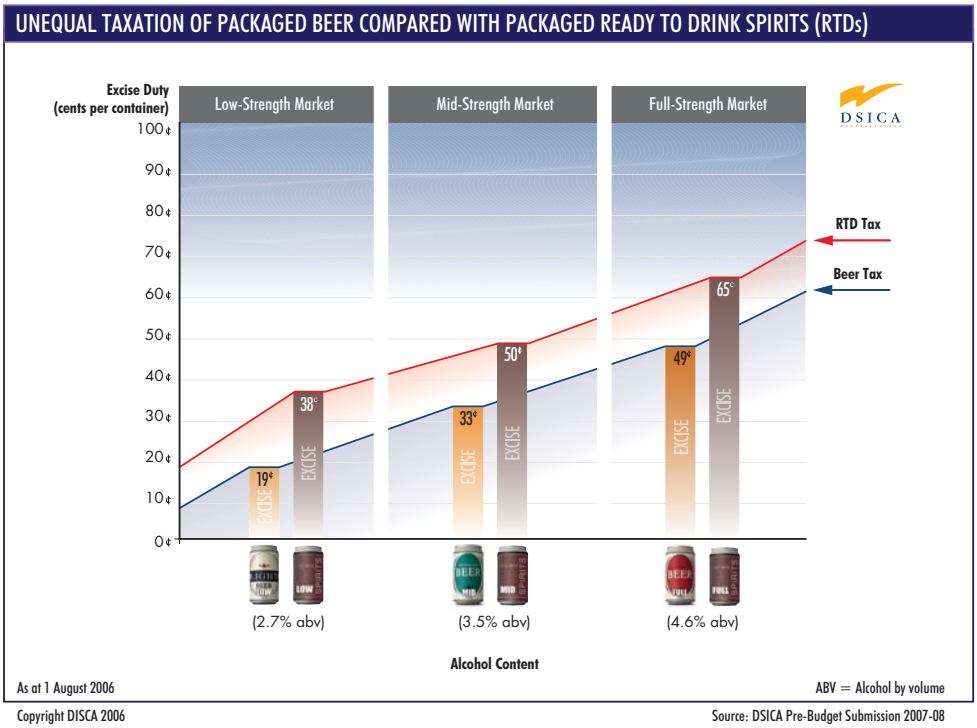
- fails to provide adequate incentives to encourage the production of lower alcohol products; and
- fails to provide adequate incentives for drinkers to choose those alcohol products that are least associated with harm.

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

Unequal taxation of low and mid-strength RTDs

DSICA has produced a unique excise tax graphic which demonstrates the amount of excise duty payable on a single can of RTDs and a beer product at the low alcohol and mid-strength content ranges (see *Graphic 16*).

Graphic 16: Why RTDs should receive the 1.15% alcohol content excise-free threshold (Tax base 1)



This graphic illustrates the observation in the Strategy. That is, it can be seen that the amount of excise duty payable on a mid-strength can of RTDs (50 cents) is greater than the amount of excise duty payable on a full-strength can of beer (49 cents).

This flaw is a direct result of the fact that low alcohol and mid-strength RTDs do not receive the benefit of the 1.15% abv excise-free threshold granted to packaged beer of similar alcohol strength.

In Tax Base 1, this issue can be readily addressed, as DSICA has proposed, without the need for a 'new tax structure' as the Strategy suggests.

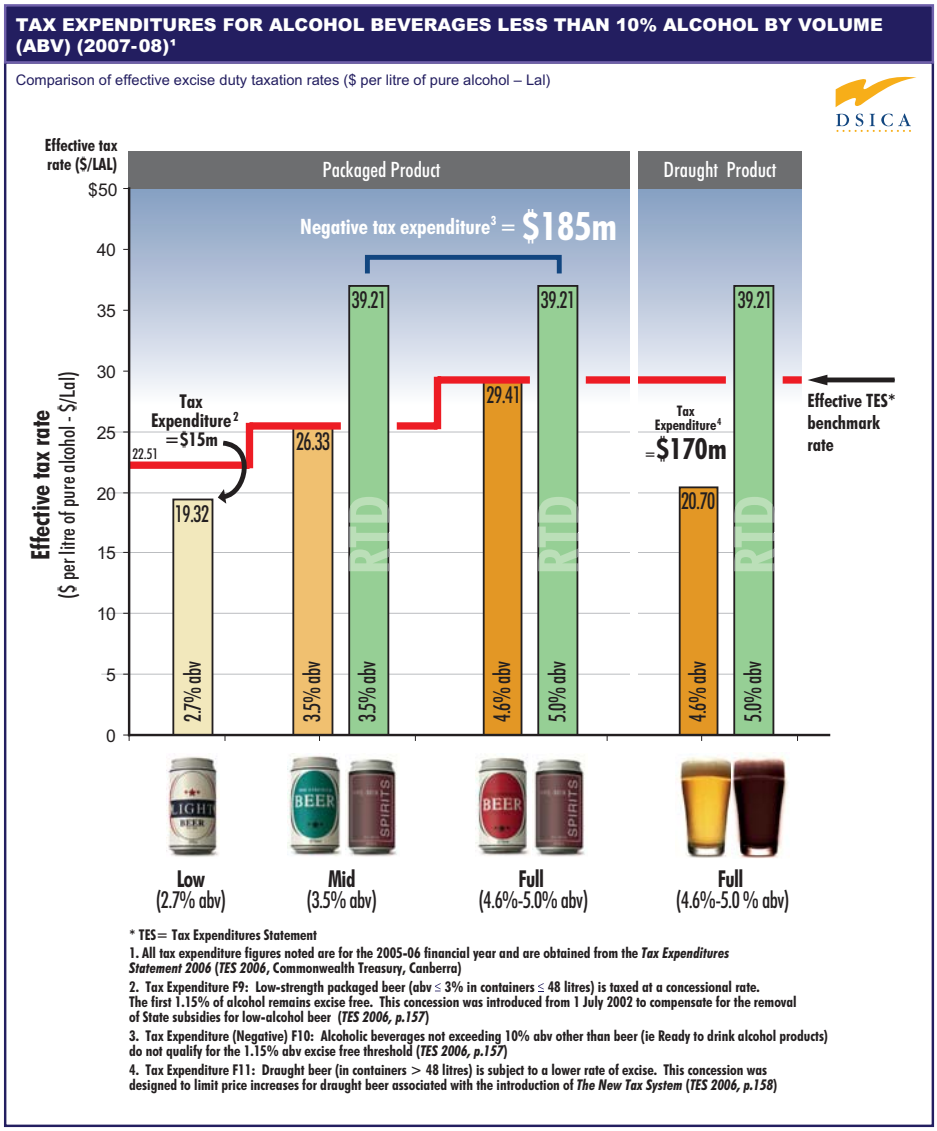
Tax expenditures analysis

The TES highlights a number of taxation expenditures and a significant negative taxation expenditure that occur in relation to certain alcohol beverages in Tax Base 1 (see Treasury 2006, pp 157-160).

Graphic 17 below depicts the three relevant taxation expenditures as follows:

- the positive tax expenditure in relation to low alcohol packaged beer (F9);
- the negative tax expenditure in relation to RTDs (F10); and
- the positive tax expenditure in relation to draught beer (F11).

Graphic 17: Tax Expenditures for alcohol beverages less than 10% abv (2007-08) (Tax base 1)



Explanation of Tax Expenditures Graphic

- *Graphic 17* is a graphic representation of tax expenditures for alcohol beverages in Tax Base 1. The horizontal axis shows selected beverages and their content of alcohol and the vertical axis measures the effective tax rate (tax per litre of alcohol (Lal)).

Effective benchmark rate

- The ***benchmark*** is the tax treatment applied to full-strength packaged beer (including the 1.15% abv excise-free threshold) at a weighted rate of $39.21 per Lal for 2007-08. This is the benchmark which applies to all products in Tax base 1, regardless of whether they are beer, pre-mixed spirits or a wine-based cooler (which is not subject to the Wine Equalisation Tax).
- DSICA has developed a new concept of the ***effective*** benchmark rate. This has been designed to allow a proper comparison of the effective rate on competing products, once the 1.15% abv excise-free threshold is removed.
- The horizontal red line demonstrates the ***effective*** benchmark rate.
- The effective benchmark rate is the rate (calculated by DSICA) which, if applied to all of the alcohol in the product, would yield the same amount of revenue as currently collected when the higher nominal rate is applied to the amount of alcohol remaining after deduction of the excise-free threshold.
- It can be observed that the effective benchmark rate falls, as the alcohol content falls. This is a favourable design feature. This effect is due to the fact that, as the amount of alcohol is reduced in the product, the 1.15% abv excise-free threshold becomes more significant (as a proportion of the amount of alcohol in the product). That is, less of the remaining alcohol is subject to excise.
- For example, it can be observed that the effective benchmark rate for full-strength packaged beer is $29.41 per Lal. However, the effective benchmark rate for mid-strength beer is $26.33 per Lal.

Weighted effective tax rates

- The coloured vertical bars depict the weighted effective tax rates for the different beverage categories for 2007-08. For example, mid-strength packaged beer pays $26.33 per Lal (after allowing for the 1.15% abv excise-free threshold) while RTDs uniformly pay $39.21 per Lal, given that they do not qualify for the excise-free threshold.
- This analysis set out above allows estimation of the tax expenditure on particular product categories against the benchmark rate.

Low-strength packaged beer – tax expenditure of $15m

The graphic identifies that low-strength packaged beer is currently taxed at a concessional nominal rate relative to full-strength beer with an estimated tax expenditure of $15m for 2007-08. In other words, there is a tax expenditure of $15m under the current regime for low-strength beer compared to the situation that would apply if it were taxed at the effective benchmark rate. See *Taxation Expenditure F9* (Treasury 2006, p 157). This tax expenditure exists due to an historical subsidy that existed at the state level for low alcohol beer.

There is no justifiable policy reason why a similar concessional rate should not be available for low alcohol packaged RTDs (see section 5.4 above).

Low-strength and mid-strength packaged RTDs – negative tax expenditures to be estimated

As low-strength and mid-strength packaged RTDs are taxed at effective rates higher than the effective benchmark rate, there are two negative tax expenditures in relation to these two

categories of product. However, the TES does not identify a separate negative tax expenditure for low and mid-strength RTDs. This is because there is only one negative tax expenditure for all RTDs (see *Tax Expenditure F 10*, discussed in section 5.5 below).

DSICA believes that the TES should set out separate negative tax expenditures for low-strength and mid-strength packaged RTDs, as these categories have been the subject of recommendations by the Senate Economics Legislation Committee (see below).

DSICA believes that priority should be given to ensuring taxation equivalence between RTDs and packaged beer at low-strength (up to 3.0% abv) and mid-strength (above 3.0% abv to 3.5% abv) levels. The reduced costs associated with the fall in excise will increase the affordability of low and mid-strength RTDs and thereby encourage the consumption of lower strength alcohol beverages.

