



# **FARE's submission on Draft Report: Exploring the case for a minimum floor price for alcohol**

For the  
Australian National Preventive Health Agency

December 2012



## About the Foundation for Alcohol Research and Education

The Foundation for Alcohol Research and Education (FARE) is an independent charitable organisation working to prevent the harmful use of alcohol in Australia. Our mission is to help Australia change the way it drinks by:

- helping communities to prevent and reduce alcohol-related harms;
- building the case for alcohol policy reform; and
- engaging Australians in conversations about our drinking culture.

Over the last ten years FARE has have invested more than \$115 million, helped 750 organisations and funded over 1,400 projects addressing the harms caused by alcohol misuse.

FARE is guided by the [World Health Organisation's Global Strategy to Reduce the Harmful Use of Alcohol](#)<sup>[1]</sup> for addressing alcohol-related harms through population-based strategies, problem-directed policies, and direct interventions.

If you would like to contribute to FARE's important work, call us on (02) 6122 8600 or email [fare@fare.org.au](mailto:fare@fare.org.au). All donations to FARE over \$2 are tax deductible.

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<sup>[1]</sup> World Health Organization (2010). *Global strategy to reduce the harmful use of alcohol*. Geneva: World Health Organization.



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## Executive Summary

The Foundation for Alcohol Research and Education (FARE) welcomes the opportunity to respond to the Australian National Preventive Health Agency's (ANPHA) draft report *Exploring the public interest case for a minimum (floor) price for alcohol* (ANPHA's Draft Report).

Alcohol pricing reform is one of the most cost-effective ways to reduce alcohol-related harms. No other preventive intervention to reduce alcohol consumption and harms has the number of studies and consistency of effects as applies for alcohol taxation and pricing. 112 international studies have shown that the price of alcohol is inversely related to overall consumption of alcohol including at harmful levels.<sup>1</sup> A recent Australian study also found that alcohol taxation reform is cost beneficial, showing that this reform meets the gold-class standard required for policy reform in Australia.<sup>2</sup>

In Australia, the Wine Equalisation Tax (WET) is the most erroneous part of the alcohol taxation system. All other alcohol taxes apply a volumetric taxation rate per litre of pure alcohol, while the WET taxes alcohol based upon the product's wholesale price. This in turn results in cheap wine being taxed less than more expensive wine, regardless of the alcohol content of the product. In addition to the WET, a WET rebate exists which provides rebates of up to \$500,000 to wine producers, costing Australians \$250 million each year. The WET and WET rebate have contributed to wine being the cheapest alcohol product available for sale in Australia, with some wine being available for just 25 cents per standard drink and 65 per cent of bottled wine being sold for under \$8.<sup>3</sup>

There is now widespread acknowledgement that the WET needs to be reformed as a matter of urgency. Eight separate governmental reviews<sup>a</sup> have recommended that the WET be replaced with a volumetric tax rate. There is substantial support for reforming the alcohol taxation system in Australia including from public health advocates, leading economists and most of the alcohol industry including the Distilled Spirits Industry Council of Australia<sup>4</sup>, Brewers Association<sup>5</sup> and two major wine producers, Treasury Wine Estate and Pernod Ricard (otherwise known as Premium Wine Brands), who make up 20.5 per cent of Australian wine production.


The WET must be reformed as a matter of urgency.

In addition to WET reform, options must be explored to ensure that retailers do not recklessly discount alcohol products at the point of sale. While provisions exist in the state and territory liquor legislation regarding price promotions, these are rarely enforced resulting in alcohol being regularly discounted through two for one deals, bulk buys and "lowest liquor price guarantees".<sup>6</sup> A minimum price for alcohol is a policy that should be explored to prevent this discounting.

Governments should also collect sound data to ensure that the impacts of such measures are assessed, evaluated and refined overtime. Alcohol sales data can provide an accurate depiction of

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<sup>a</sup> Reviews that have recommended a volumetric tax be applied to wine include: the 1995 Committee of Inquiry into the Wine Grape and Wine Industry; 2003 Federal Standing Committee on Family and Community Affairs Inquiry into Substance Abuse; the 2006 Victorian Inquiry Into Strategies to Reduce Harmful Alcohol Consumption; the 2009 Australia's future tax system (Henry Review); the 2009 National Preventative Health Taskforce report on Preventing Alcohol Related Harms; the 2010 Victorian Inquiry into Strategies to Reduce Assaults in Public Places; the 2011 WA Education and Health Standing Committee Inquiry Into Alcohol.



alcohol consumption and harms in Australia, however this data is only collected in four jurisdictions. This is despite the fact that this data can be easily collected. The standard of evidence that Governments require to consider public health reforms in Australia cannot be met if Governments do not collect the data needed to gather such evidence. The fact that some states and territories do not collect sales data demonstrates that Governments themselves are acting as barriers to gathering such evidence.


