

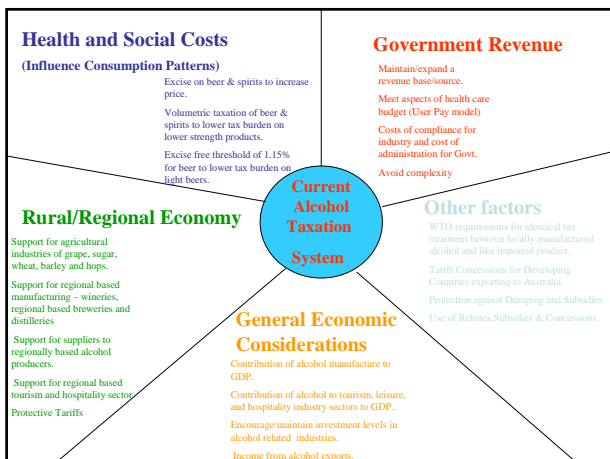
Alcohol taxation and the low strength alcoholic beverage market:

Updating the case for reform



Project Aims

- Identify changes to Australia's alcohol taxation system that would encourage the production and consumption of lower alcohol products
- Revenue neutral
- Avoid significant shifts between product types
- Inform ADCA's future advocacy position



Research Stages

1. Literature review
2. Qualitative survey of industry members
3. Economic modelling of proposed changes
4. Advocacy



Literature Review

- Alcohol consumers do respond to changes in price
 - Cultural and economic factors
 - Beverage type
- Certain consumer more responsive to changes in price than others
 - Heavy drinkers and 'binge' drinkers



Industry Survey

- Generally not supportive of taxation as a means of influencing consumption
- Alcohol taxation system should recognise the economic benefits of alcohol
- Views focussed on protecting or increasing current market share



Economic Modelling

Model inclusions:

- alcohol consumption data
- expenditure and prices broken down by type of alcohol

1974-75 through to 2002-03



ADCA's Preferred Model

Agreed by ADCA Board March 2005:

1. application of tax free threshold of 1.15% for mid and low strength RTDs
2. abolition of the WET (replaced by a volumetric tax of \$11.65 per litre of pure alcohol). Might occur incrementally
3. reduction in excise on low strength draught and packaged beer to zero

Result: reduction in overall alcohol consumption of 1.36% p.a.



Further developments

June 05: Health and welfare sector stakeholder meeting

July 05: Submission to National Alcohol Strategy 05-09

July 05: Drugs and Crime Prevention Committee, Parliament of Victoria - Inquiry into Strategies to Reduce Harmful Alcohol Consumption

December 2005: Working group formed



From the Assistant Treasurer:

"From the Government's perspective there is little to be gained by requesting the Productivity Commission to undertake a public inquiry into alcohol taxation. Accordingly, the Government would not at this time support an inquiry into the taxation of alcohol."

31 Oct 2005



Consultation

September 05: Presentation on model to ANCD

September 05: Sector stakeholder teleconference

November 05: Pre-Budget submission

May 06: Submission to Senate Economics Committee Inquiry

June 06: Favourable recommendations from Senate Economics Committee



Ongoing activity

- ADCA continues to lobby on this issue in appropriate fora
- media activity
- sector and cross-sector alliances
- communications with politicians and bureaucrats



Conclusions

- Taxation is not the silver bullet
 - possible to achieve small shifts in consumption without major impact on industry
 - achieving large reduction, (eg 10%) would make some elements of the industry unviable
- Taxation needs to be viewed as one component of a comprehensive strategy

