

National Liquor News – May 2012

Minimum pricing - could it happen in Australia?

The UK Government recently announced that it would introduce a minimum price per unit (their equivalent to Australia's standard drink), as part of a wider alcohol strategy. This was a huge surprise as the British Health Minister had been firmly and publicly opposed to the idea previously.

One of the striking things about the UK's minimum pricing policy is how quickly it has developed as an idea. While it has been in action for years in Canada where the state owns or controls alcohol stores, it was barely thought of as little as five years ago in the UK until the Scottish Government pushed it forward.

In Australia, there have been increasingly vocal calls for a minimum price, and these calls have been targeted at low-cost cask wines in remote communities.

If one accepts the argument that alcohol prices need to rise in order to reduce overall alcohol-related harm – which I don't - then a general increase in alcohol taxes is by far the better option because the extra revenue goes to the Government. Under a minimum price scheme, the benefits go to the retail sector because the wholesale prices don't go up, only the shelf prices, hence a bigger retailer margin.

Why does the UK Government not take the taxation route? Firstly, because they can sell a minimum price scheme as only affecting the very cheapest drinks as drunk by the very poorest, and as not targeting all drinks (as consumed by swinging voters). Besides, alcohol taxes were already being increased. Secondly, the UK cannot stop its citizens popping across to France and bringing back very large quantities of alcohol for 'personal use'. This hamstringing the UK's attempts to use tax to influence pricing.

Australia's situation is very different. Our borders are tightly controlled, and alcohol tax collection is very comprehensive. For Australia, the advantages of comprehensive alcohol tax reform over minimum pricing are absolutely clear and unarguable. It would cost a lot less to impose and enforce as well.

While minimum pricing is being promoted as only targeting the cheapest products (here it is cask wine, and industrial cider and lagers in the UK) the wider industry should not be reassured for two reasons.

Firstly, once the mechanism for regulating the price of alcohol is established, there will be constant pressure on Health Ministers to ratchet up the minimum. This is a new area of regulation, and minimum pricing could end up being a state matter. States and territories would end up competing to have the toughest and highest minimum prices, as they do now on tobacco policies.

Secondly, there is nothing to stop governments setting different minimum prices for the different categories of wine, beer and distilled spirits. There could be even more regulatory singling out of perceived 'problem products'. It was Ready-to-Drinks four years ago, based on no evidence. Why not whatever category is concerning the Police or parents, or simply has strong growth?

The industry does not need another control mechanism that allows even greater government control. Reform of alcohol taxes as proposed by Ken Henry might just be the better route.