A staged approach to alcohol pricing reform is needed in Australia and this should include immediate action in reforming the WET to raise the price of the cheapest alcohol products, along with further policy consideration of a minimum floor price for alcohol to prevent the reckless discounting of alcohol by alcohol retailers. This staged approach should also include the Commonwealth Government need to develop a longer term plan, based on public policy principles.

ANPHA now has an opportunity to advise the Government on alcohol pricing options in Australia. ANPHA should use this opportunity to put forward a comprehensive alcohol pricing reform agenda for Government.



## Recommendations

1. The conclusion that “a minimum price for alcohol should not be introduced nationally at this time” is supported, as reforming the Wine Equalisation Tax (WET) should be prioritised for alcohol reform in Australia.
2. Further analysis is required on the regulatory options for a minimum price for alcohol in Australia, including consideration of constitutional issues, International Trade Law obligations and National Competition Policy implications of a minimum price.
3. ANPHA should include the new evidence on the effectiveness of alcohol minimum pricing policies in Canada when developing its final advice to Government on a minimum price for alcohol.
4. ANPHA should strengthen its conclusion on the Wine Equalisation Tax (WET), by clearly stating that the WET should be reformed as a matter of urgency.
5. The WET should be replaced with a volumetric tax rate set at \$29.05 per litre of pure alcohol and the WET rebate should be abolished, with any wine industry structural adjustment package being assessed separate to the alcohol taxation regime.
6. ANPHA should specify the way that wholesale alcohol sales data is collected, reported and made publically available.
  - i. All states and territories should mandate the collection and reporting of alcohol sales data at least annually. At a minimum, wholesale producers and licensees should provide sales data on beer, wine (including bottled and cask), spirits (including premix spirits) and cider separately. Postcode data should be provided by all producers and licensees to enable mapping of per capita consumption;
  - ii. The Australian Bureau of Statistics (ABS) should be appropriately resourced to receive, collate and report on jurisdictional alcohol sales data including calculating and mapping per capita alcohol consumption for each jurisdiction. The data should be published in a national annual publication; and
  - iii. Alcohol sales data must be made publically available in a format which can be easily accessed, used and analysed by policy makers and researchers.
7. ANPHA should provide advice to Government on the need for a comprehensive framework on alcohol pricing reform.
8. ANPHA should provide advice that a staged approach to comprehensive alcohol pricing reform is needed in Australia. This staged approach should include:
  - i. Immediately replacing the WET with a volumetric rate of taxation;
  - ii. Begin working with the state and territory governments to mandate the collection of alcohol sales data to be used in prioritising further reform;

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- iii. Within one year, begin to address the current gaps in alcohol pricing policies; and
  - iv. Develop and implement a longer term plan for alcohol pricing reform in Australia based on public policy principles.
9. Ensure that a long term alcohol pricing policy addresses the principles identified in the submission, including:
- i. Alcohol pricing must be applied according to the volume of alcohol within products and their potential to cause harm;
  - ii. The policy relevant social costs of alcohol consumption must be used to inform alcohol taxation rates and prices;
  - iii. Alcohol pricing policies must minimise distortion that may encourage harmful consumption of alcohol;
  - iv. Revenue collected from alcohol pricing policies should be used to pay for the costs incurred by Government to address alcohol-related harms;
  - v. Alcohol pricing policies must ensure the cost of alcohol is relative to incomes and Consumer Price Index (CPI) increases;
  - vi. Alcohol pricing policies must aim to increase the floor price of the cheapest alcohol products;
  - vii. Alcohol pricing policies must ensure harmful discounting by industry does not occur and minimise loopholes; and
  - viii. Alcohol pricing policies must be administratively efficient.



## Response to ANPHA's conclusions

### ANPHA Draft Report Conclusion 1

“In conclusion the Agency advises that a minimum price for alcohol should not be introduced nationally at this time. Use of such a regulatory measure should continue to be considered, where it can be effective, in more local circumstances in Australia.”<sup>7</sup>

### FARE's response

The conclusion that “a minimum price for alcohol should not be introduced nationally at this time” is supported, as reforming the WET should be prioritised for alcohol pricing reform in Australia. Further work is required to examine the regulatory options for introducing a minimum price for alcohol to inform final advice being made to Government.

A minimum price for alcohol should only be considered following the introduction of reforms to the WET and the WET rebate. The WET is the most illogical part of the alcohol taxation system in Australia and there is now overwhelming support in the public health sector, alcohol industry and among economists that the WET needs to be reformed. The WET is also contributing to wine being the cheapest available alcohol product in Australia, which in effect lowers the current ‘floor price’ for alcohol in Australia.