This is an important incremental change which could be made with minimal cost to government revenue.

DSICA has estimated the 2007-08 revenue cost of tax equivalence for low-alcohol packaged RTDs to be negligible, and that tax equivalence for mid-strength packaged RTDs will have a revenue cost of approximately $3.3 million.

Support from health advocacy groups

Taxation equivalence at the low and mid-strength beer and RTDs levels is strongly supported in the Strategy and by health advocacy groups. There is common acknowledgment between peak health bodies on the use of alcohol taxation as an effective tool to influence consumption levels. Moreover, they recognise the inconsistencies in Australia's alcohol taxation regime and that re-structuring the tax system to encourage consumption of low and mid-strength RTDs can potentially reduce alcohol related harm in our communities.

The various health groups that support taxation equivalence at the low and mid-strength content level include:

- Alcohol and Other Drugs Council of Australia (ADCA);
- Australian Medical Association;
- Australian National Council on Drugs;
- National Drug Research Institute;
- Odyssey House Victoria;
- Royal Australasian College of Physicians (RACP) and Royal Australian and New Zealand College of Psychiatrists (RANZCP);
- Turning Point; and
- Victorian Alcohol and Drug Association.

Senate Economics Legislation Committee

In mid-2006, DSICA lodged a formal submission and presented before the Senate Economics Legislation Committee in its review of the *Customs Amendment (Fuel Tax Reform and Other Measures) Bill 2006* and three related bills. The Committee recognised the tax inequalities in Tax Base 1 and the potentially adverse impacts to health. Accordingly, it recommended the need for taxation equivalence and in its final report recommended as follows:

> The Government apply the same tax and excise treatment to low and mid-strength ready-to-drink (RTD) alcohol products as is applied to similar strength beer products (Senate Economics Legislation Committee, p 10).

Recommendations

DSICA recommends that the Government should provide taxation equivalence between packaged RTDs and packaged beer at low-strength (up to 3.0% abv) and mid-strength (above 3.0% abv to 3.5% abv) levels by means of:

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

5.5 Tax Base 1: Complete taxation equivalence for full-strength RTDs and beer

The other tax expenditure figures identified in *Graphic 17* highlight the unequal taxation treatment of full strength RTDs and beer.

Existing tax expenditures

Two key tax expenditure estimates are explained below.

- **RTDs – negative tax expenditure of $185m:** RTDs are subject to a higher effective rate compared to the benchmark. This is because RTDs do not receive the 1.15% abv excise-free threshold. RTDs therefore incur a negative tax expenditure of -$185m for the 2007-08 year and -$205m for the 2008-09 year (Treasury 2006, p 157). This highlights the fact that RTDs are subject to a taxation disadvantage that will yield the Federal Government revenue in the 2007-08 year. This is an unfair taxation burden on RTDs, for which there is no justifiable health policy rationale. See *Taxation Expenditure F10.*
- **Draught beer – tax expenditure of $170m:** Draught beer obtains a tax expenditure (benefit) of $170m (2007-08) as a result of lower nominal rates applicable to that product compared to the benchmark rate (for full strength packaged beer). See *Taxation Expenditure F11.* This reduced rate was implemented due to historical reasons in 2000 and 2001, and it is time that it was reviewed.

DSICA believes that alcohol products of similar alcohol content, which compete against each other in the same market, and which are substitutes for each other, should be taxed at the same rate.

There is no justifiable taxation or health policy rationale for either of these tax expenditures.

New tax expenditures

DSICA recommends three new tax expenditure estimates be identified in future TES's.

DSICA believes that the TES, as well as identifying tax expenditure on full-strength draught beer (see above), should also identify tax expenditure on draught beer at firstly, low-strength, and secondly, mid-strength levels.

Thirdly, there is currently no 5% ad valorem customs duty payable on imported beer. However, there is a 5% ad valorem protective tariff for imported RTDs and imported spirits.

DSICA believes that the TES should identify a benchmark rate for ad valorem customs duty, and it should then identify the absence of a 5% ad valorem customs duty on imported beer as a tax expenditure.

DSICA considers that there is no justifiable taxation or health policy rationale for treating imported beer differently from imported RTDs, or imported spirits.

Recommendations:

DSICA's recommendations include:

- packaged and draught RTDs should be subject to the same tiered excise rates as packaged and draught beer and have access to the tax free threshold (1.15% abv) currently applicable to all beer; and
- the change for full-strength packaged RTDs could be introduced on a phased basis; [DSICA estimated revenue cost: full-strength packaged RTDs: -$159.4m]
- the 5% ad valorem protective tariff for imported RTDs should be abolished to equate with the fact that there is currently no 5% customs duty payable on imported beer. [DSICA estimated revenue cost: -$4.7m.]

5.6 Tax Base 3: Taxation of spirits – alcohol beverages above 10% abv

Australia's alcohol taxation system unfairly discriminates against spirits (which will comprise 12% of the alcohol market, but pay 28.9% of non-GST revenue (2007-08)).

Spirits benchmark rate is too high

DSICA does not accept the existing spirits rate as the benchmark rate for Tax Base 3. The background factors underlying DSICA's recommendations are summarised below.

Removal of 1978 excise increase:

The existing benchmark rate of taxation of spirits should be reduced, at least to remove the effect of the 1978 80% increase in the taxation of spirits. That increase had the result of excessively increasing the spirits rate immediately prior to the commencement (in 1983) of twice-yearly indexation increases in excise duty rates. The timing of that increase effectively resulted in a spirits excise rate which is higher than it should have been. To that extent, the current spirits rate is higher than the rate that should be accepted as the benchmark rate for the category.

Removal of New Tax System indexation effect:

The rate of excise duty for spirits should be reduced at least by a dollar amount equivalent to the New Tax System component of the 1 February 2001 indexation increase (due to the introduction of the GST). DSICA has written extensively about this issue in previous submissions (see PBS 04-05 and PBS 05-06).

The current spirits rate is higher than the rate that should be accepted as the benchmark rate for the category (see *Alcohol Tax in Australia 2007* for a detailed analysis of these calculations).

[Estimated revenue cost: -$39.2m]

Removal of 5% ad valorem protective tariff for imported spirits

The 5% ad valorem protective tariff for imported spirits should be abolished. As set out above, there is no justifiable taxation or health policy rationale regarding why there is a 5% customs duty on imported spirits, but no 5% customs duty on imported beer.

This tariff should be removed, particularly in view of implementation of the Australia-US Free Trade Agreement that sees whiskey (bourbon) from the US (a significant component of the whisky market in Australia) imported into Australia with no ad valorem duty component, while whisky of other origin is required to pay the 5% tariff.

[Estimated revenue cost: -$11.9m].

Recommendations:

DSICA's recommendations include:

- the excise duty rate for spirits should be reduced by an amount at least equivalent to the New Tax System component of the 1 February 2001 indexation increase. [Estimated cost: -$39.2 m]
- the 5% ad valorem protective tariff for imported spirits should be abolished to equate with the fact that there is currently no 5% customs duty payable on imported beer. [Estimated cost: -$11.9m.]

5.7 Comparison of non-GST taxation per standard drink

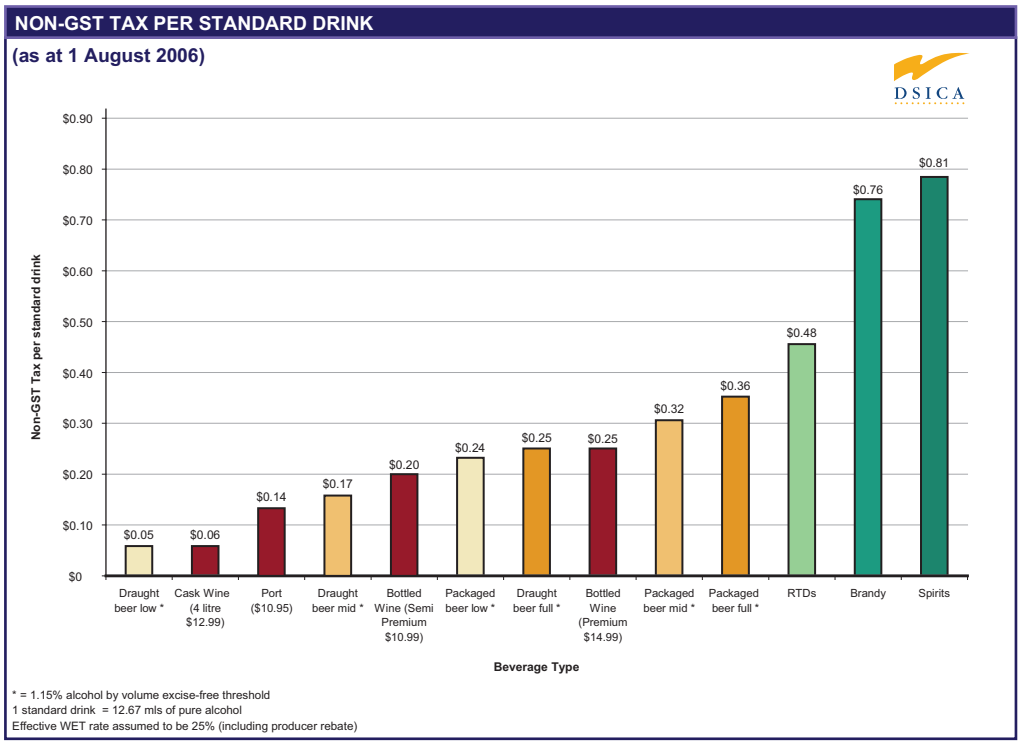
To facilitate further analysis of the current taxation of alcohol products within each of the three components of the tax base, DSICA has prepared a comparison of the amount of non-GST taxation revenue collected on a per standard drink basis for each category of alcohol product.

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

DSICA's non-GST taxation per standard drink comparison highlights the following inequities:

- the unsustainably high level of taxation of full strength spirits (81 cents per standard drink);
- the continued anomaly in the taxation of RTDs (48 cents) compared with full-strength packaged beer of the same alcohol content (36 cents);
- the failure of the current system to recognise a lower rate of taxation for mid-strength (and low-strength) packaged RTDs in the same way that the system provides lower effective rates for mid-strength and low-strength packaged beer;
- the failure of the current system to recognise lower rates of taxation for "tap" ("draught") RTDs in the same way that the system provides lower rates for all categories of draught beer (see *Graphic 18*).

Graphic 18: Non-GST Tax Per Standard Drink as at 1 August 2006



Copyright DSICA 2007 *Source:* DSICA Pre-Budget Submission 07-08

5.8 Taxation increases for alcohol products consumed at high risk levels

As discussed earlier, one of the Strategic Initiatives outlined in Priority Area 4 of the Strategy is to:

4B: Investigate price-related levers to reduce consumption of alcohol related harms.

