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Wine in Supermarkets Proposal
Legislative Services
Attorney-General's Department
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Dear Sir/Madam

SUBMISSION ON THE WINE IN SUPERMARKETS DISCUSSION PAPER AND AMMENDMENT BILL

The Foundation for Alcohol Research and Education (FARE) welcomes the opportunity to provide comment on the *Wine in Supermarkets Discussion Paper (Discussion Paper)* and *Draft Liquor Licensing (Sale of Wine in Supermarkets) Amendment Bill 2013 (Draft Amendment Bill)*.

FARE does not support the proposal to sell wine in supermarkets in South Australia and urges the South Australian Government to abandon the *Draft Amendment Bill* being proposed for parliament.

The harms that alcohol causes in South Australia are substantial. Alcohol is a known carcinogen, a teratogen and contributes to more than 60 different illnesses and diseases. In 2005 alcohol use and misuse resulted in 238 deaths and 6,756 hospitalisations.¹

Increasing the availability of alcohol in South Australia will increase alcohol-related harms. The sale of wine in supermarkets will increase both the physical and economic availability of alcohol, by providing alcohol in more locations for cheaper prices. Australian and international evidence clearly demonstrates that increased availability of alcohol through all licence types results in increased harms, with packaged liquor outlets associated with increased rates of chronic disease, risky drinking by young people and domestic violence.² It is also well established that lower alcohol prices result in increased alcohol consumption and harms.

This proposal clearly shows that the South Australian Government is not taking seriously its responsibility to minimise harms to the community. Public health interest groups should not be called upon to establish "the potential impacts on society and the community resulting from this proposal"³, instead the South Australian Government should be calling on the proponents of these measures (supermarket owners and alcohol industry interests) to demonstrate that this policy will not result in any additional harm to the community. Furthermore, this proposal doesn't offer any evidence of how it will contribute to the Government's stated aim to reduce the proportions of Australians drinking at risky levels by 30 per cent by 2020.

There is a strong case for the South Australian Government to abandon the *Draft Amendment Bill*, including that:

1. The increased availability of alcohol results in increased consumption and harms, which is concerning for a state that already has the highest number of liquor licences per person aged over 18 years.
2. The sale of wine in supermarkets will increase the market domination of the larger supermarkets such as Woolworths and Coles at the detriment of local South Australian producers.
3. The sale of wine in supermarkets will drive the price of wine down at the detriment of the health of South Australians and South Australian wine producers.
4. The sale of wine in supermarkets will lead to other alcoholic products being sold in supermarkets.
5. The sale of wine in supermarkets is unlikely to result in consumers choosing to purchase South Australian wine.

Each of these areas are explored in greater detail in the sections below.

1. The increased availability of alcohol results in increased consumption and harms, which is concerning for a state that already has the highest number of liquor licences per person aged over 18 years.

Alcohol is more available in South Australia than it ever has been. South Australia currently has more liquor licenses per person aged over 18 years than any other state or territory, with one liquor licence for every 224 people aged over 18 years, compared to the national average of one licence for every 317 people aged over 18 years in Australia.⁴ In 2009 there are 5,752 liquor licences in South Australia, representing a 60 per cent increase in the number of liquor licenses between 1996 and 2009.

Allowing supermarkets to sell wine will increase the availability of alcohol, resulting in increased harms. There is now substantial evidence which demonstrates that when alcohol is readily available, the associated harms increase. A study examining the impact of alcohol availability on violence in Western Australia found that the average volume of sales in off-licence venues was significantly associated with all measures of assault, including those that occur at on-licence venues such as hotels, nightclubs and restaurants.⁵ The study also found that the contribution of one extra off-licence premises to the violence occurring at on-licence premises, including restaurants, is great greater than the increase of one additional on-licence venue.