While the conclusion that a minimum price “should not be introduced nationally at this time”<sup>7</sup> is supported, ANPHA should provide advice to Government on how a minimum price could be implemented in Australia and further explanation is required of how a minimum price would operate at the local level.


FARE's submission to the first phase of ANPHA's minimum price investigation outlined two potential options for implementing a minimum price in Australia through state, territory or Commonwealth legislation. At the state and territory level a minimum price could be implemented within existing state and territory liquor licensing legislation. One concern with implementing a minimum price as part of state and territory legislation is that this may result in inconsistency in pricing across states and territories if all jurisdictions do not choose to adopt the policy.

Legislation could also be introduced at the Commonwealth Government level. As discussed above further examination is required of the constitutional powers which allow for a minimum price to be introduced.<sup>8</sup>

Consideration also needs to be given on how a minimum floor price for alcohol interacts with existing pricing and taxation laws, regulations and policies. There is also a need to explore how minimum pricing legislation will be enforced in Australia.

While ANPHA's draft paper discusses very briefly possible barriers to implementing a minimum price, such as International Trade Law and National Competition Policy, these are not explored in detail,





nor are other regulatory or enforcement issues raised. When these regulatory issues such as these are not appropriately explored they are cast as insurmountable barriers to policy reform, even when it may be that this is not the case. Assessing the regulation, implementation and enforcement of a minimum price for alcohol should form part of ANPHA's final advice on the feasibility and possible benefits of introducing a minimum price for alcohol in Australia.

### New evidence on the effects of a minimum price on consumption and harms

New evidence from evaluations of minimum pricing in British Columbia and Saskatchewan in Canada, as well as Alice Springs in Australia clearly demonstrate the significant impact of minimum price on alcohol consumption. This evidence should be considered in the development of ANPHA's advice to Government on minimum pricing for alcohol.

A minimum price was introduced in British Columbia and Saskatchewan. The results of introducing a minimum price in British Columbia were reported in the ANPHA Draft Report, which showed that a 10 per cent increase in minimum price was associated with a 3.4 per cent reduction in overall consumption.<sup>9</sup> The results of implementing a minimum price in Saskatchewan were not reported in ANPHA's Draft Paper (this may have been because the paper was only published online in October 2012). However the minimum price introduced in this province found that a 10 per cent increase in minimum price was associated with an 8.4 per cent reduction in overall consumption.<sup>10</sup> In both contexts, minimum pricing was shown to reduce alcohol consumption overall and for all beverage types.

The difference in results from introducing a minimum price in both provinces is due to the different circumstances in which they were implemented. In British Columbia, only spirits and liqueur wine prices were maintained at a level consistent with increases in cost of living (see Table 1) and the cost per minimum drink of other beverages was relatively low.<sup>11</sup> The cost per standard drink ranged from 0.56 Canadian dollars per standard drink for fortified wine (22 per cent alcohol) to 1.35 Canadian dollars per standard drink for spirits containing 40 per cent alcohol. Analysis of quarterly alcohol sales data and alcohol price data from 1989-2010 showed consumption of alcoholic sodas and ciders reduced the most (by 13.9 per cent), followed by wine (8.9 per cent), spirits and liqueurs (6.8 per cent), with relatively smaller reductions in consumption observed for beer (1.5 per cent).

In contrast, Saskatchewan set per litre prices for beverages in different strength bands from 2003 to 2010 which effectively resulted in minimum prices which, depending on beverage type and strength, averaged between 1.04 and 1.49 Canadian dollars per standard drink containing 17.05 ml of alcohol (see table 1 for details).<sup>12</sup> Not surprisingly, Saskatchewan which has much higher minimum prices per standard drink for all beverage types than British Columbia has reported much larger reductions in consumption in its evaluation of minimum price. A 10 per cent increase in minimum price across all beverages was significantly associated with an 8.4 per cent reduction in total consumption. Within each main beverage type the corresponding figures were reductions of 21 per cent for premixed cocktails, 10.6 per cent for beer, 5.9 per cent for spirits and 4.6 per cent for wine.