The Strategy seeks to provide evidence that RTDs are preferred by young people drinking at high risk levels (see section 4), and that therefore (by implication) the taxation of full strength RTDs should be increased.

DSICA advocates that, in considering drinkers most at risk from alcohol-related harm, a sensible approach should be taken based on the best available evidence. DSICA would not support any initiative to increase taxation on alcohol products that are most frequently consumed at high risk levels. One reason is that current survey evidence indicates that each category of alcohol product is preferred by risky and/or high risk drinkers in one age group or another. It is not the case that any one category of alcohol product is solely preferred by young people drinking at high risk levels.

There could be no acceptable policy rationale that would justify one particular age group to be singled out as a higher priority area than another for increased taxation of a certain alcohol product category.

For example, although much of the literature focuses on underage drinking issues, DSICA remains concerned about emerging trends of high risk drinking amongst the older age groups and the elderly (McAllister 2003).

High risk drinking patterns

DSICA recognises the need to focus on high risk drinking.

However, most of the evidence contained in the Strategy relates to combined patterns of risky AND high risk drinking. Progress will not be possible on this issue until reliable evidence is gathered on actual product consumption by those drinking at high risk levels. It will be necessary for the sample sizes to be significant enough within the target age groups to be reliable, and for surveys to be conducted frequently enough to keep pace with changing taste preferences.

Industry impacts and differential community impacts

The spirits industry will not accept higher taxation of its products, even if it can be demonstrated that the higher taxation has 'neutral impacts on alcohol-related industries'. This is because the level of taxation of RTDs and full strength spirits is already too high (see above).

The impact of alcohol taxation on sustainability of the alcohol beverage and hospitality industries needs to be considered. Higher taxation may need to aim for neutral impacts on alcohol-related industries, in order to be accepted by industry and the community (p 28).

Furthermore, a blanket increase in taxation of a particular category of alcohol product is too blunt an instrument. DSICA agrees with the Strategy observation that an increase in tax on a single category of alcohol product will have differential (and therefore inconsistent and unacceptable) impacts upon different groups in the community:

It is generally expected that price-related levers have differential impacts upon some groups in the community … (p 28).

DSICA would certainly not support an across-the-board increase in Federal taxation of all alcohol beverages above a certain alcohol content. DSICA notes that no State or Territory now has the constitutional power to impose a taxation increase on the basis of alcohol content.

5.9 Hypothecation of alcohol taxation revenues

DSICA does not support the contention in the Strategy relating to hypothecation of alcohol taxation:

Research shows that using price-related levers, such as … hypothecating (assigning) the taxation revenue for alcohol specific government initiatives, is highly effective in preventing and reducing alcohol related harm (Loxley et al 2005) (p 28).

DSICA does not support the hypothecation of alcohol excise (or other alcohol taxes). Not all alcohol products pay excise duty. Furthermore, significant amounts of GST revenues collected on alcohol products are now distributed to the states and territories via the revised Commonwealth-State financial relations applying under the New Tax System.

It would be an impractical and problematic exercise to seek to hypothecate existing taxes (excise/WET or GST) on the range of alcohol products for specific purposes, such as funding prevention, education or treatment programs.

From a macroeconomic perspective, hypothecation also has several disadvantages:

- it distorts government funding priorities and can be inflexible;
- it reduces the level of government accountability and scrutiny of funds in the budgetary cycle; and
- to be effective, a high degree of monitoring and review of its effectiveness is required, particularly in relation to the linkages between the expenditures and tax revenue from which those expenditures are levied.

DSICA also strongly opposes any proposal to increase existing taxes or impose specific levies on alcohol products for the purpose of funding new strategies to reduce harmful alcohol

consumption. The federal, state and territory governments have adequate existing revenues from which to fund any new initiatives in this area. These governments will collect more than $5.9bn revenue from alcohol products in 2007-08. This is more than an adequate amount of general revenue to fund necessary programs.

6 Alcohol research

Summary: *In this section, DSICA outlines its views and recommendations on additional research to be undertaken in relation to alcohol consumption patterns. This perspective is provided within the context of Section 5 of the Strategy: Where to from here?*

6.1 Data analysis and research

DSICA has recommended the following action items in past PBS publications:

- *Research stocktake:* DSICA recommends that a stocktake be undertaken of all existing and proposed alcohol consumption research being funded by the Federal Government.
- *Research register:* An updated and publicly available register of existing and proposed research projects regarding alcohol consumption should be maintained in order to prevent duplication of research efforts in the future.
- *Research methods:* A standard set of principles should be developed regarding the methodology for data collection, to be agreed by Government, industry, researchers and community groups. These standard principles should be used as the basis for all Government-funded research, particularly regarding underage drinking.

Since 2005, DHA has embarked on a Data Analysis Project in relation to alcohol as a response to these recommendations. DSICA commends the government for undertaking this initiative.

DSICA has recently been in consultation with DHA officials on the possibility of a 'data dictionary' that standardises terminology and reference in relation to the reporting of alcohol consumption information in Australia. DSICA believes that such a tool could greatly assist in communicating information and in enhancing research, and hopes that discussions on this development will further progress in the near future.

6.2 Building the research agenda

One of the Strategic Initiatives outlined in the Implementation section of the Strategy relates to:

5A Building the research agenda

DSICA supports this Initiative and, in particular, the specific Responses relating to developing a research agenda and undertaking a future forecasting project:

Convene a national forum of key research stakeholders and undertake a follow-up project to develop a comprehensive alcohol research agenda to address current gaps and future needs (p 31).

Undertake a future forecasting project to identify alcohol consumption trends, net health, social and economic impacts ….. (p 31).

DSICA looks forward to working with relevant officials within DHA with responsibility for its Data Analysis Project in the alcohol area. Likewise, DSICA is happy to collaborate with other stakeholders on the wide range of research challenges that lay ahead in this area, as set out in the Strategy.

DSICA

7 Other issues: Customs and taxation administration proposals

Summary: *This section outlines DSICA's recommendations regarding improvements it believes can be made in areas not specifically covered by the Strategy. In particular, customs and taxation administration issues are addressed.*

7.1 Customs and taxation administration

In addition to the broader taxation policy proposals outlined earlier in this submission, DSICA has a number of taxation administration proposals that it would like to see the Government adopt to provide for a more streamlined and transparent system for operators in the spirits industry.

These proposals are summarised below.

Single administration

DSICA strongly believes that there should be a "single administration" (ie one government agency) with responsibility for the taxation administration of "excise equivalent goods" such as imported spirits and imported RTDs. [Estimated revenue saving: $17m. Details of this estimate can be provided on request.]

The reasons for this recommendation include:

- DSICA members are currently covered by the weekly settlement provisions of the customs and excise law, which require weekly accounting and payment for actual sales made each week of all excisable and excise equivalent imported goods;
- spirits companies would prefer to deal with a single agency for all revenue acquittal and administrative arrangements issues;
- the ATO should be the single government agency responsible for the collection of revenue and the administrative arrangements relating to excise equivalent goods.

DSICA believes that Customs should continue to have responsibility for the border management aspects relating to the importation of excise equivalent goods, namely the risk assessment of such goods on their arrival. DSICA acknowledges the significant steps taken by Customs in its efforts to modernise communications systems and business processes applied to the clearance of imported goods.

However, Government requirements imposed on this industry sector result in unnecessary duplication of systems and communication with both Customs and the ATO for clearance of goods.

DSICA acknowledges that there were a range of new legislative amendments implemented from 1 July 2006, which attempted to provide clarity and certainty to the process of manufacturing excisable goods with imported goods, as well as tighten revenue risk areas. However, for industry, certain issues still exist about the point at which goods cease being subject to Customs control and become subject to excise control. This complexity can only be compounded by having two agencies from which to seek that certainty.

Further, DSICA notes that despite its advice, Customs Regulations relating to the 1 July 2006 changes have been introduced which provide financial benefits restricted to the petroleum industry. New Regulation 50 enables fuel manufacturers that require dual licensing for excise manufacture with imported goods, to receive their customs licence free of annual charges in situations where excise manufacture is the predominant activity in the premises. RTD

manufacture with imported bulk spirit is in an identical situation and should also receive such benefits.

Other customs/excise administration recommendations

DSICA has a number of other procedural recommendations relating to these issues including:

- that generic government licensing issued by the ATO should replace multiple licences now required by both the ATO and Customs;
- that entity licensing should be introduced under which a single licence is sufficient for an entire distribution network. The reasons for this recommendation include:
  - as a result of the increasing number of RTDs which contain imported spirits, DSICA's members have become involved in the distribution of both imported and locally produced products;
  - most of the various premises throughout the Australia-wide distribution network of affected DSICA members require both Customs and ATO licences, issued separately; and
  - the licences are specific to each premise and DSICA members are accountable to both agencies to ensure that there is adequate internal control over these premises;
- that there should be appropriate alignment and linkages between relevant electronic and business systems in Customs and the ATO to facilitate increased effectiveness of the administrative processes imposed on industry;
- that streaming of revenue payments on an estimated basis with deferred reconciliation and acquittal should be implemented;
- DSICA supports the current direction whereby the GST and other taxes are collected via the Business Activity Statement (BAS). DSICA sees opportunities for these benefits to flow to the collection of customs and excise duties, either under the BAS or under a separate arrangement. In particular, DSICA believes that there is an opportunity to reduce business compliance costs if duty payments were able to be made on an estimated basis, with periodic reconciliation and acquittal.

Customs duty drawback

DSICA recommends that the Customs Regulations relating to customs duty drawback (Regulations 129-139) be amended to remove the current uncertainties relating to the operation of the customs duty drawback provisions. DSICA notes that:

- there are a number of technical flaws with the wording of the current Regulations in relation to imported bulk spirit which is re-bottled, and sold to a third party who then re-exports the goods and claims duty drawback; and
- there are inconsistencies between the procedures required to be followed under the Regulations and current practices followed by Customs.

Parallel imports - Imported Food Inspection Program

The spirits industry has been experiencing ongoing problems with the parallel importation of bottled spirits which do not comply with the provisions of the Food Standards Code (the Code). The Code prescribes certain information that is required to be present on the label of foodstuffs, including distilled spirits, that are to be sold in Australia.

The Australian Quarantine and Inspection Service (AQIS) is charged with the responsibility of ensuring that all imported foodstuffs are labelled in accordance with the Code. AQIS works with Customs in relation to imported shipments that are selected for random inspection under

Imported Food Inspection Program (IFIP).

The Red Tape Task Force recommended (following DSICA's submission) that AQIS should investigate the merit of extending the use of performance-based inspection levels for the lower risk categories of food under IFIP.