Further, Australian research carried out in Victoria on the association between alcohol outlet density and health impacts has found that:

- There was a strong association between reported assaults and all three outlet types, general licences, on-licence and off-licence.⁶ A 10 per cent increase in packaged licence rates would increase assault rates by 0.8 per cent.
- There was a strong association between domestic violence and the density of packaged liquor outlets.⁷ A 10 per cent increase in off-licence liquor is associated with a 3.3 per cent increase in domestic violence.
- The density of packaged licences was positively associated with chronic diseases attributable to alcohol, such as liver disease and alcoholic cardiomyopathy (heart disease).⁸
- Higher packaged licence density in a young person's neighbourhood was associated with their propensity to drink at high risk levels.⁹ It was estimated that in a hypothetical neighbourhood with 1,000 16-24 year old drinkers, the addition of one bottle shop would result in six extra young people drinking at high risk levels.

Internationally, increased outlet density has also been linked to higher rates of road traffic accidents, drink driving or being a passenger of a drink driver, robbery, homicide, suicide (both attempted and completed), child maltreatment, deviant adolescent behaviours, sexual offences and sexually transmitted infections.¹⁰

Increased availability of alcohol also results in increased consumption and risky consumption. This will counter the South Australian Government's commitment to reducing alcohol health harms by setting a target to 'reduce the proportion of South Australians who drink at risky levels by 30 per cent by 2020' (from a baseline in 2007), and instead will increase the proportion of Australians drinking at risky levels.¹¹

2. The sale of wine in supermarkets will increase the market domination of the larger supermarkets such as Woolworths and Coles at the detriment of local South Australian producers.

The *Draft Amendment Bill* does not state that a supermarket is defined as being an 'independent supermarket'. Instead a supermarket is defined as being "a store the primary business of which is the sale of a range of food, beverages, groceries and other domestic goods".¹² The definition even specifies that the total floor area of the supermarket must be "at least 400 square metres". This definition of supermarket clearly includes larger producers such as Coles and Woolworths, which is contrary to the claim made by Mr Rau that "This proposal is primarily designed to benefit South Australian wine producers, regions and locally owned and operated supermarkets".¹³

Coles and Woolworths currently have 59 per cent of the market share of liquor retailing in Australia. Coles and Woolworths also stock their own private label alcohol brands, including wine, and have over 100 brands of private label wines which are made available under a large number of different labels.¹⁴ This makes it difficult for consumers to determine which wines are produced by Australia's two largest supermarkets. IBISWorld estimates that private labels from Woolworths and Coles accounted for 8 per cent of wine sales in 2012-13. These figures are forecast to grow to 13 per cent by the end of 2017-18.¹⁵

IBISWorld made clear the impact that Coles and Woolworths have had on liquor retailing in Australia in a 2012 report on the subject, stating that "Over the five years through 2012-13, the supermarkets have taken advantage of this to strike favourable agreements with alcohol producers, discounting some liquor products to levels that independent retailers have struggled to compete with. The supermarkets have also exploited their market position to reduce shelf space dedicated to branded products and push their own, higher margin private and control-label beer and wine".¹⁶

Allowing supermarkets to sell alcohol will provide increased market share in liquor sales to Coles and Woolworths and increase the market share of sales of private label wines. This is counter to the intention of the *Draft Amendment Bill*.

3. The sale of wine in supermarkets will drive the price of wine down at the detriment of the health of South Australians and South Australian wine producers.

Currently in South Australia a 750ml bottle of wine can be purchased from Woolworths owned Dan Murphy's for as cheap as \$2.99¹⁷ and from Coles owned Choice Liquor for \$3.¹⁸ This is cheaper than the price of a one litre bottle of Mount Franklin chilled mineral water (available from Coles for \$3.82).¹⁹ The low price of alcohol is concerning because evidence shows that low alcohol prices result in higher consumption, including heavier drinking, occasional drinking and underage drinking.²⁰

Selling alcohol in supermarkets will result in cheap wine being available at more locations and will also drive down the price of wine. This is not only concerning because of the impacts on alcohol-related harms, but is also detrimental to wine producers whose products will be sold more cheaply, and sometimes below wholesale price.