**Table 1: Minimum price of standard drink by beverage type for British Columbia and Saskatchewan**

<b>Beverage</b>	<b>British Columbia Minimum price (Canadian Dollars)</b>	<b>Saskatchewan Minimum price (Canadian Dollars)</b>
Fortified wine (22 per cent)	\$0.56	\$1.04
Coolers/cider (7 per cent)	\$0.73	\$1.25
Beer (8 per cent)	\$0.75	\$1.49
Wine (12 per cent)	\$1.02	\$1.41
Spirits (40 per cent)	\$1.35	\$1.31
Spirits (75 per cent)	\$0.72	\$1.04

As reported in FARE's first submission to ANPHA on minimum pricing, in Australia significant impacts of minimum price have been found in Alice Springs. Since June 2011, Coles, Woolworths and Independent Grocers Australia liquor stores have had a floor price of \$1.00 per standard drink on bottled wine.<sup>13</sup> Coles has also withdrawn all cask wine in their Alice Spring stores. While the majority of alcohol retailers in Alice Springs introduced these minimum pricing measures, there are still two local hotel take-away retailers in Alice Spring that continue to sell two-litre cask wine. From mid-2011, due to the actions of Alice Springs retailers, the minimum take-away price effectively became around 80 cents for alcohol purchased from hotel bottle-shops and \$1.00 or more at the supermarkets and smaller grocery shops.<sup>14</sup> The trial in Alice Springs has shown significant reductions in consumption. Recent figures released by the Northern Territory Department of Justice show a decrease of 12 per cent in total alcohol supply between 2004 and 2011.<sup>15</sup> The most significant change was in the supply of wine casks and fortified wines, coinciding with sales restrictions and price increases in 2011. In 2011, there was an additional seven per cent decrease in wine sales.<sup>16</sup>



## Recommendations

1. The conclusion that “a minimum price for alcohol should not be introduced nationally at this time” is supported, as reforming the Wine Equalisation Tax (WET) should be prioritised for alcohol reform in Australia.
2. Further analysis is required on the regulatory options for a minimum price for alcohol in Australia, including consideration of constitutional issues, International Trade Law obligations and National Competition Policy implications of a minimum price.
3. ANPHA should include the new evidence on the effectiveness of alcohol minimum pricing policies in Canada when developing its final advice to Government on a minimum price for alcohol.

## ANPHA's Draft Report Conclusion 2

"Furthermore, based on public health considerations, the Agency finds that the current operation of the Wine Equalisation Tax is of concern and requires reappraisal."<sup>7</sup>

### FARE's response

As stated by ANPHA in its conclusion, "the current operation of the WET is of concern." However rather than recommending further "reappraisal" of the WET, ANPHA should go further to recommend that the WET be reformed as a matter of urgency.

ANPHAs conclusion that "the current operation of the WET is of concern and requires reappraisal."<sup>7</sup> should be strengthened to state that the WET should be reformed as a matter of urgency. The case for reforming the WET is now stronger than ever and the reasons for immediately reforming the WET are clear. These are that:

1. The current alcohol taxation system is incoherent and at the centre of this is the WET;
2. Eight separate government reviews have concluded that the WET needs to be reformed;
3. The wine glut has ended and can no longer be used as a reason to delay reforming the WET;
4. Many members of the alcohol industry support reforming the WET; and
5. Claims about the catastrophic impacts of changes to the WET on the wine industry have been discredited.


### The current alcohol taxation system is incoherent and at the centre of this is the WET

The current alcohol taxation system is illogical, incoherent and does not adequately recognise the extent and costs of alcohol-related harms to the Australian community.

The WET enables wine and other fruit based products such as cider to be taxed based on wholesale price rather than volume of alcohol. This favours the consumption and production of cheap wine with no regard to alcohol volume. The WET is paid by wine producers, wholesalers and importers at 29 per cent of a wine's wholesale price. All other alcohol products are taxed based upon their alcohol content, albeit at different rates.

Because of the WET, wine is by far the cheapest form of alcohol available in Australia. A standard drink containing 12.5 ml of alcohol can be obtained for 36 cents through a cheap cask wine compared with \$1.75 for beer and \$2.52 for ready-to-drink beverages.<sup>17</sup> The WET has also contributed to wine becoming relatively more affordable from 1980 to 2010, while all other beverages have become more expensive.

Cider is also taxed under the WET. The popularity of cider among young people who are among the higher risk consumers of alcohol along with substantial growth in the cider market in recent years



provides further impetus for reforming the WET. A recent report showed that per capita consumption of cider in Australia has increased by 150 per cent between 2007 and 2011.<sup>18</sup> Much of this growth and diversification into the cider market has coincided with the increased taxation applied to ready to drink beverages (RTDs) as a result of the alcopops tax introduced in 2008. Cider is subject to less taxation than RTDs, making it a more profitable prospect for the producer. The growth in the cider market demonstrates the alcohol industry's capacity to quickly adapt to changed taxation arrangements for one product (RTDs) and diversify into products that appeal to a similar consumer market.

### Eight government reviews have concluded that the WET needs to be reformed

Eight separate government reviews have concluded that the alcohol taxation system be overhauled. In 2009 the Henry Review concluded that the WET needed to be reformed as a matter of urgency.<sup>19</sup> The Henry Review described the current alcohol taxation system as 'incoherent' and stated that the "current alcohol taxes reflect contradictory policies. As a consequence, consumers tend to be worse off to the extent that these types of decisions to purchase and consume, which may have no spillover cost implications, are partly determined by tax (page 436)."<sup>20</sup> The Henry Review recommended that alcohol taxes should be set to address the spillover costs imposed on the community of alcohol abuse.