The Government's recent response to the Task Force recommendation on this issue stated that the Task Force recommendation is the same as Recommendation 3 of the National Competition Policy Review of the *Imported Food Control Act 1992* (the Tanner Review) with which the Australian Government agreed. The Government correctly identified that AQIS has undertaken to work with industry to develop a strategy to implement the Tanner Review's 23 recommendations (see Banks et al 2006, pp 84-85; and Australian Government, 2006 p 7). This outcome has the potential to address DSICA's concerns in this area.

DSICA is currently working with AQIS on a pilot project under which major importers of spirits who have accredited quality assurance procedures in place will be exempted from the 5% random inspection requirements of AQIS. DSICA looks forward to progressing this project with AQIS in the coming months.

Recommendations:

DSICA's recommendations include:

- *Single administration:* The Australian Taxation Office (ATO) should be the single government agency responsible for the collection of revenue and the administration of imported and locally produced spirits and RTDs. [Estimate revenue saving: $17m].

DSICA

8 Conclusion

DSICA believes that the National Alcohol Strategy provides the most appropriate framework within which Australia can take progressive steps towards improving drinking cultures in our society.

DSICA believes that the federal budget process has a key role to play in this Strategy, particularly in developing incremental taxation reform agendas that would support the reduction of alcohol-related harm in Australia.

The Strategy establishes some key principles which DSICA strongly supports. DSICA regards the principles of evidence-based policy making as set out in the Strategy as the guiding pillar to any taxation change on alcohol products. Accordingly, this submission concludes that there is no reliable evidence that justifies an increase in the tax on RTDs. Furthermore, there is now a wide range of reliable evidence that there is no link between the increased popularity of RTDs and levels of harmful alcohol consumption amongst young drinkers.

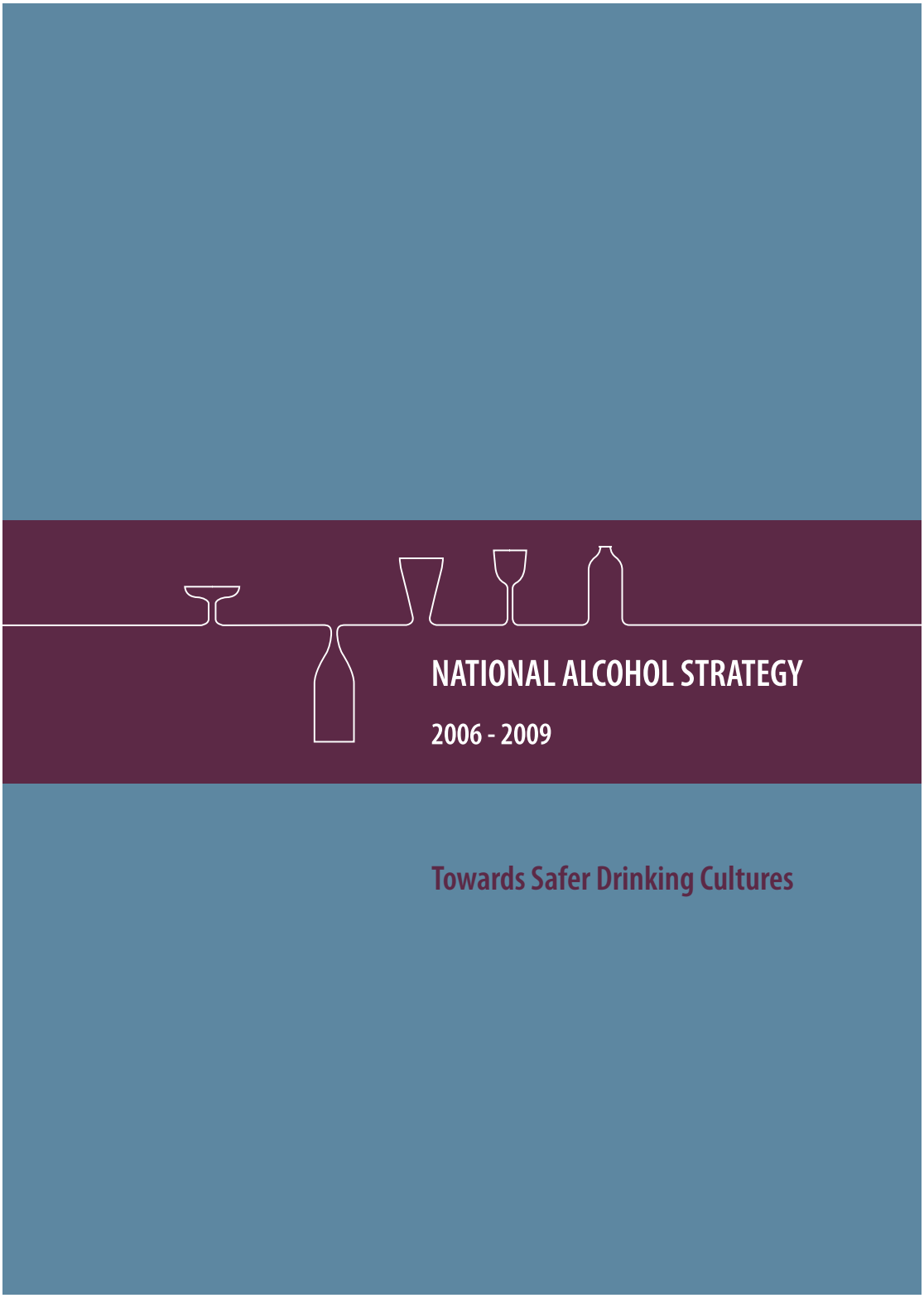
DSICA believes that the highest priority should be given to reducing the levels of *high risk* drinking amongst vulnerable groups in our community. Taxation equivalence for packaged RTDs and packaged beer at the low-alcohol and mid-strength levels can be one positive step towards this goal. This is an important incremental change which could be made with minimal cost to government revenue. Such a change is strongly supported in the Strategy, by health advocacy groups and by the Senate Economics Legislation Committee.

DSICA has also proposed a number of other recommendations around tax administration, and data analysis and research, all of which are consistent with the goals of the Strategy.

The forthcoming 2007-08 Budget presents an opportunity for government to work with industry towards developing a comprehensive range of harm-reduction strategies to achieve the Strategy goal of reduced levels of high risk drinking amongst vulnerable groups in our community.

DSICA

Appendix 1 National Alcohol Strategy 2006 – 2009



EXECUTIVE SUMMARY

Alcohol plays an important role in the Australian economy. It generates substantial employment, retail activity, export income and tax revenue. Alcohol also has an important social role. It is a familiar part of traditions and customs in this country and is often used for relaxation, socialisation and celebration. Eighty three percent of Australians reported drinking alcohol in 2004. It is a drug that can promote relaxation and feelings of euphoria. It can also lead to intoxication and dependence and a wide-range of associated harms.

The annual cost to the Australian community of alcohol-related social problems was estimated to be $7.6 billion in 1998-99. Globally, alcohol-related death and disability accounts for 4.0 percent of the total cost to life and longevity (compared to 4.1 percent for tobacco), even after factoring in any health protective effects of alcohol consumption.

Although the per capita consumption of alcohol in Australia has declined since the 1980's it remains high by world standards. There are patterns of use that are of particular concern. For example, drinking to intoxication is associated with wide-reaching impacts on the health, safety and wellbeing of individuals and communities. Such drinking is not a random occurrence. Many of the dangers of alcohol for those who drink, and those around them, are misunderstood, tolerated or ignored. The harms associated with unsafe alcohol use, including drinking to intoxication, are now well documented in the research literature. There is also widespread concern about the drinking patterns associated with harm among those who are responding to those harms in some way on a day-to-day basis. Developing Australia's drinking cultures to produce healthier and safer outcomes is the key challenge for this Strategy.

The National Alcohol Strategy 2006-2009

The *National Alcohol Strategy 2006-2009* (the *Strategy*) is a plan for action developed through collaboration between Australian governments, non-government and industry partners and the broader community. It outlines priority areas for coordinated action to develop drinking cultures that support a reduction in alcohol-related harm in Australia. The *Strategy* seeks to reflect the *National Drug Strategy: Australia's integrated framework 2004–2009* and build on the previous alcohol strategy. It also supports the key result areas of the *National Drug Strategy Aboriginal and Torres Strait Islander Peoples Complementary Action Plan 2003–2006*, which was endorsed by the MCDS in August 2003.

The *Strategy* is based on extensive consultations with over one thousand key stakeholders around Australia and a review of the most recent research literature and other data relating to trends in alcohol consumption and harm in Australia. The inclusion of liquor licensing authorities, police and local government in the consultation process represents an effort to integrate with other key groups including the health sector and the alcohol beverage and hospitality industry.

Strategy Development Principles

Development of the *Strategy* has been guided by a set of principles that have influenced the research methods, the frameworks used for analysis, and decision-making on policy specific issues. The principles are:

- Build on past and present efforts
- Consult
- Seek evidence
- Contemplate future trends and issues
- Focus on some key areas
- Identify realistic responses.

Strategy Goal

The goal of the *Strategy* is to prevent and minimise alcohol-related harm to individuals, families and communities in the context of developing safer and healthy drinking cultures in Australia.

Strategy Aims

To achieve this goal, the *Strategy* has four aims:

1. Reduce the incidence of intoxication among drinkers.
2. Enhance public safety and amenity at times and in places where alcohol is consumed.
3. Improve health outcomes among all individuals and communities affected by alcohol consumption.
4. Facilitate safer and healthier drinking cultures by developing community understanding about the special properties of alcohol and through regulation of its availability.

In light of the evidence of alcohol-related harm in the general community and within specific sub-populations, both universal approaches to reduce overall consumption and strategies targeted to reduce harm are needed in Australia.

Priority Areas for the Strategy

Reflecting these aims, the following four priority areas have been nominated as the focus of the *Strategy*:

- Priority Area 1: Intoxication

1A. Increase community awareness and understanding of the extent and impacts of intoxication.
1B. Improve enforcement of liquor licensing regulations.
1C. Ensure the inclusion of Aboriginal and Torres Strait Islander groups to identify specific responses for Aboriginal and Torres Strait Islander communities.
1D. Implement strategies to reduce the outcomes of intoxication and associated harm in and around late night (extended hours) licensed premises and outlets.

- Priority Area 2: Public Safety and Amenity

2A. Prevent and reduce alcohol-related injuries.
2B. Revise, develop where necessary, and disseminate best practice guidelines.
2C. Increase the capacity of local communities, including government, to address public health and safety issues associated with alcohol.

- Priority Area 3: Health Impacts

The following responses relate to the health system and therefore do not necessarily include other responses that can positively affect the health impacts of alcohol, many of which are recommended elsewhere in the Strategy.

3A. Initiate a national effort to enhance the capacity and legitimacy of the nursing profession in addressing alcohol-related health problems.
3B. Promote primary care settings as an accessible and non-stigmatising opportunity for health promotion, prevention and treatment of alcohol use problems.
3C. Improve capacity and encourage a system-wide health response to people at risk of short-term and longer-term alcohol-related health problems.
3D. Support whole-of-community initiatives to reduce alcohol-related health problems.

