

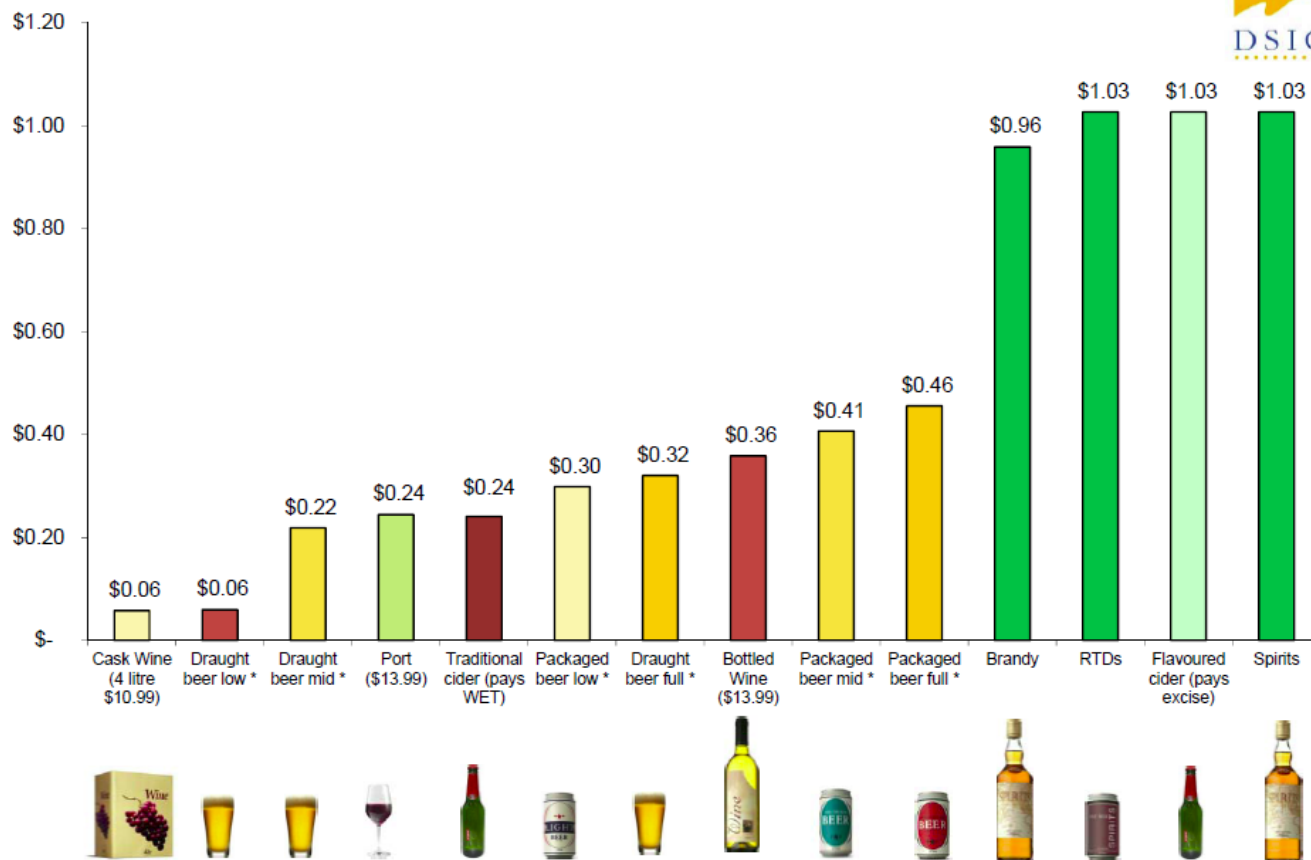


Moving to a fairer
tax system will
protect
manufacturing
jobs, encourage
local start ups and
contribute to
budget repair

Australia has a distorted alcohol taxation system

NON-GST TAX PER STANDARD DRINK

(as at 1 August 2016)



