



**EXPLORING THE PUBLIC INTEREST CASE FOR A  
MINIMUM (FLOOR) PRICE FOR ALCOHOL**

**Australian National Preventive Health Agency  
Draft Report (November 2012)**

**Submission from the National Alliance for Action on Alcohol**

The National Alliance for Action on Alcohol (NAAA) is a national coalition of health and community organisations from across Australia. It has been formed with the goal of reducing alcohol-related harm and currently has 75 member organisations with a focus on public health and alcohol.

Correspondence to:  
Brian Vandenberg  
NAAA Executive Officer  
c/- Cancer Council Victoria  
1 Rathdowne Street  
Carlton Vic 3053  
Email: [naaa@cancervic.org.au](mailto:naaa@cancervic.org.au)

## Introduction

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This submission from the National Alliance for Action on Alcohol (NAAA) reaffirms the main responses stated in the [NAAA's first submission](#) to ANPHA on the public interest case for a minimum (floor) price for alcohol (August 2012), including:

- A minimum price would benefit moderate drinkers.
- A minimum price would target alcohol-related harm.
- A minimum price would be particularly effective for drinkers most at risk of harm.
- The adverse effects of minimum pricing on retailers and trade are disputed.

Rather than re-iterate our entire first submission again in detail, the focus of the NAAA's second submission to ANPHA is to:

- Comment briefly on the main findings and conclusions in *Exploring a public interest case for a minimum price for alcohol* (ANPHA's Draft Report) [see PART 1 below]; and,
- Highlight any new research or information that is relevant to the discussion or conclusions in ANPHA's Draft Report, or which supports the NAAA's position [see PART 2 below].

## Summary of recommendations from the NAAA

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- The current alcohol taxation system is broken and comprehensive reform is needed.
- The wine equalisation tax (WET) should be replaced with a volumetric tax as a priority.
- A national minimum price for alcohol should be introduced to complement comprehensive reform.
- Alcohol sales data should be collected to inform policy decisions.

## **PART 1: The NAAA's response to the Draft Report from ANPHA**

### **The current alcohol tax system is broken**

It is widely acknowledged by economists, public health groups, and the government's own independent tax review that the current alcohol taxation system is broken and major reforms are needed, not just minor repair work.

The "Henry review" of taxes in Australia concluded that, 'taken together, current alcohol taxes reflect contradictory policies', are 'complex, and distort production and consumption decisions with no coherent policy justification', 'do not reflect the risks of consuming different products', and do not target the spillover costs of consuming alcohol [AFTS 2010].

The review highlighted that 'in particular, the wine equalisation tax (WET), as a value-based revenue-raising tax, is not well suited to reducing social harm' [AFTS 2010].

### **Comprehensive reform is needed – based on public health principles**

The NAAA recommends the following nine principles for reform of alcohol pricing and taxation policies, with the primary objective of reducing harm and promoting a safer drinking culture in Australia:

1. Taxation of alcohol should be based on the principle that alcohol is no ordinary commodity. It is a product responsible for major harms in our community.
2. Alcohol taxation is one of the most effective ways to reduce alcohol consumption and associated harms-and is especially effective if part of a broad-based health strategy.
3. The approach to alcohol taxation should be volumetric, with tax increasing for products with higher alcohol volumes.
4. The alcohol taxation system should have the capacity to target alcohol products deemed to be of higher risk, or creating additional harms in the community.
5. There should be an overall increase in alcohol taxation.
6. The real price of alcohol should increase over time.
7. Changes to tax should not be designed to produce a decrease in price for alcohol products, other than for low alcohol products.

8. While recognising that a volumetric tax on alcohol is the primary objective, to complement this there is also a need to regulate the minimum price of alcohol products.
9. A proportion of alcohol taxation revenue should be hypothecated to prevent and reduce alcohol-caused harm in the community.

### **Reform of the Wine Equalisation Tax (WET) is a priority**

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The NAAA welcomes the conclusion in the Draft Report from ANPHA that the Wine Equalisation Tax (WET) is 'contributing to social and health harms' and is therefore 'of concern and requires reappraisal'. This is consistent with the conclusion reached by the "Henry review" of taxation in 2010, along with several other economic and public health examinations of the alcohol tax system in Australia [Allen Consulting Group 2011, Marsden Jacob Associates 2012, Preventative Health Taskforce 2010].