- Priority Area 4: Cultural Place and Availability

4A. Strengthen the regulation of alcohol availability including liquor licensing controls.
4B. Investigate price-related levers to reduce consumption of alcohol at harmful levels.
4C. Monitor and review alcohol promotions.
4D. Develop and implement social marketing campaigns to reduce alcohol-related harms.
4E. Develop a shared vision for long-term culture change with the aim of reducing alcohol-related harm and developing safer and healthy drinking cultures in Australia.
4F. Examine the legal aspects of alcohol availability.

A fifth area of the *Strategy*, 'Where To From Here?' identifies actions required to support the implementation of the *Strategy*, including:

- Coordinated and integrated approaches
- Building the research agenda
- Data collection
- Monitoring and evaluation
- Developing the workforce
- Developing partnerships and links
- Shaping the future - providing strong leadership.

The recommended responses are listed under the four priority areas and the fifth section focussing on implementation of the *Strategy*.

Priority Area 1: Intoxication

1A. Increase community awareness and understanding of the extent and impacts of intoxication.

1A.1. Continue to work with industry to develop labelling of alcohol products to facilitate knowledge and self-monitoring through readily seen, consistent, graphic standard drinks labelling.

1A.2. Promote the Australian Alcohol Guidelines aiming for consistency and clarity of messages across all alcohol-related health and safety arenas.

1A.3. Develop a nationally agreed and workable definition of intoxication.

1A.4. Increase community understanding of liquor licensing laws and requirements for the responsible service of alcohol in the context of harm reduction.

1B. Improve enforcement of liquor licensing regulations.

1B.1. Increase capacity of police, local government and liquor licensing authorities to enhance enforcement of liquor licensing laws, particularly those relating to serving people who are intoxicated.

1B.2. Examine the liquor licensing laws in each jurisdiction with regard to the adequacy and appropriateness of current penalties for breaches and the feasibility of developing a demerit points system, especially for serious and repeat offences.

1B.3. Support the refinement and improve the reliability of data linkage efforts to facilitate an early warning system of possible trouble spots and provide opportunities for proactive policing at a local level, including possible liaison and coordination with local government, alcohol industry bodies and health programs.

1C. Ensure the inclusion of Aboriginal and Torres Strait Islander groups to identify specific responses for Aboriginal and Torres Strait Islander communities.

1C.1. Provide and improve access for Aboriginal and Torres Strait Islander peoples to the current police diversion, pre-sentencing programs, and legal aid for alcohol-related offences.

1C.2. Build capacity to provide a full range of treatment and rehabilitation options and resources to Aboriginal and Torres Strait Islander peoples in rural and remote areas, in collaboration with mainstream services.

1C.3. Reduce harm for Aboriginal and Torres Strait Islander families and communities by implementing harm reduction strategies outlined in the Complementary Action Plan and strategies outlined in national injury prevention plans and safety promotion strategies.

1D. Implement strategies to reduce the outcomes of intoxication and associated harm in and around late night (extended hours) licensed premises and outlets.

1D.1. Conduct periodic appraisals of compliance with legislation, regulations and good practice guidelines in late night (extended hours) liquor outlets in conjunction with other measures such as local accords where these are in place.

1D.2. Develop and implement additional specialised Responsible Service of Alcohol (RSA) training in conjunction with the alcohol distribution industry and support for premises that are high risk environments for intoxication, particularly late night licensed premises.

1D.3. Establish nationally consistent RSA training programs such that these are recognised and accepted across the country.

1D.4. Require all managers of liquor outlets to undergo appropriate training in the responsible sale and serving of alcohol.

1D.5. Improve and enhance the knowledge base of the extent of drink spiking and associated criminal victimisation and increase capacity to effectively prevent, reduce and manage the incidence of drink spiking.

Priority Area 2: Public Safety and Amenity

2A. Prevent and reduce alcohol related injuries.

2A.1. Investigate the current evidence base and public interest in a range of measure to reduce alcohol-related road injury, particularly:
- establishing lower BAC limits for all drivers;
- establishing that all statutory maximum penalties for repeat drink driving offenders should relate to the BAC of the offender and the number of prior offences committed;
- creating a "serious" offender category and appropriate penalties for multiple drink drive offenders;
- creating a specific category for first time offenders with high BACs;
- examining the appropriateness of installing ignition interlock devices on vehicles of certain categories of offenders such as multiple drink drive offenders and those with high BACs;
- providing alcohol-related brief interventions, treatment and rehabilitation support for drink drive offenders, as part of re-licensing requirements, in an effort to reduce recidivism; and
- exploring the potential for consistency between Australia and New Zealand and possible other countries in our region in relation to recommended low risk drinking levels

2A.2. Conduct trial demonstration projects that aim to reduce drink driving in regional and rural areas, in partnership with key stakeholders.

2A.3. Coordinate with the National Public Health Partnership to ensure the realisation of alcohol-related injury objectives in the National Injury Prevention Plan' especially related to injury other than road traffic injuries.

2A.4. Introduce basic strategies in the workplace to prevent and reduce alcohol-related harm in a range of key industries including:
- development of evidence-informed workplace policies;
- alcohol and drug awareness initiatives in the workplace; and,
- employee assistance programs.

2A.5. Explore opportunities to engage with the insurance industry to develop strategies to minimise the risk associated with alcohol use.

2B. Revise, develop where necessary, and disseminate best practice guidelines on:

2B.1. Environmental design and place management to reduce alcohol-related harm on and around licensed premises.

2B.2. Private host responsibility, particularly for parents, in partnership with police, schools, local government and family groups.

2B.3. Provision, management and promotion of late night transport options, including taxis and designated driver programs from licensed premises.

2B.4. Management of alcohol-related issues at public events.

2B.5. Responding to drinking in public places among communities of concern, in both urban and regional locations.

2B.6. Support and safety services for people who are intoxicated in pubic settings.

2B.7. Harm minimisation and health promotion in community sports club settings where alcohol-related harm occurs.

2C. Increase the capacity of local communities, including government, to address public health and safety issues associated with alcohol.

2C.1. Examine opportunities for local government to:
- consider the costs and benefits of liquor licensing applications in their area, including when exercising their building and planning regulatory authority; and,
- recover the additional costs of maintaining public amenity in areas with high densities of late night liquor outlets through measures such as differential rates and the application of direct fees and charges related to licensing provisions.

2C.2. Develop a 'toolkit' to assist local government and local communities to participate in liquor licensing decision-making processes.

2C.3. Support to inclusion of alcohol as a priority issue in local community safety initiatives.

2C.4. Continue to monitor the impact of arrangements by Aboriginal and Torres Strait Islander communities for restricted availability and total bans on alcohol in the context of reducing violence and enhancing public safety in and around Indigenous communities.

2C.5. Encourage and support Aboriginal and Torres Strait Islander communities to develop local solutions to particular problems, including those who have the opportunity and decide to go 'dry' and require health and social support services to assist people to cease drinking.

Priority Area 3: Health Impacts

3A. Initiate a national effort to enhance the capacity and legitimacy of the nursing profession in addressing alcohol-related health problems.

3A.1. Support efforts to include alcohol and drug education in all undergraduate nursing and midwifery curricula.

3A.2. Mandatory policy to be developed to ensure that, in all health care settings nurses and midwives automatically assess all patients for levels of consumption of alcohol and define strategies for intervention and clinical management of intoxication and withdrawal, where appropriate.

3A.3. Provide nursing and midwifery staff with resources to support alcohol-related screening and early interventions in primary care settings, including hospital accident and emergency departments, general practice, and mental health services.

3A.4. Support further development of the Nurse Practitioner role in relation to alcohol and drugs.

3B. Promote primary care settings as an accessible and non-stigmatising opportunity for health promotion, prevention and treatment of alcohol use problems.

3B.1. Increase the uptake of pharmacotherapy treatment for alcohol dependence, by GPs and specialist alcohol and drug treatment services, including attention to appropriate programs for use with alcohol dependent Aboriginal and Torres Strait Islander peoples.

3B.2. Provide a full range of approaches to Aboriginal and Torres Strait Islander peoples to address the impact of alcohol, tobacco and other drugs, and social and emotional wellbeing and issues related to co-morbidity.

3B.3. Develop and integrate an alcohol and drug component within the national Better Outcomes in Mental Health initiative to address alcohol dependence and co-morbidity issues in the community.

3C. Improve capacity and encourage a system-wide health response to people at risk of short-term and longer –term alcohol-related health problems.

3C.1. Explore the potential effectiveness of the development of an assessment and treatment program for offenders where alcohol appears to significantly contribute to a criminal offence.

3C.2. Increase the feedback and referral for alcohol-related assessment and treatment from hospital accident and emergency departments to specialist alcohol and other drug services and to GPs.

3C.3. Support the ongoing implementation of quality accreditation systems in specialist alcohol and drug treatment services including a review of the uptake of evidence based practice.

3C.4. Continue working with Aboriginal and Torres Strait Islander community leaders to identify programs that show promise in preventing and

responding to alcohol-related health issues in their communities and support wider implementation and evaluation.

- This could include building on programs such as the Indigenous Alcohol and other Drug National Train the Trainer Pilot Program.

3C.5. Establish a profile of the spread and treatment funding allocations to mainstream and targeted services and explore the relationship of funding to alcohol specific indicators such as those associated with alcohol use, indices of harm such as the burden of disease and demand for services.

3D. Support whole-of-community initiatives to reduce alcohol-related health problems.

3D.1. As part of the cyclical review of the Australian Alcohol Guidelines:

- consider any special needs for population sub-groups – pregnant women, young people, Aboriginal and Torres Strait Islander peoples, older people, and people who have experienced alcohol dependence;
- continue to recognise non-drinking options; and,
- consider the potential for distribution and use of these guidelines to other countries in our region that may request access to such specialist expertise (including consideration of consistency between Australia and New Zealand).

3D.2. Recognise the importance of thiamine fortification in preventing serious alcohol-related disease. Examine the potential for its inclusion in alcoholic beverages and the cost-effectiveness of such a measure, while ensuring ongoing provision of thiamine supplementation in flour used in baking.

3D.3. Support community-wise health promotion initiatives that have the potential to prevent and reduce alcohol-related harms, with emphasis on supporting local communities in developing and implementing such initiatives.

3D.4. Address the co-occurrence of depression and alcohol use and possible treatment responses with a view to multi-pronged prevention initiatives.

3D.5. Support consistent data collection on Foetal Alcohol Spectrum Disorders in the general population and in high risk groups.

3D.6. Monitor developments in Australia and overseas to address the problem of Foetal Alcohol Spectrum Disorders and identify the best practice approaches to reduce its incidence, particularly in Aboriginal and Torres Strait Islander communities.

Priority Area 4: Cultural Place and Availability

4A. Strengthen the regulation of alcohol availability including liquor licensing controls.

