

## **National Liquor News - March 2009**

### **RTD tax decision a victory for evidence and commonsense**

The Senate's decision to vote down the RTD tax increase is a victory for common sense and evidence.

Common sense always lead to the conclusion that a narrow tax – on just one type of product – would do nothing to change how Australians of any age drink or how much, merely cause them to substitute one higher taxed product for another product with lower taxes and hence lower prices.

DSICA's campaign across the past 11 months was to keep highlighting the unintended consequences of the tax, and demonstrate how the tax was failing to address underage binge drinking.

Despite some very heated comments about RTDs and distillers from supporters of the tax, DSICA kept its focus on arguing about evidence and the tax's failings as a binge drinking measure. The evidence that was gathered was professionally analysed and communicated to the parliament and the public. When DSICA released a study or a survey, it released the entire survey in order to be as transparent and open as possible.

The sudden announcement of the tax was a major shock to the distilled spirits sector, and companies had to move quickly to change business plans and budgets. Sadly, some jobs were lost as the RTD tax hit, along with the broader impact of the global financial crisis. I note that the US and Ireland are two nations where alcohol sales – of all kinds – have dropped sharply as a result of the economic decline.

The reduction in the tax rates will lead to prices adjusting back to the relative positions before last April, and to consumers having the option to choose their preferred drink, rather than a distorted market.

There was a serious issue of social inequity in the RTD tax: why should only RTD drinkers have to pay a tax to fund all of the Government's preventative health spending on obesity, smoking and all types of alcohol? Additionally, like all excise taxes, the tax increase was regressive, hitting poorer Australians hardest.

Now that the tax has failed to gain Parliament's approval, I sincerely hope that Australia's debate about alcohol abuse can move on towards developing evidence-based, practical and effective ways that the industry, government and individuals can work together and contribute to reducing the amount of binge drinking.

DSICA is hopeful that the Henry Taxation Review will recommend a sensible and balanced system based on a progressive volumetric tax on all sources of alcohol.