DSICA

Mr Matthew Brine
Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

16 January 2009

Dear Mr Brine

Pre-budget Submission 2009-10

On behalf of the Distilled Spirits Industry Council of Australia Inc (DSICA), I enclose our Pre-budget Submission (PBS) for the 2009-10 year.

DSICA is the peak body representing the interests of distilled spirit manufacturers and importers in Australia. DSICA's members account for over 80% of the spirits industry in Australia.

There are two key themes in DSICA's 2009-10 PBS:

- That the 70% RTD tax increase of April 2008 has failed as a health and tax policy measure and should be immediately reversed; and
- The current alcohol tax system is complex and riddled with anomalies and its reform should be made a key priority for the Henry tax review.

These two key issues are closely examined in the enclosed PBS but are briefly described below.

70% RTD tax increase should be immediately reversed

DSICA maintains that from both health policy and tax policy perspectives, the RTD tax increase cannot be sustained by evidence and has shown to be a failure.

In announcing the RTD tax change, the Government has indicated that it was directed at reducing the extent of "binge drinking" by young people. However, the Government's own health statistics agency, the Australian Institute of Health and Welfare (AIHW), has confirmed that the increased availability of RTDs does not appear to have directly contributed to an increase in risky alcohol consumption.

This key finding by the AIHW in June 2008 was re-enforced in December 2008 with the release of the AIHW 2007 National Drug Strategy Household Survey (NDSHS) Detailed Findings which concluded that RTDs are not the preferred beverage of young people drinking at risky and high risk levels.

In terms of the revenue the measure is expected to raise, the RTD tax change has proved to fall short of its objective. When the measure was announced in May 2008, the Budget Papers indicated that the Government expected to raise an additional $3.1b over the forward estimates. However, the Government's Mid-Year Economic and Financial Outlook (MYEFO) document released in November 2008 shows that the Government now expects to raise only $1.7b over the forward estimates – approximately half of the original estimate. Again this demonstrates that the measure has fallen significantly short of the Government's initial, incompletely thought through, expectations.

"Free The Spirit"

Accordingly, given that the tax change has been shown to be not evidence based and is failing to meet its alleged health and revenue objectives, DSICA recommends that it should be immediately reversed.

Urgent need for alcohol tax reform

The current alcohol tax system is overly complex and plagued by anomalies. Ad-hoc and incremental changes over many years has demonstrated that reform has not been driven by sound tax policy design principles.

Due primarily to a lack of taxation equity, the current system discriminates between products and distorts decisions regarding alcohol production and consumption decisions.

DSICA believes that there is an urgent need for reform of the alcohol tax system. This should be a key priority of the Future Tax System Review Panel ("the Henry review"). DSICA has made a comprehensive first round submission to the Review outlining the strong case that exists for alcohol tax reform. DSICA will be making further detailed submissions to the Review in the next round of consultations to outline an alternative, more equitable, efficient and simple alcohol tax system.

DSICA looks forward to maintaining its ongoing dialogue with Treasury and other relevant Ministers and Government Departments regarding the taxation recommendations made in this submission. Please do not hesitate to contact me on (03) 9696 4466 if you have any queries in relation to the Submission.

Yours sincerely

Gordon Broderick
Executive Director