

National Liquor News - August 2008

Turbulent times for the spirits industry continue

The Senate Committee examining Ready-To-Drink products has published its report, and like the Committee itself, the report was split along party lines. Labor senators gave qualified support to the Government's RTD tax increase, as one part of a broader alcohol strategy. Liberal senators disagreed with the tax, pointing out that the Government had not proved the case for the increase, and that it was unlikely to deliver any health benefits. The Democrat Senator Andrew Murray had a different view, and so did the Greens.

The Senate Committee collected many submissions and heard a lot of testimony. The Senators were overwhelmed with the amount of data and the conflicting interpretations put forward by the industry and by anti-alcohol advocates. Everyone who gave testimony was questioned or challenged by the Senators. At the end, the Senate Committee knew that there was a lot more complexity to alcohol policy than they had imagined at the beginning of the inquiry. If this inquiry -and the one before it on alcohol advertising- creates in the Senate a greater understanding of the alcohol industry, and the need for careful, evidence-based policy development, then there was some benefit for the industry.

A clear theme throughout the Senate inquiry was that Australia's current alcohol taxation system has a lot of anomalies, and that how alcohol is taxed needs to be properly examined and – hopefully - put onto a sensible and equitable basis. The Government has announced a tax inquiry into all forms of taxation (apart from GST), which presumably includes excise and WET. Unfortunately the timetable for the enquiry is the end of next year, which means that the current inequitable and illogical system that treats wine, beer and spirits on a different basis will endure for a while longer.

The Distilled Spirits Industry Council of Australia continues its fight against the 70% RTD tax increase. The Government still has not put forward the enabling legislation, and at the time of writing, the unfair excise hike would be defeated in the Senate as the Australian Greens and two independent Senators have all stated that they will not support the RTD tax increase. The Government can have the excise increase passed by the Parliament as late as 26 April 2009.

The Government is collecting \$1.75m each day from this tax – that is \$20 per second. By the time that the Senate sits again at the end of August, RTD consumers will have paid an additional \$200m to the Government, without the tax being approved by Parliament.

The tax is certainly having an impact on consumers. Sales data shows that there has been a very strong growth in sales of full strength bottled spirits that, in terms of the amount of spirit-based alcohol, is more than making up for the decline in RTD sales.