# The Price is Right: Setting a Floor Price on Alcohol in the Northern Territory

## Researcher

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## Summary

Relative to wages, the cost of alcohol has reduced considerably in the Northern Territory (NT) over the past 20 years. Lower prices and the resulting increase in demand has contributed to unacceptable levels of harm in the community. With rates arguably among the highest in the world, the harm caused by alcohol is more prominent in the NT than in any other Australian jurisdiction. While the Commonwealth Government remains uncommitted to reforming a defective alcohol tax system, which has driven the proliferation of cheap alcohol, it is incumbent on the NT government to explore options to stem alcohol’s harm. A minimum unit price, which would set a price per unit below which alcohol cannot be sold, is one such measure.

This discussion paper explores the issues associated with the introduction of a minimum unit price in the NT, drawing on perspectives from health economics, public policy and law. The demonstrated impact of floor prices implemented in other countries is used as the basis for understanding their likely impact in Australia. This is complemented by research investigating the specific effects likely to result from a minimum unit price in Australia, based on available evidence including price elasticities of demand for alcohol and consumption trends across demographic cohorts. Overall, the evidence suggests that a minimum unit price will deliver a marked reduction in harm associated with alcohol consumption in Australia. This stands to address the harm caused by cheap alcohol most particularly in the Northern Territory.

## Outcomes

Results suggest that a floor price of A$1.50 per standard unit represents the single most effective measure currently available to the Northern Territory Government to stem the harm caused by excessively cheap alcohol. This policy position is a targeted approach, effectively reducing consumption among the most harmful consumers while limiting impacts on moderate drinkers. However, it is important to ensure that the appropriate measures are in place to mitigate the potential for adverse outcomes, including adequate regulation of alcohol advertising and support services for heavy drinkers to reduce their consumption. Moreover, the price level must be appropriately indexed to ensure that alcohol does not reduce in value relative to income.

## Recommendations

1. Introduce a Territory-wide minimum price of A$1.50 per standard unit.
2. Index the minimum unit price to average ordinary time earnings to ensure that the price level does not decrease relative to income.

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