4A.1. Establish a working group to consider the impact of National Competition Policy on liquor licensing arrangements.

4A.2. Develop a nationally consistent approach and legislation regarding secondary supply of alcohol to minors.

4A.3. Increase community involvement in liquor licensing decision-making processes and in responding to related concerns, with emphasis on supporting Aboriginal and Torres Strait Islander communities to advocate for restrictions in the availability of bulk wine in areas affecting these communities.

4A.4. Review the mechanisms developed and implemented and the outcomes of the inclusion of the object of harm reduction in liquor control legislation in each jurisdiction.

4B. Investigate price-related levers to reduce consumption of alcohol at harmful levels.

4B.1. Focus ongoing dialogue on price-related levers to reduce consumption of alcohol at harmful levels.

4C. Monitor and review alcohol promotions.

4C.1. Implement monitoring and annual reporting on the advertising and promotion of alcohol.

4C.2. Maintain prohibition of alcohol promotion that encourages rapid and/or high levels of alcohol consumption.

4D. Develop and implement social marketing campaigns to reduce alcohol-related harms.

4D.1. Develop a social marketing campaign with the aims of:

- reducing the perceived acceptability of intoxicated behaviour;
- promoting the Australian Alcohol Guidelines and standard drink labels and measures; and,
- increasing awareness of the significant costs to individuals, families, communities and the Australian economy of harmful use of alcohol.

4D.2. Ensure that there is appropriate research and thorough consultation to inform the development of social marketing campaigns aimed at

Aboriginal and Torres Strait Islander peoples, acknowledging differences in relevant communication messages.

4D.3. Ensure social marketing campaigns are comprehensive, targeted and well coordinated, and developed with thorough consultation mechanisms with key community partners and audiences, including the alcohol beverage and hospitality industry, the health sector, law enforcement, school-based drug education programs, young people and local communities.

4E. Develop a shared vision for long-term culture change with the aim of reducing alcohol-related harm and developing safer and healthy drinking cultures in Australia.

4E.1. Develop an annual national alcohol action audit with an accompanying forum to promote implementation and to ensure accountability of all parties to the National Alcohol Strategy.

4F. Examine the legal aspects of alcohol availability specifically in relation to:

4F.1. The realisation of stated objects in liquor licensing legislation in each jurisdiction.

4F.2. The use of alcohol consumption in the legal defence of diminished responsibility.

4F.3. The supply of alcohol to minors.

Where to From Here? Integrated and coordinated responses

5A. Building the research agenda.

5A.1. Convene a national forum of key research stakeholders and undertake a follow-up project to develop a comprehensive alcohol research agenda to address current gaps and future needs.

5A.2. Undertake a future forecasting project to identify alcohol consumption trends, net health, social and economic impacts, and demographic changes such as population ageing, to assist responsive and innovative policy and practice development.

5A.3. Review the aetiological fraction methodology to accurately reflect the total effect of alcohol consumption in Australia.

5A.4. Schedule a repeat of the 1994 National Drug Strategy – Urban Aboriginal and Torres Strait Islander Peoples Supplement.

5B. Data collection

5B.1. Implement a nationally consistent approach to the collection of alcohol wholesale sales data and/or other appropriate measures of alcohol consumption, in consultation with key stakeholders in each jurisdiction including government, business and research bodies.

5B.2. Develop a national approach to the collection of alcohol-related offence information and best practice response procedures in collaboration with law enforcement in each jurisdiction, that is sensitive to the range of operational priorities.

5B.3. Explore opportunities for data collection by hospitals and emergency departments in relation to alcohol-related presentations and admissions, including place of last drink.

5B.4. Develop an understanding of the extent of alcohol-related harm by supporting better collection and integration of data from a range of sources.

5B.5. Explore opportunities for the collection of local data related to alcohol for use in targeted interventions and policy.

5C. Monitoring and evaluation

5C.1. An evaluation of the National Alcohol Strategy will be necessary to determine what impact the strategies and actions have towards changing community drinking cultures.

5D. Developing the workforce

5D.1. Support for the inclusion of alcohol and drug education in all undergraduate nursing curricula.

5D.2. Support the development of the nurse practitioner program in relation to alcohol and drugs.

5D.3. Increase the capacity of the mental health workforce to respond to co-morbid alcohol and mental health disorders.

5D.4. Increase the capacity of Aboriginal and Torres Strait Islander community health workers to respond to alcohol issues through the MCDS Indigenous Alcohol and other Drug National Train the Trainer Pilot Program.

5D.5. Increase the capacity of police and emergency services workforces in responding to alcohol-related issues.

5E. Developing partnerships and links

5E.1. Continue to forge strong partnerships and share responsibilities across all levels of government and with a range of sectors, organisations and peak bodies.

5F. Shaping the future – providing strong leadership

5F.1. Australia should continue to build international partnerships with the aim of reducing alcohol-related harm, particularly in the Asia-Pacific Region.

Appendix 2 Alcohol Market and RTD Facts

Introduction

Alcohol plays an important role in Australian society and is legally accepted in our culture as a relaxing way of socialising with friends and family. The majority of Australians drink alcohol in a responsible manner without harm to themselves or others.

There are a number of myths which abound in relation to the alcohol market, particularly in relation to Ready to Drink alcohol products (RTDs) which are not supported by the facts.

In an effort to ensure that alcohol policy is based on the best available evidence, DSICA believes it is vital to consider the facts which lie behind these common myths.

Overview

Some relevant facts regarding the alcohol market in Australia, and RTDs in particular, are summarised below:

Fact 1: Adult per capita alcohol consumption in Australia has fallen below 1970's and 1980's levels

Fact 2: There has been no significant increase in adult per capita alcohol consumption since tax reform (1 July 2000)

Fact 3: Total alcohol consumption has been increasing at a lower rate than the 15 years and over population

Fact 4: Adult per capita consumption of RTDs has been growing as adult per capita consumption of beer and spirits has been falling

Fact 5 RTDs are similar alcohol content as beer but pay higher tax per volume of alcohol

Fact 6 RTDs comprise only 11% of the Australian alcohol market

Fact 7 74% of RTDs are dark spirit-based, and are preferred by males 24 years and older

Fact 8 The rate of RTD growth is slowing significantly

A detailed discussion of each of these facts is set out on the following pages.

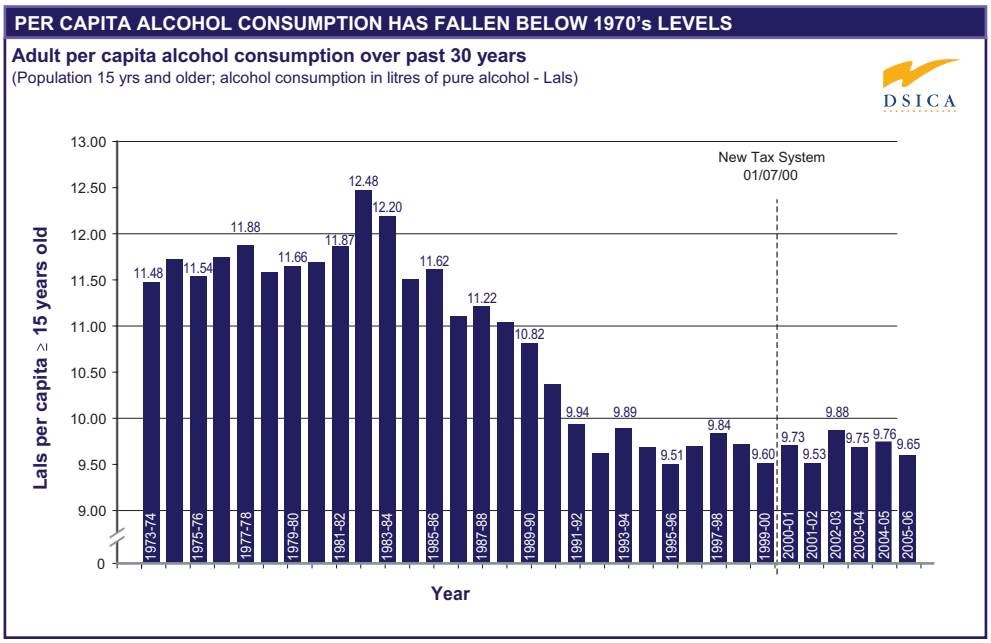
Fact 1: Adult per capita alcohol consumption in Australia has fallen below 1970's and 1980's levels

The accepted methodology endorsed by the World Health Organisation (WHO) is to use the population of 15 year olds and over as the basis for estimating alcohol consumption by populations. The terminology that applies to these calculations is 'adult per capita consumption'.

This is the methodology which DSICA has applied in analysing the changes in '*adult* per capita consumption' in alcohol in Australia. DSICA's analysis is also prepared on a financial year basis, in order to provide consistency with taxation estimates, which are also undertaken on a financial year basis. For example, DSICA's analysis shows that in 2005-06, the *adult* per capita consumption was 9.65 Lals. DSICA's sources for this data include ABS statistics, as well as statistics obtained from the Liquor Merchants Association (LMA) and other relevant spirits industry sources.

- **Fact:** Adult per capita consumption of alcohol has fallen from a high of 12.48 Lals in 1982-83 to its current static level of around 9.65 in 2005-06 (See *Figure 1* below).
- This is a level of adult per capital alcohol consumption which is lower than 1970's levels.

Figure 1: Adult per capita alcohol consumption in Australia (1973-74 to 2005-06)



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Source: ABS, DSICA Pre-Budget Submission 2007-08

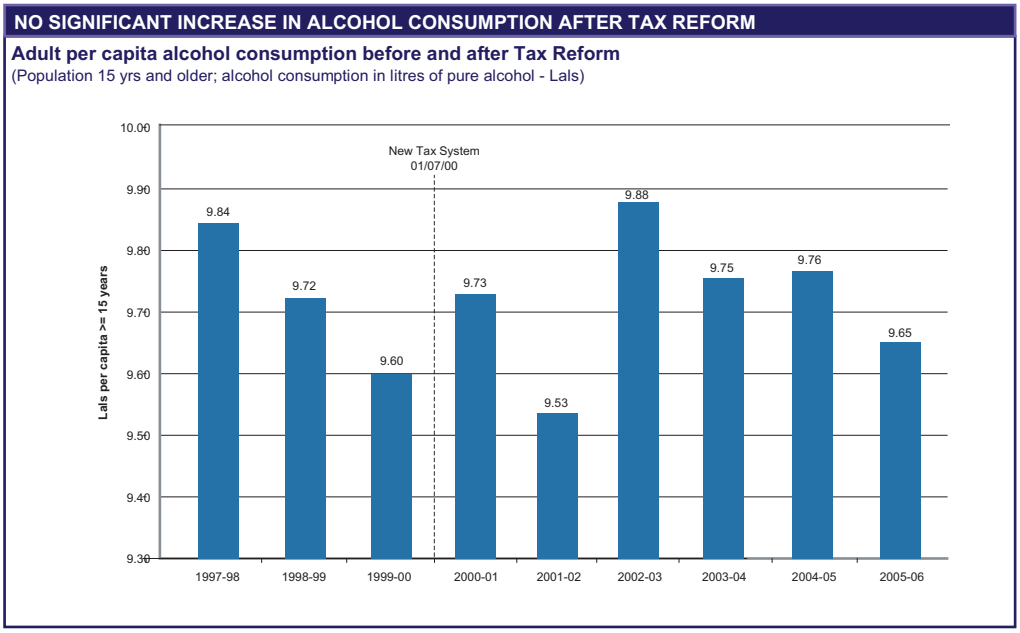
Fact 2: There has been no significant increase in adult per capita alcohol consumption since tax reform (1 July 2000)

There is reliable evidence that taxation changes implemented under the *New Tax System* (effective from 1 July 2000) have not resulted in increased alcohol consumption in Australia on a per capita basis.