The excessive discounting of wine by supermarkets both in Australia and internationally has also led to 'loss leading'. This is a practice whereby retailers sell alcohol for less than wholesale or cost price to raise sales on other products that are full price. An example of this practice from 2011 is when Coles and Woolworths planned to sell Victoria Bitter (VB) for \$28 a carton, which usually retails at the big supermarkets for \$38. At news of the decision to use VB as a loss leader, Fosters stopped the supply of the product to the supermarkets.²¹ While Fosters was able to stop supply because they are a larger producer, many smaller producers had no option but to be sold at a lower price or not be sold at the supermarkets at all.

Allowing supermarkets to sell wine will drive the price of wine down even lower and result in wine producers being left with no option but to discount their product if they wish to be sold at these venues.

4. The sale of wine in supermarkets will lead to other alcoholic products being sold in supermarkets.

In New Zealand wine has been available for sale in Supermarkets since 1990 and wine is the only alcoholic product available for sale in supermarkets in New Zealand. However, in recent years supermarkets in New Zealand have also started selling wine-based alco-pops, which is concerning because it is expanding the availability of alcohol products available in supermarkets and alco-pops appeal particularly to young people.

The *Draft Amendment Bill* defines wine as "liquor produced by the complete or partial fermentation of fresh grapes or products derived solely from fresh grapes".²² Wine based alco-pops could be included in this definition, as it allows for additives such as flavourings made to produce such products. This is concerning because similar products, spirits based alco-pops are the alcoholic drink of choice for young people aged 12-19 years.²³

If wine is sold in supermarkets in South Australia, segments of the alcohol industry will innovate to fit the definition of 'wine' as specified in the Draft Amendment Bill and expand the availability of their product. An Australian example of such product innovation came with the introduction of the alco-pops tax in Australia in 2008. Following the introduction of the tax on spirits-based alco-pops, alcohol producers created beer-based alco-pops to avoid having to pay the higher tax rate. The definition of an alco-pop has since been changed to prevent this from continuing to occur.

Allowing for wine to be sold in supermarkets will provide a precedent for the sale of other alcohol products, which will make more alcohol products more readily available and increase consumption and harms.

5. The sale of wine in supermarkets is unlikely to result in consumers choosing to purchase South Australian wine.

It is a flawed assumption that South Australian consumers will choose to purchase South Australian wine because it is available in their supermarkets. If the *Draft Amendment Bill* is adopted all wine will be made available for sale in supermarkets, which does not provide a market advantage to South Australian wine producers. In a media release issued by Deputy Premier John Rau on the release of the *Discussion Paper*, Mr Rau states that "This proposal is primarily designed to benefit South Australian

wine producers, regions and locally owned and operated supermarkets". However, the very same media release later states that "The liquor license can not be restricted to sale of South Australian wines, nor can it be restricted for particular supermarket chains or owners".²⁴ The *Draft Amendment Bill* does not specify that only South Australian wine producers will be able to sell their products in supermarkets, nor does it exclude larger retailers from selling wine.

If it is assumed that people from South Australia are more likely to purchase South Australian wine, then this theory too should be questioned. A study to be released in the April 2013 Food and Quality Preferences Journal found no degree of ethnocentrism behaviour (the act of purchasing a product because it came from their region) in purchasing wine in Madrid or Barcelona in Spain. The research interviewed 800 wine consumers and found that the lack of ethnocentric behaviour in fact provided opportunities to market wine from other regions in these cities.²⁵


The lack of ethnocentric purchasing behaviour adds further weight to research completed in 2001 on the globalization of wine. This research found that in order for wine producers to penetrate distribution networks such as supermarkets there would need to be increased consolidation of wineries through mergers and acquisitions. The report found that this consolidation would create greater competition between fewer companies. In turn this may disadvantage small wineries further by making them less able to access distribution networks.²⁶

Conclusion

The proposal to sell wine in supermarkets in South Australia is bad public policy, which will have a detrimental effect on both the health of South Australians and on local and independent wine producers. It is disappointing that even an alcohol industry initiated campaign 'Let's draw the line' has identified what the Government has not, that allowing wine to be sold in supermarkets will make alcohol more available and have substantial harmful impacts on the community.

I strongly urge you to consider this evidence and the health and well-being of South Australians and abandon the *Draft Amendment Bill*.

Yours sincerely



MICHAEL THORN
CHIEF EXECUTIVE

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