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Ready to Drink Excise Budget Shock

The distilled spirits industry was shocked by the federal government's announcement on Anzac weekend that it was increasing the excise rate on spirit–based ready-to-drink products by 69%. This took the excise rate for these products from being nearly equivalent with packaged beer back up to the bottled spirits rate of $66.67 per litre of alcohol.

The government proclaimed that excise hike was to cut down on underage female binge drinking and to fund preventative health initiatives. Not so loudly proclaimed at the time was that only a portion of the then estimated two billion dollars would go to preventative health.

By Budget night, the $2b had become $3.1b, and the government's reasoning had become even thinner as both the industry and the media took the opportunity to examine the evidence.

The Prime Minister and Minister of Health quoted a statistic from a government report in 2005, that the percentage of young female drinkers (15-17) choosing RTDs had increased from 14% in 2000 to 62% in 2004. Pre-mixed spirits had become the favoured product – perfectly correct. What the Prime Minister and Minister left out was that the same survey showed that the proportion of young females who were current drinkers had dropped substantially over the same period. The proportion drinking at higher risk levels were the same, and the average number of standard drinks per occasion for the RTD drinkers had dropped significantly.

The same underage drinking trend is shown in other official studies. The evidence that the Government is ignoring in order to justify this tax is not industry's evidence, it is the Government's evidence.

Shortly after the Budget, the Government was forced to release its Treasury modelling of the impact of the excise increase. This two-page document shows that Treasury assumes that there will be no substitution to other types of alcohol, despite the massive tax grab causing price increases for RTDs.

Hotel associations and media reports are already indicating that RTD sales have dropped and sales of bottled spirits have increased. Almost anyone in the alcohol industry could have told the Government that this would happen. Unfortunately, the distilled spirits industry was not given the chance.

Another unintended consequence of the excise hike is that it brings back into play the loophole for wine-based pre-mixed drinks that will attract the lower WET tax, yet will taste exactly the same. Modern food technology can strip out the wine flavour and add back in whatever the manufacturer wants the drink to taste of.

There is a very good reason to oppose alcohol tax hikes – they are a broad weapon that punishes the responsible drinker and do little to deter people with harmful levels of alcohol consumption from continuing to risk their short and long term heath.

A further reason to oppose the tax grab is because it is extremely unfair for a small percentage of alcohol consumers (RTDs are 12% of the total alcohol market) to eventually fund all of the government's new programs on preventing obesity, smoking and harmful alcohol consumption. I say eventually because the Budget contained no significant new funding for preventative health.