

## **Our Hotel – June 2008**

### **Higher RTD taxes are not the way to solve alcohol abuse problems**

Hoteliers will be well aware of the Government's 70 percent excise hike for spirit-based Ready-to-Drink (RTD) products. The extra cost will have been passed on by suppliers and the prices across the bar will already reflect the extra tax.

It would be no surprise to anyone in the alcohol industry that many consumers have slowed their purchasing of the pre-mixed drinks and swapped to buying other forms of alcohol. This is an unintended consequence of imposing a massive tax increase on a narrow range of products – all that happens is that moderate consumers pay more for their preferred drink, and heavy consumers move to other, now cheaper, forms of alcohol.

The supporters of the tax hike seem to have lost sight of what these products are and who drinks them. 'Alcopops' has become a common term, and one that suggests the tax is only on the light spirit, fruit flavoured drinks. The simple facts are that around 75% of these products are dark spirits, and drunk by people well over 24 years old. The strongest sales growth is coming from men aged 40+. We're concerned that the Government appears to have overlooked the fact that pre-mixed drinks were about convenience, not price, and now that they are priced like bottled spirits, that is exactly where consumers are going.

The first initial, nation-wide sales figures collected as part of the Nielsen ScanTrack service, confirmed that there had been a sharp drop in the sales of pre-mixed drinks, but there was also a sharp increase in the sales of full strength bottled spirits. As yet, there is no sales data for beer or wine – both of which have larger sales volumes than both RTDs and bottled spirits added together. It already seems clear that the tax increase will not have reduced the amount of alcohol sold.

Another unintended consequence – and one that a lot of bottle stores have reported – is that young people are buying the bottles of spirits and then mixing their own drinks. This is inherently more dangerous than consuming the measured and known quantity of a pre-mixed drink or in bottled and canned beers. Those people who are out for the most 'bang of their buck' - have quickly worked out that the new price of a six-pack is around \$20-25, but for a bit more they can buy the full 700ml bottle plus their own mixer – with free-pouring leading to unsafe drinking behaviours. . This is exactly what is happening.

The Government hopes to raise \$3.1b over the next four years from this tax hike. The economic modelling by Treasury for the tax hike shows that they do not expect consumers to swap to other forms of alcohol - despite a 70% tax increase - which is contrary to the Government's stated aim of reducing their consumption. The Budget papers tell yet another story – the estimated revenues for the coming years show an increase in RTD consumption.

The Government announced this tax hike in order to reduce the 'epidemic' of female underage binge drinking. Unfortunately for the Government, the Australian Institute of Health and Welfare – its own key adviser on health statistics - has publicly stated that there has been no increase in the numbers of underage drinkers since the RTDs started to climb in popularity. The AIHW pointed out that the growth in RTD sales volume was from older consumers.

This is not to suggest that Australia should ignore the level of alcohol abuse. We do have too many people who abuse alcohol, and they are often putting themselves at risk of harm. But this tax hike was not thought through, and it has several unintended consequences. It will not improve the public health of Australians, nor will it do anything to make our streets safer at night.

The tax hike will punish the moderate drinkers who liked the convenience of pre-mixed drinks, and also knowing how much alcohol they had consumed.

Taxation is not a good policy to target alcohol abuse problems because it is a broad weapon that punishes moderate drinkers for no reason and does little to deter the alcohol abuser who is highly motivated and seeking intoxication.

The Distilled Spirits Industry Council of Australia has been trying very hard to get the Commonwealth Government to review its decision and get this badly targeted and probably harmful tax hike overturned.