NAAA strongly recommends that the WET *ad valorem* tax system should be replaced with a volumetric tax.

Parts of the alcohol industry in Australia (e.g. Treasury Wine Estates and Premium Wine Brands) have also called for the WET system to be replaced with a volumetric tax [Starke 2011].

This reform would better align the taxes on wine and cider with their alcohol content and hence their propensity to cause harm, and would also raise the price of some of the cheapest alcohol currently on the market, which research shows is sought out by the heaviest drinkers and young people. [Refer also to discussion of the cider tax anomaly on page 10, below].

### **A nationwide minimum price is needed as part of alcohol tax reforms**

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In Australia, the real price of some alcohol products (wine, in particular) has dropped significantly over the past decade, the affordability of alcohol (i.e. the ratio of real disposable income to real alcohol prices) has increased by over 40% between 1995 and 2008 [Carragher and Chalmers 2011], and alcohol is sometimes sold below cost [Dooley 2010]. This situation exposes major flaws in the current alcohol taxation and pricing policies in Australia, and is contributing to the prevalence of risky drinking and alcohol related harm in the community.

A volumetric tax system can be designed to prevent the real price of alcohol from declining over time. However, a volumetric tax but does not prevent alcohol products from being sold below cost nor given away.

Therefore, it is essential that a national minimum price for alcohol is introduced and enforced to complement and reinforce the effectiveness of a volumetric tax. As stated above, this is because the two policies have different functions: A volumetric tax can be designed to reflect the alcohol content of products and the spillover costs of consumption, thereby providing a price signal to consumers, and the revenue

raised from the volumetric tax paid by wholesalers is ultimately returned to the community. A minimum price, on the other hand, establishes a floor price beneath which alcohol may not be sold, which prevents retailers from selling at prices that undermine the objectives of a volumetric taxation system (e.g. selling below cost).

The NAAA does not support the conclusion in the ANPHA Draft Report that a minimum price for alcohol should not be introduced nationally at this time. The Draft Report presents the local and national approach as an 'either-or' choice. Instead, NAAA recommends that ANPHA should further explore how both local and national approaches could work together. The NAAA is concerned that ANPHA has dismissed the potential for a national minimum price on alcohol before all of the relevant evidence has been fully considered, such as the approach and outcomes of minimum pricing measures in Canadian provinces and the full range of potential regulatory models for introducing a nationwide minimum price in Australia. With regards to the latter, this should include exploring the potential for utilising the federal excise laws and arrangements to introduce a minimum price.

The NAAA believes that there is a very strong public interest case in favour of introducing a national minimum price for alcohol alongside alcohol tax reforms, given:

- a large proportion of risky drinking and alcohol related harm is being fuelled by the availability of cheap alcohol in Australia; and,
- the introduction of a minimum price for alcohol is a proven way of reducing the availability of cheap alcohol and reducing alcohol consumption.

The NAAA recommends that ANPHA should undertake further work to identify the range of regulatory and enforcement options for how a minimum price can be most effectively and efficiently implemented on a national basis as part of alcohol tax reforms. This should be done in consultation with relevant government departments and agencies (e.g. Attorney Generals Department; Department of Finance and Deregulation, Productivity Commission). Until this work is completed and considered, the NAAA believes it is premature that ANPHA recommends against introducing a national minimum price for alcohol.

This further exploratory work should include independent economic and epidemiological modelling to identify a minimum price level which maximises public health benefits while affecting a limited share of the market.

The NAAA supports the continuation of localised approaches to introducing a minimum price, especially in areas where this is proving to be effective in reducing alcohol related harm and is supported by the local community. However, NAAA is concerned that ANPHA have not provided any indication of how such local approaches might be implemented, and urges ANPHA to discuss this with relevant local organisations and develop guidelines for communities who wish to adopt this approach.

## **Gaps in data collection must be filled to inform policy decisions**

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Robust and reliable data are critical for the development of alcohol policy. Alcohol sales data enables consistent monitoring of reliable measures and provides the capacity to track changes in consumption in the population over time, compare different areas or population sub-groups, inform the design and implementation of policy, and evaluate the impact of policy changes.

The NAAA supports the conclusion in the Draft Report that the governments of ACT, Northern Territory, Queensland, and Western Australia should continue their collection of wholesale sales data to enable and improve the essential research and analysis required to inform evidence-based public policy decisions.