### The wine glut has ended and can no longer be used as a reason to delay reforming the WET

The Commonwealth Government's response to the Henry Review's recommendation to reform the alcohol taxation system was that it would not reform alcohol taxation while Australia is "in the middle of a wine glut and where there is an industry restructure underway (page 30)."<sup>21</sup>

Recent reports have demonstrated that the wine glut has come to an end in Australia. Analysis by FARE reported in, *The Wine Glut: An analysis of the oversupply of wine in Australia and progress of the voluntary industry restructure*, assessed the extent of the wine glut against six indicators. These indicators include forward stock to sales ratio, projected forward stock to sales ratio, stakeholder commentary, progress against the wine industry's restructure agenda and proportion of bulk wine.

The analysis found that, on balance, the wine glut in Australia has come to an end. The key indicator of this was the stock forward sales ratios which are calculated by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) and represent the actual stock available in one year against sales made in the following year. In 2011-12 the stock to forward sales ratios for red and white wine were very close to ideal ratios and the projected forward stock to sales ratios for 2013-14 for both red and white wine, were below the ideal ratios.<sup>22,23</sup>

Recent commentary by David Dearie, Chief Executive Officer of Treasury Wine Estates supports the claim that the wine glut has come to an end. On 22 October 2012, when asked by reporters if the global wine glut is over, Mr Dearie stated that "It certainly appears that way."<sup>24</sup> He went on to say that "There's a lot of evidence to suggest there is less wine - there's less grapes." Mr Dearie even suggested that the wine industry may soon experience a shortage in wine stocks, stating that "It looks like we're back into a shortage as we start to look at the impact of the harvests in Europe this



year." There has also been an increasingly level of media reporting that the wine glut has passed internationally.

### Many members of the alcohol industry are supportive of reforming the WET

There is substantial support from the alcohol industry for reforming the WET. Support for reforming the WET is shared by the Distilled Spirits Industry Council of Australia<sup>25</sup>, Brewers Association<sup>26</sup> and two major wine producers who make up 20.5 per cent of Australian wine production, Treasury Wine Estates and Premium Wine Brands (Pernod Ricard). Further commentary from within the wine industry also suggests that there are several other small and medium sized producers who acknowledge that the industry would benefit from reforming the WET.<sup>27</sup>

### Claims about the catastrophic impacts of changes to the WET on the wine industry have been discredited

The Wine Federation of Australia (WFA) has made claims about the potential impacts of changes to the WET on the wine industry. These claims include that introducing a volumetric tax at the packaged beer rate of \$40.82 per litre of pure alcohol and removing the WET rebate would result in a fall in sales volumes by 34 per cent and 12,000 jobs being lost.<sup>28</sup> However, analysis by the Australia Institute found that these figures were grossly exaggerated and that the actual fall in sales volumes would be 5.2 per cent and a possible loss of 599 jobs.<sup>29</sup>

### Replace the WET with a volumetric tax set at \$29.05 per litre of pure alcohol

FARE recommends that the WET is abolished and replaced with a volumetric tax set at \$29.05 per litre of pure alcohol. Abolishing the WET and replacing it with a volumetric tax is the first step to addressing the increasing affordability of alcohol in Australia and its resulting consequences.

Results from economic analyses including a benefit cost analysis show that replacing the WET with a volumetric tax set at \$29.05 per litre of pure alcohol<sup>b</sup> is cost beneficial and would result in:

- An increase in the average retail price of cask wine by 71.4 per cent;<sup>30</sup>
- A 49.5 per cent decrease in the consumption of cask wine per annum which translates to 13 million litres of alcohol;<sup>31</sup>
- An increase in revenue of approximately \$849 million per annum;<sup>32</sup>
- A reduction in total alcohol consumption of 12.3 million litres of pure alcohol per annum;<sup>33</sup> and
- A net public benefit of \$230 million per annum (\$330 million per annum reduction in harms to others caused by alcohol and a net loss of consumer surplus of \$100 million per annum) with benefits estimated to flow to 85 per cent of Australians.<sup>34</sup>

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<sup>b</sup> the full-strength draught beer rate at the time the cost benefit analysis was undertaken (August 2011)



## Abolish the Wine Equalisation Tax rebate

The WET rebate is poorly targeted, has many loopholes and supports unprofitable wine producers. Similar to the WET, the WET rebate is equivalent to 29 per cent of a producer's assessable dealings which is typically the price for which the producer sells the wine, excluding wine tax and GST. The rebate can be claimed by producers for up to \$1.7 million in domestic wholesale wine sales. It was introduced in October 2004, in response to calls for support for small and rural and regional wineries. In 2005, the WET rebate was extended to New Zealand to satisfy bilateral trade obligations.<sup>35</sup>