* = 1.15% alcohol by volume excise-free threshold
1 standard drink = 12.67 ml of pure alcohol
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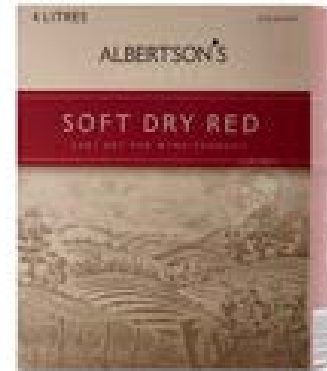
Beverage type

Australia's alcohol tax system is unsustainable, discouraging innovation and growth and supporting low cost alcohol



Precious Earth
Shiraz Merlot

\$2.89



Little Fat Lamb
\$7.99

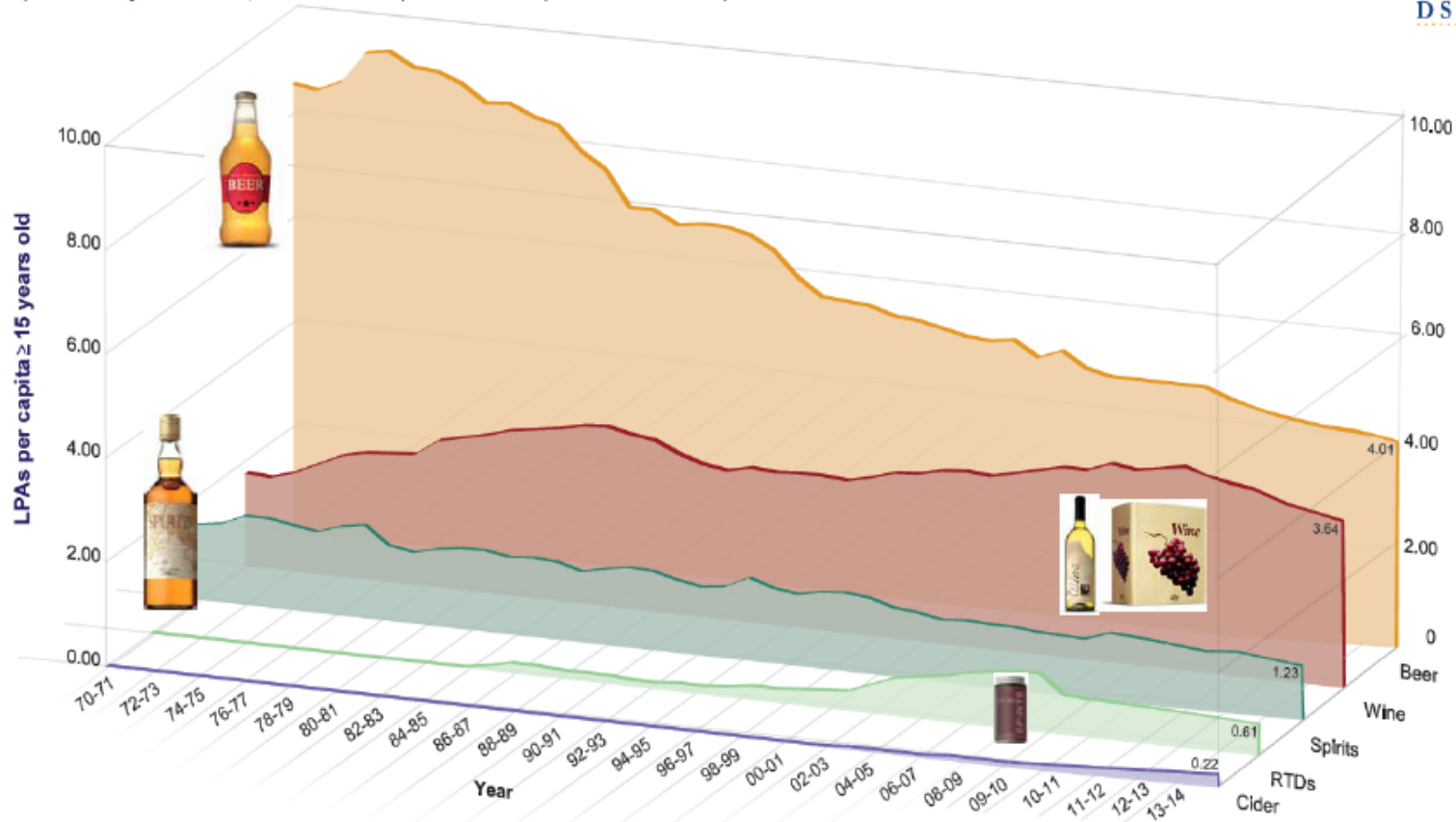
Albertson's 4L red
\$8.99