Adult per capita consumption of alcohol in Australia has not significantly increased since tax reform, as seen in *Figure 2* below:

- Adult per capita consumption of alcohol has only deviated from a six year average of 9.69 Lals by a maximum of 0.18 adult per capita Lals in the years since tax reform;
- The adult per capita consumption figures for the last six financial years include:
  - 1999-00: 9.60 Lals
  - 2000-01: 9.73 Lals (first year after tax reform)
  - 2001-02: 9.53 Lals
  - 2002-03: 9.88 Lals
  - 2003-04: 9.75 Lals
  - 2004-05: 9.76 Lals
  - 2005-06: 9.65 Lals

Figure 2: Adult per capita alcohol consumption in Australia (1997-98 to 2005-06)



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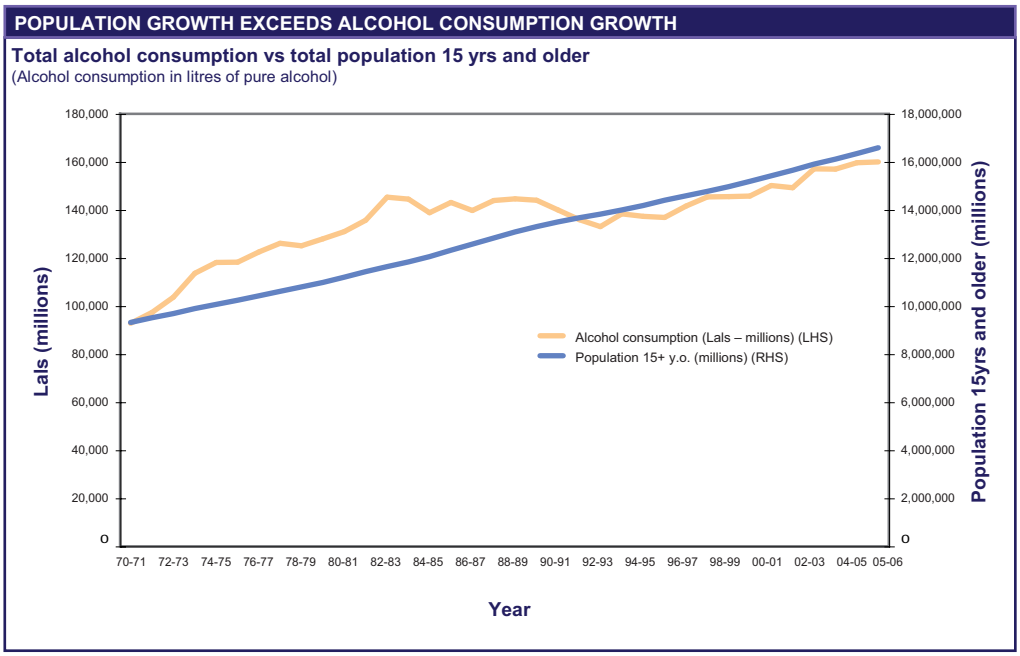
Fact 3: Total alcohol consumption has been increasing at a lower rate than the 15 years and over population

There is reliable evidence that total consumption of alcohol in Australia has been increasing at a lower rate than the rate of which the 15 years and over population has been increasing since 1992-93:

- Prior to 1992-93, total alcohol consumption was growing at a faster rate than the 15 years and over population;
- However, since 1992-93, the growth in Australia's total alcohol consumption has fallen below the rate of increase of the 15 years and over population (see *Figure 3* below);
- This means that, for the last 10 years, adult per capita alcohol consumption rates in Australia have been falling slightly.

Figure 3: Australia's total alcohol market (Lals) vs Population 15 years and over (1970-71 to 2005-06)



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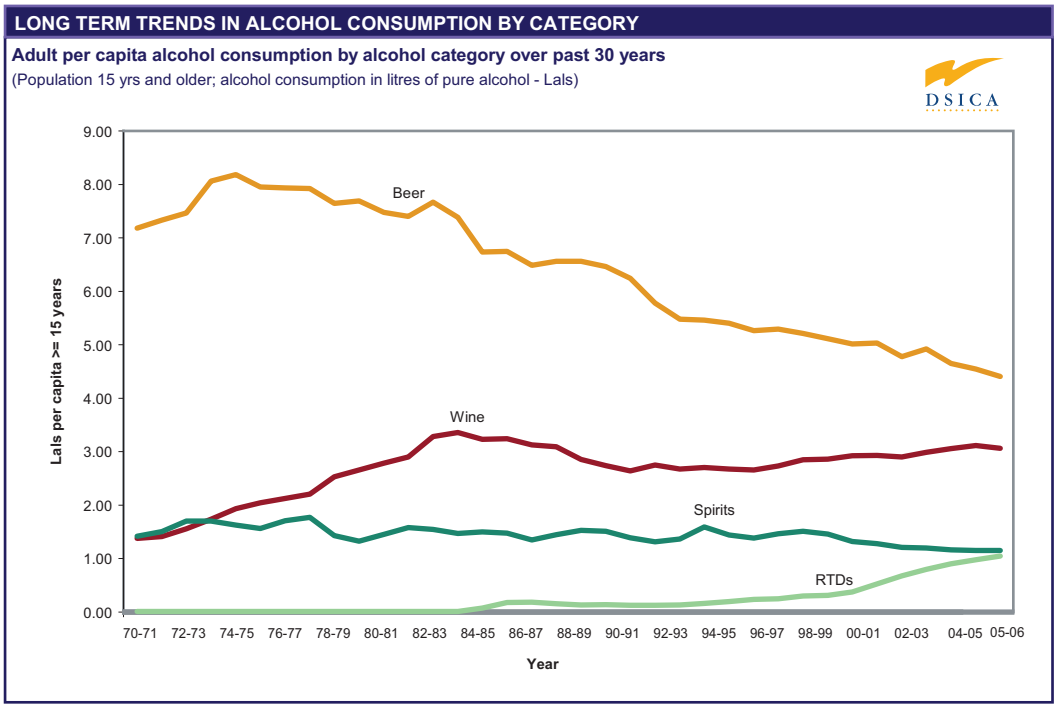
Fact 4: Adult per capita consumption of RTDs has been growing as adult per capita consumption of beer and spirits has been falling

There is reliable evidence that increases in adult per capita consumption of RTD's have been growing at the expense of adult per capita consumption of beer and spirits:

- The most dramatic change in alcohol consumption in the last 30 years has been the substitution of wine for beer. Beer consumption dropped from 7.18 Lals per capita in 1970-71 to 4.40 Lals per capita in 2005-06;
- Wine consumption increased from 1.37 to 3.06 Lals per capita during the same period;
- Comparatively, consumers in 2005-06 are more likely to choose wine to drink than spirits or RTDs compared with consumers in 1970-71.
- Since the beginning of rapid growth in RTD consumption around 1999-2000, full-strength spirits consumption has fallen, offsetting RTD growth (see *Figure 4* below).

Figure 4: Australia's adult per capita alcohol consumption by alcohol category (1970-71 to 2005-06)



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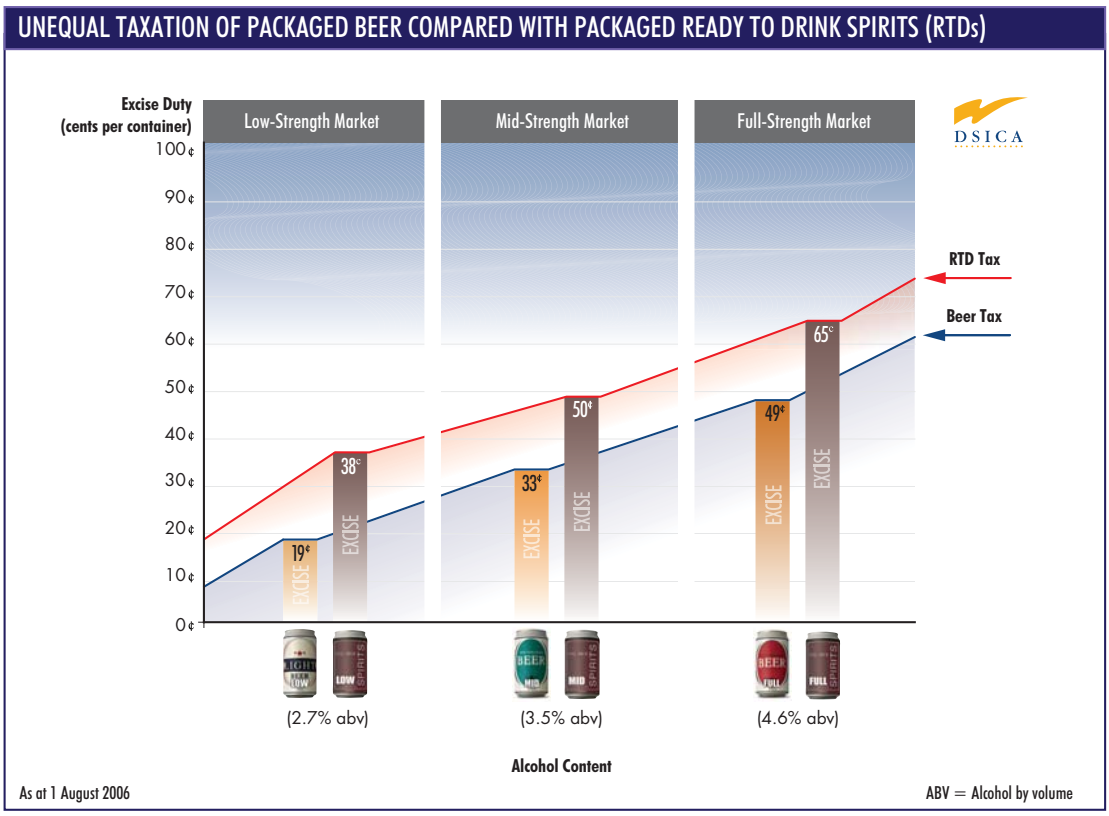
Fact 5: RTDs are similar alcohol content as beer but pay higher tax per volume of alcohol

- Fact: RTDs are approximately the same alcohol content as full strength beer:
  - Most RTDs are approximately 5.0% alcohol by volume (abv);
  - Some of the largest selling RTD brands are 4.6% alcohol by volume;
  - Full strength beer is generally between 4.6% abv and 5.0% abv.
- Fact: Mid-strength RTDs are approximately the same alcohol content as mid-strength beer:
  - *Bundaberg Gold* is a 3.5% abv RTD, comprising Bundaberg rum and cola;
  - This is the same alcohol strength as mid-strength beers.
  - A comparison between the taxation of beer and RTDs is given below.
- Fact: There is unequal taxation of RTDs compared with beer:
  - The taxation of beer has a 1.15% alcohol by volume (abv) excise-free threshold. That is, the first 1.15% abv per Lal of beer does not pay excise.
  - In contrast, RTDs do not qualify for the 1.15% abv excise-free threshold (despite comparable alcohol content) and consequently incur a higher taxation burden (see *Figure 5* below).
  - This results in a situation where the amount of excise payable on a mid-strength RTD exceeds the excise on an equivalent quantity of beer.