In 2010-11 the WET rebate cost Australia \$250 million per annum in forgone revenue. The Commonwealth Government pays over \$200 million to the wine industry through the WET rebate, including \$30 million spent in rebates to New Zealand producers.<sup>36</sup>

The WET rebate needs to be abolished and an assessment made of the need for a structural adjustment package separate to the tax regime. Furthermore, it is important that any structural adjustment package should not undermine the overall objective of alcohol taxation and reforming the WET which addresses the spillover costs from alcohol consumption.

It is also timely that a restructuring package be looked at now as the Government moves towards finalising its plans for Murray Darling Basin reform.

## Recommendations

4. ANPHA should strengthen its conclusion on the Wine Equalisation Tax (WET), by clearly stating that the WET should be reformed as a matter of urgency.
5. The WET should be replaced with a volumetric tax rate set at \$29.05 per litre of pure alcohol and the WET rebate should be abolished, with any wine industry structural adjustment package being assessed separate to the alcohol taxation regime.

### ANPHA Draft Report Conclusion 3

“State and territory governments continue or initiate the collection of wholesale sales data in order to enable and improve the essential research and analysis required to inform evidence based public policy decisions.<sup>7</sup>”

**FARE’s response:** This conclusion is supported.

ANPHAs conclusion that ‘state and territory governments continue or initiate the collection of wholesale sales data’ is supported. All Australian jurisdictions should collect and report on alcohol sales data at least annually to provide reliable national consumption data for policy development and evaluation. The World Health Organization (WHO) recommends that public health monitoring of alcohol use should include credible estimates of per capita alcohol consumption derived from alcohol sales data together with well-conducted population level surveys of alcohol consumption.

All states and territories in Australia collected alcohol sales data until 1996 when the High Court ruled that state and territory imposed liquor licensing fees and levies were excise duties and therefore illegal under the Australian Constitution. Although the ruling did not preclude the collection of wholesale alcohol purchase data by liquor licensing authorities, it removed the incentive to continue to collect this data. Currently, only Queensland, Western Australia, Northern Territory and the Australian Capital Territory collect and report on alcohol sales data. The reporting process and data collected for each jurisdiction is outlined in Table 2. All jurisdictions report alcohol sales data annually with the exception of the Northern Territory which reports quarterly. All jurisdictions are required to report on wine, beer and spirits (including premix) sales separately, however the Australian Capital Territory and Western Australia are not required to report on cider sales. The Government body which sales data is reported to varies by jurisdiction. For example in the Northern Territory it is the Department of Justice, in Western Australia it is the Drug and Alcohol Office.

In 2008, the Drug and Alcohol Office of Western Australia and the National Drug Research Institute at Curtin University were funded by the Commonwealth Government Department of Health and Ageing to implement the National Alcohol Sales Data project aimed at providing an ongoing, regularly updated, national database of standardised alcohol sales data for all States and Territories. To date, Queensland, Western Australia and Northern Territory Governments have made sales data available to the project. The Australian Capital Territory has not because it only resumed collecting alcohol sales data when its Liquor Act was amended in 2010. For each jurisdiction, the project calculates per capita consumption by dividing volumes of pure alcohol sold by census estimates of the residential and service populations<sup>c</sup> aged 15 years and over.<sup>37</sup> Per capita consumption is mapped according to statistical subdivision (derived from producer postcode data) for Western Australia and Queensland. For the Northern Territory it is mapped for the six main urban centres and the rest of the Northern Territory.

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<sup>c</sup> Service population includes the residential population as measured by census data but also accounts for absent residents, Australian visitors and international tourists.



**Table 2: Alcohol sales data collected and reported on by Northern Territory, Queensland, Western Australia and Australian Capital Territory**


	<b>Northern Territory</b>	<b>Queensland</b>	<b>Western Australia</b>	<b>Australian Capital Territory</b>
<b>Frequency of reporting</b>	Quarterly	Annually	Annually	Annually
<b>Authority reported to</b>	Reported by liquor wholesalers to Northern Territory Department of Justice	Reported by liquor producers, wholesale licensees, wine producers and wine merchants to Queensland Office of Liquor and Gaming	Reported by wholesalers and producers to the Western Australia Drug and Alcohol Office	Licensees report to the Commissioner of the Office of Regulatory Services and the Chief Health Officer
<b>Beverage categories required for reporting</b>	Beer (including full, mid and low strength)  Wine (including cask, bottled and fortified)  Spirits (including premixed and standard spirits)  Cider	Beer (including heavy, medium and light)  Wine (including bottled table wine, bottled fortified wine, bulk table wine, bulk fortified wine)  Spirits (including regular and premixed spirits)  Other (including alcoholic sodas, cider and mead)	High and low alcohol beer  High and low alcohol wine  Spirits  <b>Cider sales are not reported on</b>	Beer (including full, mid and low strength)  Wine (including regular and low strength bottled and cask wine as well as fortified wine)  Spirits (premixed and standard)  <b>Cider sales are not reported on</b>