The alcohol tax system is impacted by and impacts consumer consumption patterns and is driving revenue leakage

LONG TERM TRENDS IN ALCOHOL CONSUMPTION BY CATEGORY

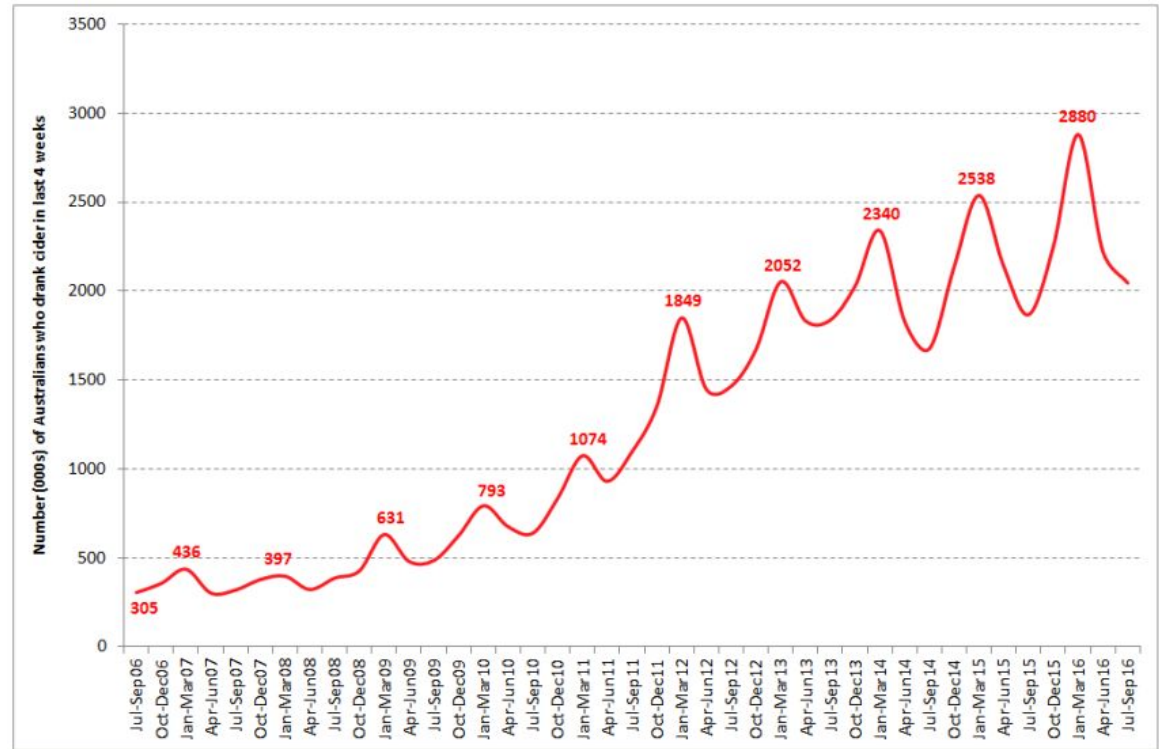
Adult per capita consumption by alcohol category since 1970-71

(Population 15 yrs and older; alcohol consumption in litres of pure alcohol - LPAs)



The tax system is distorting consumer demand, advantaging the cider category and impacting revenue