The NAAA strongly supports the conclusion that those who are not yet collecting wholesale sales data should urgently address this weakness in their public policy decision making capability, including the governments of:

- New South Wales;
- South Australia;
- Tasmania; and,
- Victoria.

Consideration should be given to standardisation between all states and territories with regards to how the data are collected, managed, and made available for analysis.

## **A broad-based plan is needed to reduce alcohol related harm**

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The NAAA strongly recommends that all of the reforms supported above are implemented as part of a comprehensive national action plan on alcohol. The action plan should in addition to replacing the WET with a volumetric tax and introducing a minimum price, include other complementary policies and programs designed to reduce risky drinking and alcohol related harm such as those recommended in the final report of the Preventative Health Taskforce, covering restrictions of the physical availability of alcohol, regulating promotions, public education, and product warning labels.

## **PART 2: New supporting evidence and information**

The following part of the NAAA's submission provides further supporting evidence and information that was not included in the NAAA's first submission to ANPHA in August 2012.

### **Relationship between overall population consumption levels and harm**

There is a large body of scientific literature showing that alcohol policies such as minimum pricing and volumetric taxation reduce alcohol consumption, which in turn has significant effects on population health. As has been found in other countries, per-capita alcohol consumption in Australia is a significant contributor to rates of mortality. This relationship is sometimes referred to as the 'total consumption model'. A recently published study of per capita alcohol consumption and all-cause male-mortality in Australia over a 100-year period has found an increase (decrease) of 1.0 litre per-capita per year is associated with a 1.5% increase (decrease) in male mortality [Livingston and Wilkinson 2012]. While this study looked only at male mortality, which represents only some of the population health outcomes from alcohol, the clear implication is that policies which reduce population-level alcohol consumption have the potential to substantially improve population-health outcomes in Australia, particularly among young men.

### **The impact of alcohol consumption on chronic disease**

The results of the Global Burden of Disease Study published this week in *The Lancet* [Lim *et al.* 2012] report that alcohol use is the third highest risk factor contributing to global disease burden (5.5%), behind high blood pressure (7.0%) and tobacco smoking including second-hand smoke (6.3%).

According to the World Health Organisation (WHO), the risk of most alcohol-attributable health conditions is correlated with the overall levels of alcohol consumption, with no evidence of a threshold effect for cancers and hypertension. The WHO has estimated that a 10 per cent relative reduction in overall alcohol consumption will result in the prevention of 43,000 deaths and 670,000 Disability Adjusted Life Years (DALYs) globally from Non-Communicable Diseases (NCDs) in people aged between 15 and 64 years of age. If neuropsychiatric disorders are included in the estimates, the numbers of prevented deaths and DALYs would increase substantially, and the number of prevented DALYs would more than triple [WHO 2012].

The NAAA has recently joined with other Australian and international non-government organisations through the NCD Alliance in the civil society movement against Non-Communicable Diseases (NCDs), and has called on the Australian

Government to support the adoption of a target of a 10 per cent relative reduction in per capita alcohol consumption by the year 2025, in order to achieve the agreed global target of an overall 25% reduction in chronic disease mortality by 2025. The NAAA recommends reform of alcohol taxation and the introduction of a minimum price for alcohol in Australia as one of the most effective ways to reduce overall consumption and risky episodic drinking. This will enable Australia to reach the target of a 10% reduction in per capita consumption of alcohol, and in turn contribute to the goal of a “25% by 2025” reduction in chronic disease mortality of which Australia is a signatory.

## **Alcohol and pregnancy**

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The NAAA commends to ANPHA the final report and recommendations from the House of Representative Standing Committee on Social Policy and Legal Affairs into Fetal Alcohol Spectrum Disorders, entitled *FASD: The Hidden Harm* [HoR SCSPA 2012]. The Committee acknowledged the role of alcohol prices in the harmful drinking culture in Australia, including drinking during pregnancy. The Committee concluded that national efforts to prevent and eliminate FASD are currently inadequate, and has recommended that the Commonwealth Government commission an independent study into the impacts of the pricing and availability of alcohol and the influence of these factors in the changing patterns of alcohol consumption across age groups and gender.

