

National Liquor News – July 2011

Minimum pricing madness

The alcohol industry was given a wake up when news broke that the National Preventative Health Agency was examining a minimum price for alcohol, based on a dollar value per number of standard drinks.

The concept of minimum pricing as an alcohol control policy has been around for a while, and has recently been given momentum internationally by the current Scottish government's push to introduce it.

However, it has never yet been introduced anywhere so Scotland will be the experiment. The fact that it has been considered and rejected by every other nation up until now does not seem to have had any impact on the thinking of Australia's alcohol policy community.

The political emphasis behind the push for minimum pricing is the shocking state of affairs in Alice Springs and some other indigenous communities, where disturbing alcohol abuse is both a symptom of the problems and an exacerbating factor for some very serious crimes and social harms. It seems clear that cheap cask wine and clean skins is the intended target.

Outside of parts of the Northern Territory and Western Australia, there does not seem much of a reason to introduce minimum pricing. It lacks any justification for the great majority of Australia.

Also, the greatest benefits would be captured by the retailers with the greatest bargaining power. While the retail price of the cask might quadruple, I doubt retailers would have to pay any more to winemakers desperate to clear their over-supply.

It's clear that the current wine tax system acts in combination with the grape over-supply to enable wholesale prices to be forced down to a very low point. It is a terrible combination for the future of the wine industry. In contrast, the excise on beer and distilled spirits act as a de-facto minimum price.

If the Australian government decided to increase the cost of the cheapest wines, a much better way would be to introduce the tax reforms suggested by Ken Henry.