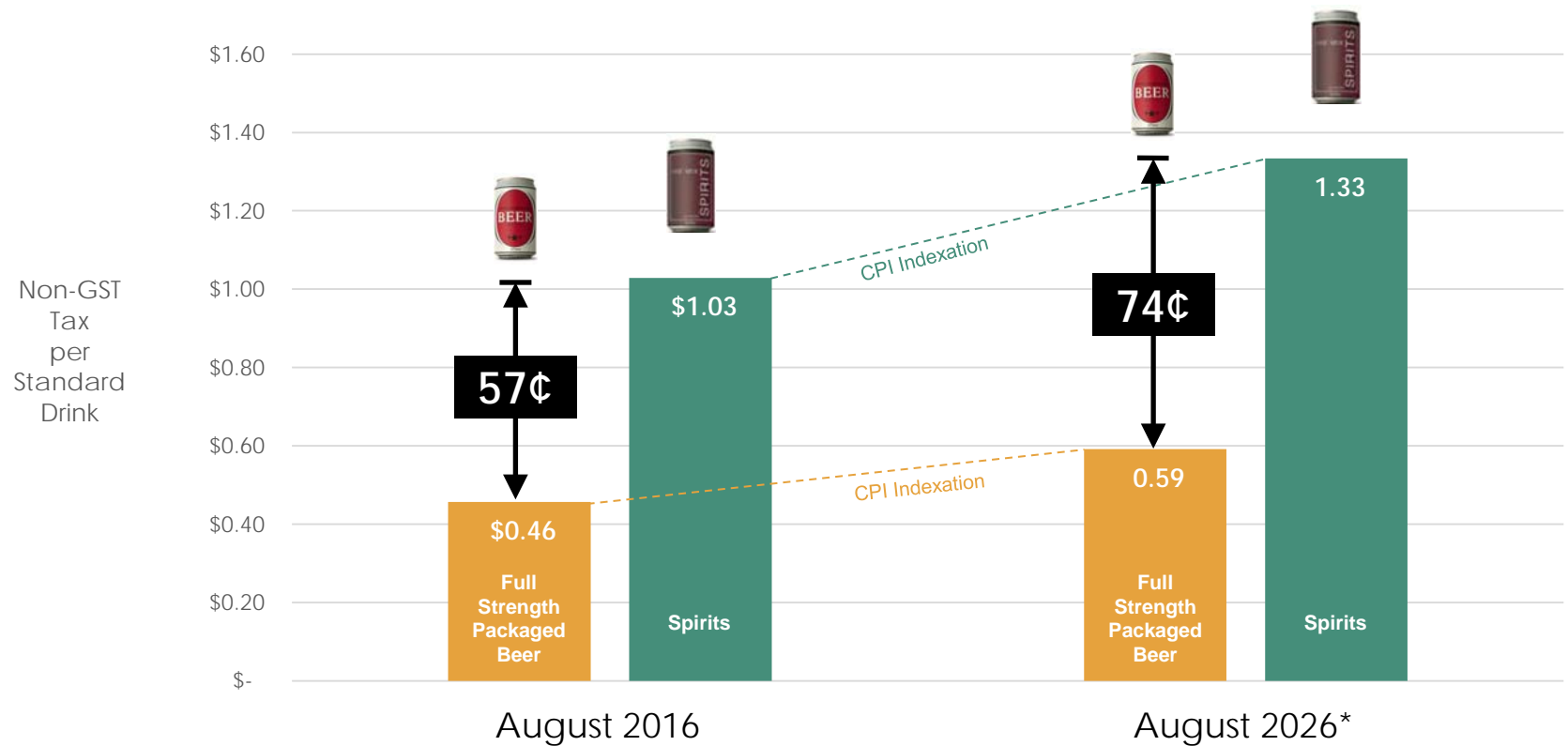
Between 2006 and 2016, the number of Aussie adults who **drink cider in an average four weeks** has **sky-rocketed** by almost 600% from just 337,000 to 2,349,000.



Source: Roy Morgan Single Source (Australia), July 2005-, n=193,743. **Base:** Australians 18+

Consumers currently pay 57¢ more tax per standard drink for spirits than beer. Due to CPI indexation effects, in 10 years this will increase +30% to a 74¢ difference

DIVERGENCE OF TAX PER STANDARD DRINK OVER THE NEXT DECADE



*Forecasts based on annualized CPI of 2.5%. Tax rates indexed to CPI twice yearly (Feb and Aug).

