**Drinks Trade – June 2009**

**2009 Budget surprises**

Like many in the alcohol industry, I was surprised to see that the Treasurer left alcohol taxes unchanged in the Budget, apart from continuing the unfair and ineffective RTD tax – despite the Senate already rejecting it and no sign that any Senator was changing their vote.

Given the size of the Budget deficit, increased alcohol and tobacco taxes looked certain. Instead, the Government stuck with the RTD tax, which remains unpopular with the public, ineffective in its public health goal, and unfair in its impact.

Only one element of the RTD tax has widespread support – the Government keeping the revenue, $424m, collected so far, which they did by passing a special Act with the support of the Opposition and independents. DSICA has never sought a tax refund and always urged the Government to keep the money it had collected from the RTD tax. We had been stating that since last August but it does not stop the Government or anti-alcohol activists to keep repeating that we wanted the money back for our own gain.

The Government is bringing the tax back into effect through a tariff proposal, and so avoids facing a Senate vote which it would lose. Unfortunately, the RTD tax has become more about putting pressure on the Opposition than about any impact it was hoped to have on underage binge drinking. This is clearly shown by the Government's refusal to put the new amendment bill into the House until three months after its Senate rejection, and so qualifies as a double dissolution trigger.

Senator Fielding should be congratulated for seeing through the Government's claims about the tax being a health measure, and for recognising that you can't solve a health and social problem by creating a tax problem. Senator Fielding is no supporter of the alcohol industry, but he has had the courage to stand up against the real issue – the culture of binge drinking - rather than taking the easy route of an extra tax on one type of alcohol product.

The Budget papers from Treasury released on Tuesday also confirmed what DSICA has been saying from the start: that consumers will simply substitute into other types of alcohol. The forward estimates of revenue show that the Government expects the volume of beer sold to increase by eight percent in 2008-09, and for imports of bottled spirits to go up by 20 per cent, both as result of consumers substituting from RTDs.

Two other pieces of research released this week further weakened the Government's arguments. The Australian Bureau of Statistics' National Health Survey showed that middle-aged women were as likely to drink at risky or high risk levels as young women age 18-24. The Government's exclusive and emotive focus on underage female drinkers looked less plausible and less sensible than broader measures.

Secondly, the Australian Drug Foundation concluded that overall alcohol consumption declines in a recession, but that binge drinking occasions increase as people use alcohol to relieve stress. This knocks over the Government's claims that while there had been substitution, overall less alcohol – about 0.5 per cent - had been sold as a result of the RTD tax hike.