Because sales data is not collected throughout Australia, currently the two main sources of publicly available national estimates of alcohol consumption in Australia are national per capita consumption data (derived in large part from alcohol excise data) and population level self-report surveys. A description of these data sources is provided in Table 3. National estimates of per capita alcohol consumption are reported annually in the Australian Bureau of Statistics “apparent consumption” publication. These estimates are derived from alcohol taxation excise data from the Australian Taxation Office, alcohol import clearance data from the Australian Customs and Border Protection Service (ACBPS) for alcohol imports, and domestic sales data from wine makers. Per capita consumption data is only reported for wine, beer and spirits and cannot be disaggregated at a state level.

**Table 3: National Australian alcohol consumption data that is currently reported on**

	<b>Apparent Consumption Data Australian Bureau of Statistics</b>	<b>National Drug Strategy Household Survey Australian Institute of Health and Welfare</b>	<b>Australian Health Survey Australian Bureau of Statistics</b>
<b>Frequency of reporting</b>	Annually.	Every three years.	Every five years
<b>At what level is data collected?</b>	National per capita consumption.  Data cannot be disaggregated at a state level	Nationally  (a representative sample of Australians).  Data <i>can</i> be disaggregated at a state level	Nationally  (a representative sample of Australians)  Data <i>can</i> be disaggregated at a state level
<b>What is the data source?</b>	Combined administrative data from the Australian Taxation Office (ATO) and the Australian Customs and Border Protection Service (ACBPS), and direct collection of sales data from wine making enterprises	Self-report survey data	Self-report survey data
<b>Is information on consumption by beverage type available?</b>	Beer, wine and spirits only	Not reliably.  Participants are asked to nominate their favourite drink (the one they drink most often)	Data on beverage type is not collected
<b>Does data provide a reliable indication of per capita consumption?</b>	Tends to underestimate consumption due to assumptions made about the average alcohol content in wine	Underestimates consumption because it uses self-report data and survey response rates are modest	Underestimates consumption because it uses self-report data and survey response rates are modest

A number of factors may influence the accuracy of the apparent consumption data. First, it does not make adjustments for alcohol that has been stored or cellared, used in the preparation of food or discarded as waste. Second, because the data is based on alcohol tax excise data it is difficult to



determine an accurate amount of alcohol for wine and other fruit based products such as cider which are taxed based upon wholesale value. Third, it has the potential to underestimate alcohol consumption depending on the assumptions made about the average alcohol content of wine as was demonstrated in analysis undertaken by Chikritzhs and colleagues in 2010.<sup>38</sup> Fourth, it does not include all categories of alcohol, such as cider, which is in the fastest growing alcoholic beverage market in Australia.

Population level self-report survey data on alcohol consumption is reported in the National Drug Strategy Household Survey (NDSHS) and the National Health Survey (NHS) every three and five years respectively. The benefit of this survey data is that it can be disaggregated by state, unlike the apparent consumption data. However because the survey data is self-reported, it is likely to underestimate true consumption. It is estimated that the alcohol use reported in these surveys accounts for only 60 per cent of all alcohol sold<sup>39</sup> and the modest response rates for these surveys (less than 50 per cent) raise questions about the representativeness of the data obtained.<sup>40</sup>

In addition, estimates of volume of alcohol consumption by beverage type cannot be reliably obtained from either survey. The NHS does not collect any data on beverage type consumed and the NDSHS asks respondents to select which beverage is consumed most often.

Alcohol sales data needs to be collected and reported on by every jurisdiction in order to obtain an accurate estimate of per capita consumption. Alcohol sales data is essential to monitor national levels of alcohol consumption, as well as consumption patterns associated with specific population groups and beverage choices. It is also necessary to evaluate the impact of different alcohol policies on consumption at local, state and national levels. Alcohol sales data would also contribute to more effective alcohol policy development. For example, it would be valuable in informing alcohol tax reform to determine the beverages associated with the most harmful levels of consumption.