Australian distilling industry has great export growth potential but needs to have strong local market support

2010 Per Cap Spirits Exports (\$US)*

Ireland	\$171
Estonia	\$85
Sweden	\$70
NZ	\$11
Australia	\$4

*Investment opportunities in the New Zealand Alcoholic Spirits Industry May 2012 v1.00d www.foodandbeverage.govt.nz

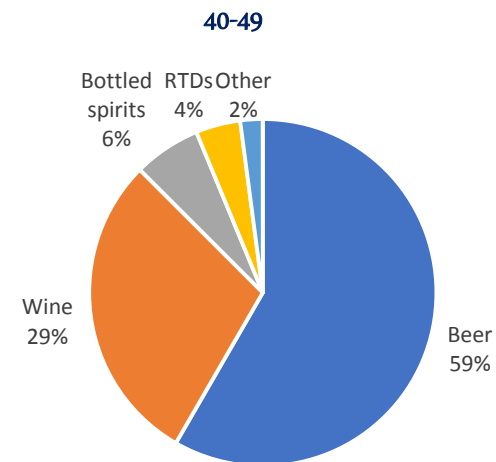
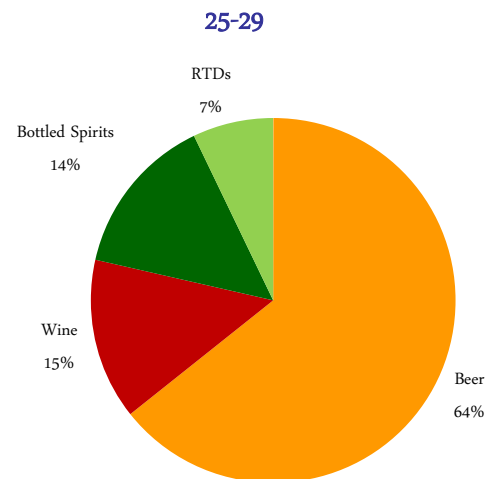
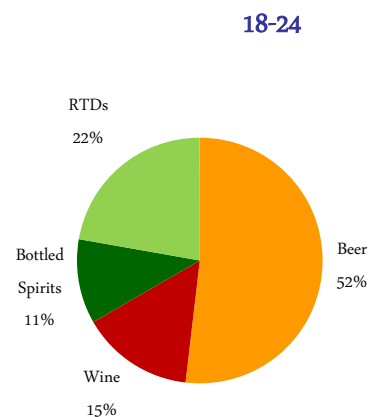


2013 National alcohol survey showed key health indicators for alcohol consumption are heading in the right direction

- In 2013, about four-fifths of Australians aged 14 or older reported they had consumed alcohol in the past year and 6.5% drank on a daily basis.
- A lower proportion of Australians aged 14 or older consumed alcohol in risky quantities in 2013 compared to 2010— the proportion of lifetime risky drinkers and single occasion risky drinkers declined.
- The proportion of people aged 14 or older choosing to abstain from alcohol rose between 2010 and 2013 (from 19.9% to 22%) and this was influenced by an increase in young people aged 12–17 abstaining (increasing from 64% to 71%).
- Compared to 2010, adults under 40 were less likely to drink 5 or more standard drinks on a single occasion at least once a month in 2013.
- Adults aged 18–24 were more likely to drink at harmful levels on a single occasion than the rest of the adult population and males were more likely to drink at harmful levels than females.
- In contrast to single occasion risky drinking, daily drinking was higher among older Australians than younger Australians.
- Younger people are continuing to delay starting drinking with the average age among those aged 14–24 trying alcohol for the first time increasing from 14.4 in 1998 to 15.7 in 2013.

