

Response to: ANPHA Draft Report
Exploring the Public Interest Case for a Minimum (Floor) Price for Alcohol

20 December 2012

ABN: 39 008 455 525

ADCA welcomes the opportunity to comment on ANPHA's Draft Report on *Exploring the Public Interest Case for a Minimum (Floor) Price for Alcohol*.

ADCA is the national peak body representing the interests of the Australian non-government alcohol and other drugs sector (AOD). It works with government, non-government organisations, business and the community to promote evidence-based, socially just approaches aimed at preventing or reducing the health, economic and social harm of alcohol and other drugs to individuals, families, communities and the nation.

ADCA is a member of the National Alliance for Action on Alcohol (NAAA) and supported its submission in response to the June 2012 issues paper.

This paper will look at the three key areas identified for comment in the ANPHA draft report (minimum price, taxation reform and sales data) and then comment on other points within the ANPHA report.

Minimum (floor) price

ADCA reiterates that a minimum price should be introduced despite ANPHA's recommendation against its introduction on a national basis at this time. The rationale for a minimum price rests with the proven relationship between price, consumption and harm - an increase in price will lead to a reduction in alcohol consumption and related harm. This harm is not restricted to the drinker but includes harm to others, such as family members including children, friends, colleagues and others, even strangers.

As ANPHA's draft report explains, the evidence for the relationship between price, consumption and harm stems from both international and domestic research. Reinforcing this message, the report makes the point that the evidence "consistently indicates that increasing prices is an effective lever in reducing harmful alcohol consumption". ANPHA's own Issues paper, which explored the public interest case for a minimum price, also provided information about experience overseas and in Australia.

The introduction of a levy on alcohol in the Northern Territory during the 1990s under the *Living with Alcohol* program created a de facto minimum price on alcohol which led to a reduction in alcohol related harm in the short and possibly the long term¹.

More recent evidence from the Northern Territory comes from a recent report by the National Drug Research Institute (NDRI) on a 10-year study looking at the relationship between alcohol price, consumption and harm in Alice Springs. The results showed that price-related alcohol restrictions had a significant effect in reducing alcohol consumption and related harm. The study also acknowledged the significant demand factors that are also driving the level of consumption with the population studied and the need for alcohol control measures as part of a comprehensive strategy designed to reduce harm and demand.

¹ ANPHA 2012 *ANPHA Issues paper: Exploring the public interest case for a minimum (floor) price on alcohol*
Australian National Preventative Health Agency

A floor price has the potential to address some preloading behaviour by young people as they seek to avoid the higher prices charged by clubs, pubs and other venues. The recently released secondary schools² survey reminds us of the extent of the problem with more than one in three 16-17 year olds drinking alcohol in the previous seven days and nearly one in five drinking at risky levels.

With ANPHA recognising the relationship between price and consumption and related harm in its draft report, it is not clear on what basis the decision was made to advise against a minimum price.

Alcohol taxation

ADCA welcomes and supports ANPHA's finding that the WET be reformed to tax all alcohol products on the basis of the volume of alcohol they contain. As noted in our previous submission, the current system is complex, inequitable and unsuited to reducing alcohol related harm. There is some evidence that the current arrangements encourage the production of low cost wine and contribute to the wine glut³. Any increased revenue arising from changes in the taxation of wine and cider could go toward prevention and treatment activities.

ADCA would welcome the opportunity to participate in a review of the current alcohol taxation system and the development of agreed principles for taxation reform.

Alcohol sales data

ADCA also welcomes ANPHA's support for the collection of alcohol sales data. This is important in the formation, monitoring and evaluation of alcohol policy at all levels of government. While collected by some states and territories, a national database is essential for the very reasons outlined in the ANPHA draft report. In particular, collection of wholesale sales data provides a more accurate reflection of per capita alcohol consumption than surveys relying on individual self-reporting, which potentially results in under reporting.

Trends in alcohol consumption are crucial in understanding the effectiveness of alcohol policy and interventions, and allow comparisons between regions and communities within them (Loxley et al 2009). Such trends inform decision making, particularly in relation to activities like liquor licence applications. Some liquor industry representatives oppose the collection of sales data on the grounds that it imposes a cost on business, despite wholesalers already collecting data for their own purposes.

ADCA would like to see this data publicly available to ensure transparency in the data and accessibility for all.

² White, V & Bariola, E 2012 *Australian secondary school students use of tobacco, alcohol, over the counter and illicit substances in 2011* Australian Government Department of Health and Ageing p36

³ The Allen Consulting Group 2011 *Alcohol taxation reform* Foundation for Alcohol Research and Education p13

Other comments

Responsiveness of heavy drinkers

ANPHA's paper provides a good picture of the research in this area and refers to the variation in price responsiveness within and across alcohol related categories. The evidence outlined in ADCA's submission showed that those most affected by price increases are those who drink at harmful levels, and young people who often have financial issues to consider. While the level of responsiveness may vary, there is compelling evidence about the effectiveness of changing consumption levels and related harm.

Harmful drinkers are one of the groups of most concern and according to the NHMRC Alcohol Guidelines they are at risk of both short and long-term harm.