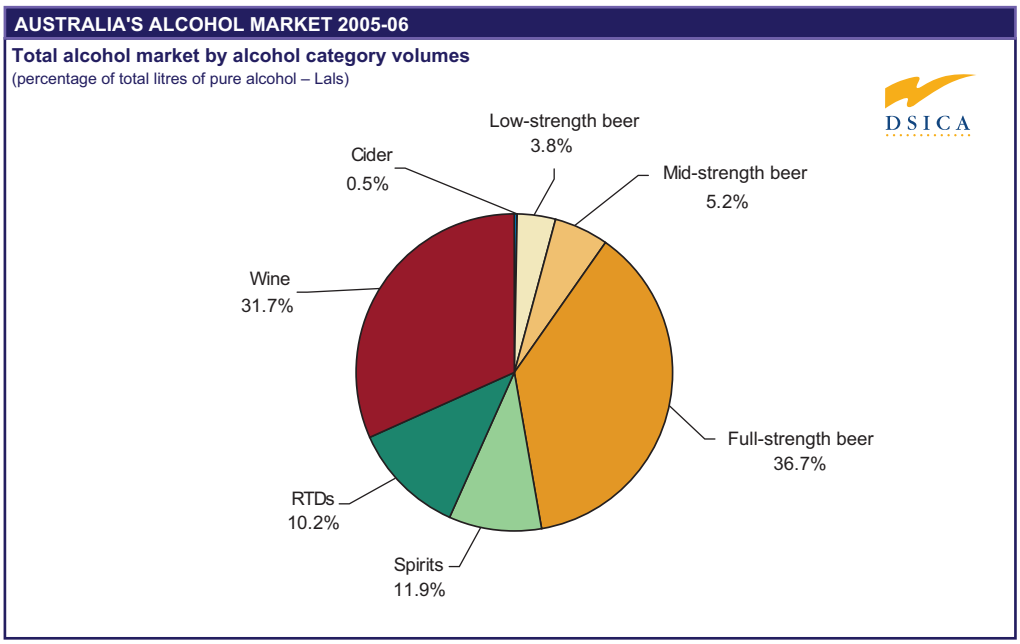
Figure 5: Unequal Taxation of Packaged Beer and RTDs



Fact 6: RTDs comprise only 10% of the Australian alcohol market

- Fact: RTDs comprise only 10% of the alcohol market in Australia:
  - RTDs comprised 10.2% of the alcohol market in 2005-06 (measured in Lals);
  - Beer comprised almost 46% of the market; wine comprised 32%; and bottled spirits comprised 12% (see *Figure 6* below).

Figure 6: Australia's alcohol market by volume (Lals), 2005-06



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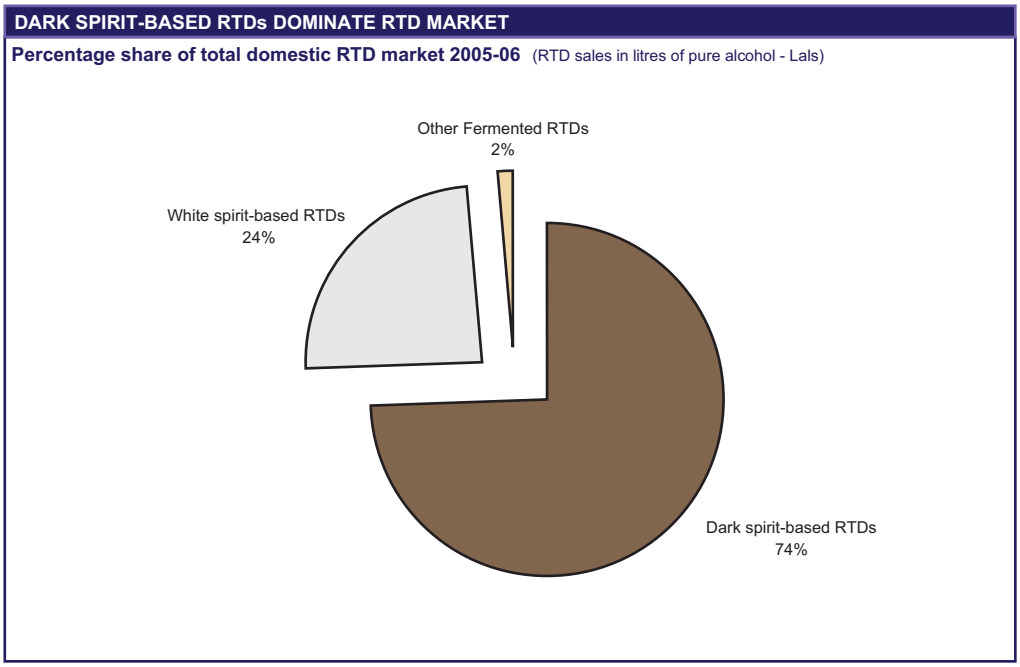
Source: ABS, DSICA Pre-Budget Submission 2006-07

Fact 7: 74% of RTDs are dark spirit-based, and are preferred by males 24 years and older

- Fact: RTDs have not been coloured or flavoured to target underage drinkers:
  - More than 74% of total RTDs consumed in Australia are dark spirit-based, which are typically dark coloured products (eg bourbon, rum and scotch whisky-based products). The colour and flavour profile of these products are preferred by over 24 year old males;
  - Industry research into preferred taste profiles for new RTD products targets over 18 year olds only;
  - No underage drinkers are included in focus groups who taste potential new products (the approach of developing new products through focus group taste tests is called *sensormetrics*);
  - The industry cannot produce products of varying colours and flavours that only appeal to consumers over the legal drinking age (eg 18-24 year olds, 24-29 year olds, 29-35 year olds) without some underage people also finding the products attractive.

Figure 7: Australia's RTD market by alcohol base (Lals), 2005-06



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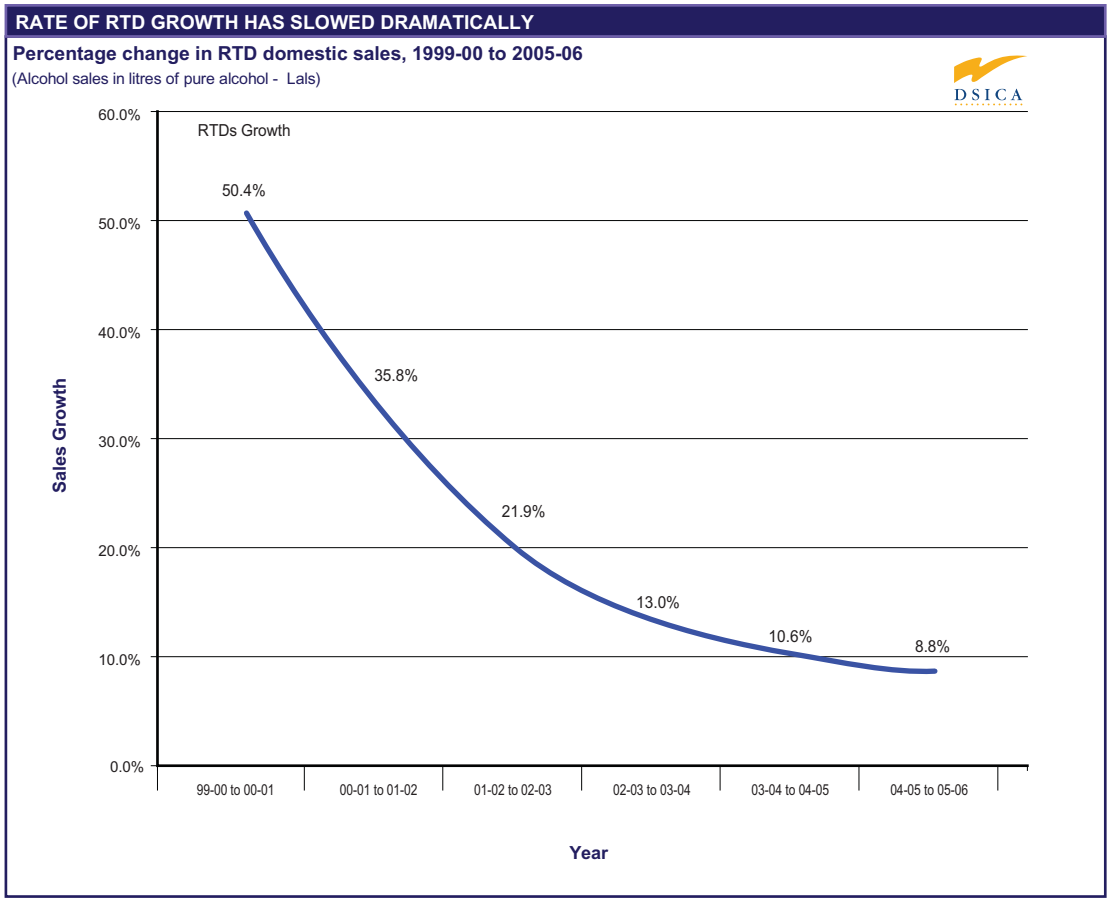
Source: DSICA Pre-Budget Submission 2006-07, LMA, Industry Sources

Fact 8: Rate of RTD growth is slowing

- Fact: The rate of RTD growth has slowed dramatically
  - The actual rate of growth of the *total* RTD market has slowed considerably since 1999-00.
  - *Figure 8* below illustrates that between the periods 1999-00 and 2000-01 the rate of RTD growth was 50.4%, and this has significantly slowed to 8.8% for the 2005-06 year.

Figure 8: RTD market growth 1999-00 to 2005-06



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