Consumption data for riskier drinkers does not support higher taxation of spirits and RTDs

Percentage of total alcohol consumption



- Beer is the beverage of choice for the majority of young males who drink at riskier levels

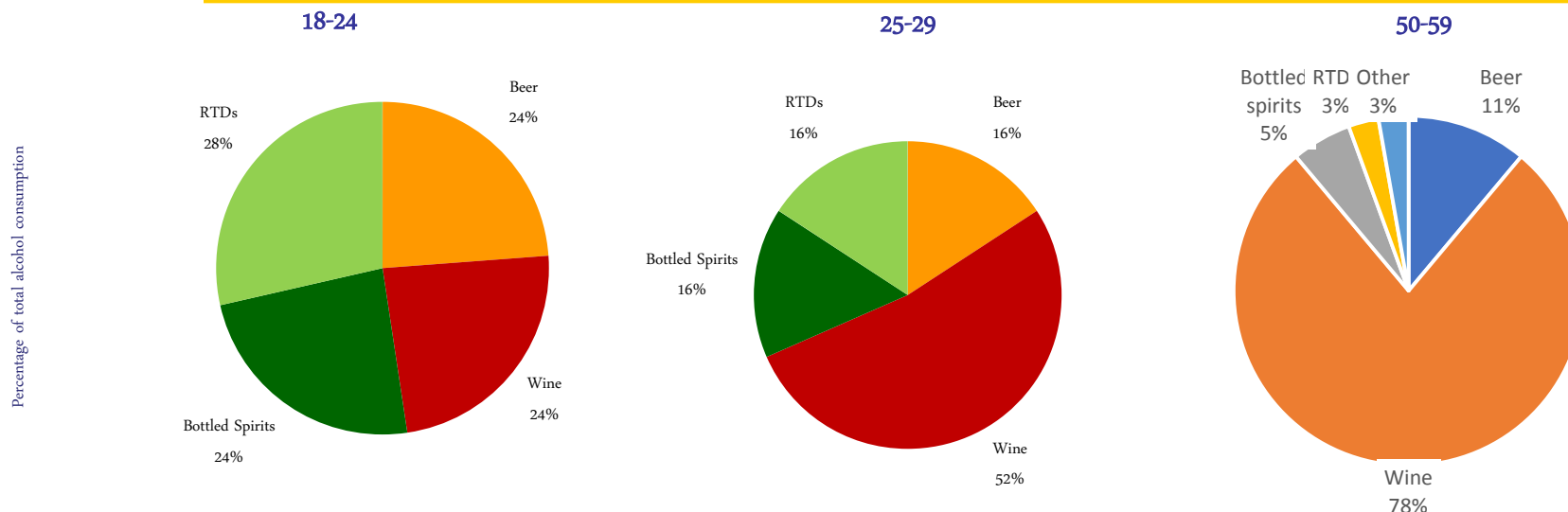
Beer consumption for riskier* drinking males (2010)

		18-24	25-29	30-39	40-49	50-59	60+
Total		2.6	4.2	4.1	4.8	4.8	4.2
Beer		1.4	2.7	2.4	2.8	2.7	1.7
%		54%	64%	59%	59%	56%	40%

- The number of standard drinks consumed increases over the age groups
- The proportion of standard drinks consumed of beer remains consistently around 55%-65%
- Beer is the beverage of choice for the majority of riskier drinking males

*Riskier: Under 2001 NHMRC guidelines, short-term risky and high risk drinkers

Consumption data for riskier drinkers does not support higher taxation of spirits and RTDs



- Beverage choice for 18-24 year old females who drink at riskier levels is equal across the four categories
- Wine increasingly becomes the beverage of choice for the majority of females who drink at riskier levels

Wine consumption for riskier* drinking females (2010)

		18-24	25-29	30-39	40-49	50-59	60+
Total		2.1	1.9	2.4	2.9	3.6	2.9
Wine		0.5	1.0	1.5	2.1	2.8	2.4
%		24%	53%	63%	72%	78%	83%

- The number of standard drinks consumed increases over the age groups
- The proportion of standard drinks consumed of wine is small in the younger age groups but becomes the beverage of choice from ages 25+

*Riskier: Under 2001 NHMRC guidelines, short-term risky and high risk drinkers