Loss of satisfaction

ADCA questions the significance of loss of satisfaction in discussions around reducing harm. The loss of satisfaction that someone may experience because they have cut back their alcohol consumption (which in itself brings benefits to them) should not be relevant. One could argue that the loss of satisfaction experienced by low risk drinkers because of a change in the price of cheaper alcohol products is likely to be small, and may diminish over time, since those affected the most by an increase in the price of alcohol are those that drink at harmful levels and young people.

Switching behaviour

The ANPHA report refers to unknowns in the potential for consumers to switch between alcohol products should a minimum price be introduced⁴. While switching to other cheaper alcohol products occurred in response to the introduction of the alcopops tax, the introduction of a minimum price would affect all alcohol products, and would be set at a level designed to reduce harm. A minimum price goes hand in glove with taxation reform, ensuring that the latter is not undermined by the industry through heavy discounting and product bundling.

Population versus targeted approaches

ADCA was intrigued to read the comment from Clubs Australia that minimum pricing, as a whole of population approach, was not well suited to discouraging harmful consumption and promoting safer consumption⁵. It is not clear how one might discourage someone from harmful consumption if the focus is only on those already drinking at harmful levels. This approach is reflected in the industry's assessment that neither access and availability of alcohol are relevant in the harm reduction debate, nor are the strategies employed by the industry to advertise and market their products. In a similar vein, the industry would

⁴ 2012 Draft Report: *Exploring the Public Interest Case for a Minimum (Floor) Price for Alcohol* Australian National Preventative Health Agency p8

⁵ 2012 Draft Report: *Exploring the Public Interest Case for a Minimum (Floor) Price for Alcohol* Australian National Preventative Health Agency p17

have us believe that their stated aims to increase sales, consumption and frequency of consumption have no role in influencing people to drink at harmful levels.

ADCA agrees with ANPHA's view that efforts to address alcohol consumption and related harms must include a range of measures and approaches additional to pricing, but stresses that a minimum price and taxation reform are significant priorities in the mix.

Potential for public benefits

The ANPHA paper expresses concern that the private sector is likely to benefit from the introduction of a minimum price and that the available public benefits are potentially reduced (ANPHA draft report, p9), making it difficult to deliver sufficient benefits at a national level.

This may well be a concern if a floor price was introduced as a stand-alone measure. However, ADCA and other public health bodies are advocating the introduction of a floor price alongside alcohol taxation reform to maximise the known benefit of pricing measures in reducing consumption and alcohol related harm.

Government could also consider introducing a levy on alcohol sales, the revenue from which could be used for the public good, and targeted to fund additional prevention and treatment services. The levy could also form part of a response to address recent concerns about preloading behaviour⁶.

While some local measures are available to attempt to artificially introduce a minimum price (eg by banning two-for-one and other price promotional offers and withdrawing four litre casks from the market), this piecemeal approach would be far less effective than a nationally consistent approach to address alcohol related harm and governments may be held accountable for failing to respond in the most effective way to address this national problem.

Closing comments

Alcohol consumption levels in Australia are high by world standards and the level of related harm to the individual and others is alarming. The cost of this harm is estimated at \$36 billion dollars annually, and while much has been done to try and address the problem, little has been done to really tackle the key drivers of alcohol sales.

While we continue to allow the alcohol industry to market and sell alcohol as they do, encouraging people to drink (and drink often and drink lots) and targeting young people, we will always be playing catch up. We must tackle the problem at its root cause through pricing and taxation, addressing access and availability, and targeting marketing and advertising - the use of social media by the alcohol industry to promote their products is almost sinister in its pervasiveness and of particular concern.

In relation to pricing, the reality of the matter is that only by introducing a volumetric tax across all alcohol products *together* with a minimum price will the government be able to

⁶ Miller et al 2012 *Dealing with alcohol related harm and the night time economy* National Drug Law Enforcement Research Fund

effectively use price as a mechanism to reduce alcohol related harm. On its own, a minimum price for alcohol will result in the extra revenue generated returning to industry, unless a mechanism can be devised that would allow the increased revenue to be diverted (either in part or in full) to government for enhanced prevention and treatment services.

Reform of alcohol taxation, embracing a volumetric tax across all alcohol products, will potentially provide the government with direct access to increased revenue, but won't stop heavy discounting and loss leading activities by retailers. Without its introduction alongside a minimum price, alcohol taxation reform leaves the door open for industry's ongoing encouragement for people to drink through heavy discounting and loss leading activities and wine will continue to be available at prices lower than bottled water.

ADCA recommends that ANPHA reconsiders its advice on a minimum price. ADCA agrees that taxation reform should be undertaken as a priority for government but suggests that work on a minimum price should also commence as part of an important complementary and necessary activity.

As mentioned in our submission to ANPHA's issues paper, adjusting the price of alcohol is one of the most effective of all interventions in reducing alcohol consumption and related harm. Together, a minimum price and alcohol taxation reform offer a simple and clean approach to achieving these aims.

ADCA would welcome the opportunity to participate in discussions around an appropriate level for a minimum price and reviewing the current alcohol taxation system, and would be happy to discuss this and other issues raised in this submission with you further. In the first instance, please contact Meredythe Crane at meredythe.crane@adca.org.au or 02 6215 9808.

Yours sincerely



David Templeman
Chief Executive Officer
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