## Recommendations

6. ANPHA should specify on the way that wholesale alcohol sales data is collected, reported and made publically available.
  - i. All states and territories should mandate the collection and reporting of alcohol sales data at least annually. At a minimum, wholesale producers and licensees should provide sales data on beer, wine (including bottled and cask), spirits (including premix spirits) and cider separately. Postcode data should be provided by all producers and licensees to enable mapping of per capita consumption;
  - ii. The Australian Bureau of Statistics (ABS) should be appropriately resourced to receive, collate and report on jurisdictional alcohol sales data including calculating and mapping per capita alcohol consumption for each jurisdiction. The data should be published in a national annual publication; and
  - iii. Alcohol sales data must be made publically available in a format which can be easily accessed, used and analysed by policy makers and researchers.



## Comprehensive alcohol pricing policy reform


The implementation of volumetric alcohol taxation reform and minimum pricing policy should be considered as part of a plan for comprehensive alcohol pricing reform. A plan for alcohol pricing policy reform must be established by Government for achieving an optimal alcohol pricing policy. A staged approach is required that prioritises reforming the WET, the most inequitable part of the taxation system, in the next federal budget. A longer term plan is also needed for alcohol pricing policy reform that examines the implementation issues of a minimum floor price and considers addressing the further inequities in the alcohol taxation system.

As raised in FARE's first submission to ANPHA's consultation on minimum pricing, FARE has developed eight public policy principles to inform an alcohol pricing policy. These principles were explored in further detail and assessed against a volumetric taxation system and a minimum floor price in the first submission to ANPHA's consultation on exploring a public interest case for a minimum floor price. These public policy principles are:

1. Alcohol pricing must be applied according to the volume of alcohol within products and their potential to cause harm;
2. The policy relevant social costs of alcohol consumption must be used to inform alcohol taxation rates and prices;
3. Alcohol pricing policies must minimise distortion that may encourage harmful consumption of alcohol;
4. Revenue collected from alcohol pricing policies should be used to pay for the costs incurred by Government to address alcohol-related harms;
5. Alcohol pricing policies must ensure the cost of alcohol is relative to incomes and CPI increases;
6. Alcohol pricing policies must aim to increase the floor price of the cheapest alcohol products;
7. Alcohol pricing policies must ensure harmful discounting by industry does not occur and minimise loopholes; and
8. Alcohol pricing policies must be administratively efficient.

Principles of an alcohol pricing policy should not be seen solely as public health principles. Such principles should reinforce the need to use alcohol pricing policies to address overall consumption of alcohol, particularly harmful consumption, decreasing the availability of cheap alcohol products and generate revenue to offset the tangible costs of harms to the public. Not only should policies be assessed on their ability to influence behaviours, there is a need to also assess them against their ability to be administratively effective.

Both a volumetric taxation system and minimum floor price are two different pricing policies with two different objectives. There is a need for both of these policies to be examined when exploring a comprehensive alcohol pricing policy, as they both serve distinct and different purposes.



It is evident that no pricing policy should be considered in isolation and a minimum price should be considered as a complementary policy to a differentiated volumetric alcohol taxation system. This would protect against the harmful discounting of alcohol retailers, while also ensuring that revenue is returned to Government to address the substantial cost of alcohol-related harms.

A staged approach to a longer term alcohol pricing policy plan based on public policy principles should be established so that the Government can be clear on what it is trying to achieve by implementing such policies and developing a long term alcohol pricing policy plan.

## Recommendations

7. ANPHA should provide advice to Government on the need for comprehensive framework on alcohol pricing reform.
8. ANPHA should provide advice that a staged approach to comprehensive alcohol pricing reform is needed in Australia. This staged approach should include:
  - i. Immediately replacing the WET with a volumetric rate of taxation;
  - ii. Begin working with the state and territory governments to mandate the collection of alcohol sales data to be used in prioritising further reform;
  - iii. Within one year, begin to address the current gaps in alcohol pricing policies; and
  - iv. Develop and implement a longer term plan for alcohol pricing reform in Australia based on public policy principles.
9. Ensure that a long term alcohol pricing policy addresses the principles identified in the submission, including:
  - i. Alcohol pricing must be applied according to the volume of alcohol within products and their potential to cause harm;
  - ii. The policy relevant social costs of alcohol consumption must be used to inform alcohol taxation rates and prices;
  - iii. Alcohol pricing policies must minimise distortion that may encourage harmful consumption of alcohol;
  - iv. Revenue collected from alcohol pricing policies should be used to pay for the costs incurred by Government to address alcohol-related harms;
  - v. Alcohol pricing policies must ensure the cost of alcohol is relative to incomes and Consumer Price Index (CPI) increases;
  - vi. Alcohol pricing policies must aim to increase the floor price of the cheapest alcohol products;
  - vii. Alcohol pricing policies must ensure harmful discounting by industry does not occur and minimise loopholes; and
  - viii. Alcohol pricing policies must be administratively efficient.

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ISBN: 978-0-9874419-8-0