## **Risky drinking among young people**

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Findings recently released from the 2011 Australian Secondary Students' Alcohol and Drug (ASSAD) Survey of around 25,000 students aged between 12 and 17 revealed that risky drinking is still highly prevalent among young people [White and Bariola 2012]. Almost one in five (17.4%) students aged 12 to 17 years are current drinkers (reported drinking alcohol in the past seven days). Involvement with alcohol increased with age, with the proportion of students drinking in the seven days before the survey increasing from 8% of 13-year-olds to 37% of 17-year-olds. Among all older students (aged 16-17 years), 16% of students reported drinking more than four drinks on a single occasion in the previous seven days in 2011. Among current drinkers, more than a third (37.0%) drank at risky levels in the past week (i.e. more than 4 drinks on one occasion). The average number of drinks consumed in the previous seven days among current drinkers was 7.6 drinks by males and 5.6 by females. 45.1% of current drinkers aged 16-17 years said they intend to get drunk most times/every time they drink alcohol.

## **Strategies to reduce alcohol related harm**

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The NAAA notes the discussion of approaches to reducing alcohol related harm in the Draft Report [ANPHA 2012: 15-16], including the discussion [refer to paragraphs 22 and 23] regarding the effectiveness of alcohol policies and programs which suggests that some important programs, such as public education campaigns and regulating alcohol promotion, are not effective. We do not believe that this accurately reflects

the tenor of the Preventative Health Taskforce's final report and recommendations. Furthermore, in our view it is inappropriate for ANPHA to base its policy advice on a single study [Giesbrecht and Greenfield 1999] which is based on North American data from the 1989-1990 period.

With regards to the effectiveness of controls on advertising, there are virtually none in Australia that are, in fact, effective in limiting the amount of advertising and adequately protecting children from alcohol marketing and promotions. A recent report from the Australian Medical Association outlined that the self-regulatory scheme for alcohol advertising in Australia, which is funded and administered by the alcohol industry, 'is voluntary, limited in scope, unable to enforce penalties, and ultimately fails to protect young people from continuous exposure to alcohol marketing' [Dobson 2012].

The NAAA notes that the *National Alcohol Strategy 2006-2011* expired some time ago and an updated version is well overdue. The NAAA strongly recommends the urgent development of a comprehensive national action plan on alcohol which, in addition to replacing the WET with a volumetric tax and introducing a minimum price, includes other complementary policies and programs designed to reduce risky drinking and alcohol related harm such as those recommended in the final report of the Preventative Health Taskforce, covering restrictions of the physical availability of alcohol, regulating promotions, public education, and product warning labels.

### **Cider boom – another example of the broken tax system**

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Just as booming consumption of alcopops had highlighted an anomaly in the alcohol tax system in the years leading up to 2008, when the tax loophole was finally closed by the government, the unprecedented growth in the consumption of alcoholic cider over recent years has exposed another flaw in an alcohol tax system riddled with inconsistencies. A recent report found that per capita consumption of cider in Australia grew by 150% between 2007 and 2011 [Carragher et al 2012]. While increased marketing and changes in consumers' tastes may explain some of the growth, the very low effective tax rate on 'traditional cider' (\$0.23 per standard drink) under the Wine Equalisation Tax (WET) has been a major driver for the increase in cider sales and consumption, according to the report. Traditional cider is the third lowest-taxed alcohol product in Australia, after cask wine (\$0.08 per standard drink) and mid-strength draught beer (\$0.20 per standard drink) and, hence, cider has a significant price advantage over other products with similar alcohol content.

### **Effects of increasing the price of the cheapest alcohol in Australia**

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While there is no Australian experience of an officially regulated minimum price for alcohol, a recent longitudinal study of the impact of various alcohol control measures on levels of alcohol consumption and related harm in Central Australia for the period 2000–2010 has produced empirical evidence that demonstrates a minimum price for alcohol would improve population health [Symons et al. 2012]. The study found that, among various alcohol harm reduction policies examined, the most effective of these

measures has been those which indirectly increased the average price of alcohol (i.e. the removal of lower priced cask, table and fortified wines from the market) and which directly increased the average price (i.e. the so-called 'alcopops tax'). According to the report, this finding regarding the impact of price is consistent with international evidence, and with evidence from the Greater Darwin region over the same time period. The greatest impact of the reduction in alcohol consumption found in Central Australia was a reduction in the rates of hospital separations and Emergency Department triage presentations for assault, and reductions in hospital separations for other alcohol-attributable conditions.

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