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18 July 2014

Hon. Dr Sharman Stone MP  
Chair  
Standing Committee on Indigenous Affairs  
PO Box 6021  
Parliament House  
Canberra ACT 2600

By email: [indigenouaffairs.reps@aph.gov.au](mailto:indigenouaffairs.reps@aph.gov.au)

Dear Dr Stone,

**Re: Inquiry into the harmful use of alcohol in Aboriginal and Torres Strait Islander communities**

Thank you for the opportunity to present to the Standing Committee on Indigenous Affairs at the Perth hearing on 30 June 2014. We write to provide further detail on a number of matters which were discussed at the hearing. In particular, we focus here on the role of liquor retailers and the alcopops tax.

We have particular concerns about the physical and economic availability of packaged liquor, that is, takeaway liquor sold from bottle shops and other off-premise outlets. 78% of alcohol in Australia is now sold as packaged liquor.<sup>1</sup> Woolworths Limited and Wesfarmers Limited together have approximately 60% of the liquor retailing market share in Australia.<sup>2</sup>

**Liquor barns**

The packaged liquor landscape in WA, and Australia more broadly, has changed in recent years. There appears to be a growing focus on large-scale warehouse-style discount 'liquor barns' that have the capacity to sell many times more alcohol than traditional liquor stores.<sup>3</sup> Monitoring of liquor licence applications in WA has identified attempts by the large companies behind the liquor barns – Woolworths Limited (including Dan Murphy's) and Wesfarmers Limited (including First Choice Liquor) – to substantially increase their presence. A recent liquor licence application in WA, currently under consideration by the Director of Liquor Licensing, sought to replace an existing liquor store which has 70m<sup>2</sup> of display area with a liquor barn which would have 767m<sup>2</sup> of retail trading space. Such a change would be expected to have an increased impact on the surrounding community.

<sup>1</sup> Euromonitor International (2012) Alcoholic drinks in Australia. London: Euromonitor International Ltd.

<sup>2</sup> IBISWorld Industry Report G4123 Liquor Retailing in Australia April 2013. Melbourne (Australia): IBISWorld Pty Ltd; 2013.

<sup>3</sup> Liang W, Chikritzhs T. Revealing the link between licensed outlets and violence: Counting venues versus measuring alcohol availability. Drug and Alcohol Review. 2011; 30(5):524-535.

### **Price**

There is a need to address some liquor retailer practices which are of serious concern to groups working to prevent harm from alcohol. Concerning practices include heavy discounting of alcohol products, competition between liquor retailers focused on price, price-focused alcohol advertising and promotion, and the sale and promotion of large volume, very cheap alcohol products such as cask wine. For example, the Woolworths-owned BWS liquor store advertised cask wine at the equivalent of \$1.80 per litre (15 litres for \$27) in the Woolworths supermarket catalogue available in WA on 17 July 2014 (a photo is provided as an attachment).

The price differential between alcohol purchased off-premise (e.g. at discount 'liquor barns') and on-premise (e.g. at nightclubs and pubs) has been suggested as playing a key role in 'pre-loading' behaviours.

### **Promotion**

Alcohol is not only available to buy at very low cost, but low cost alcohol is also heavily advertised. The significant growth in the number of large-scale discount packaged liquor outlets has been accompanied by massive price-based promotion.

A VicHealth study of alcohol advertising in Victorian daily newspapers over a 20 year period (1989-2009) found that alcohol advertising in newspapers is now dominated by large scale liquor retailers, or 'liquor barns', and greater prominence in advertising is given to the price of products through the promotion of special offers and bulk-buy discounts.<sup>4</sup>

Price-focused alcohol advertising related to 'liquor barns' can also be seen through online, outdoor and other forms of promotion. For example, a current series of advertisements on bus shelters around Perth promotes Dan Murphy's "Lowest Liquor Price Guarantee" (a photo is provided as an attachment).

Each of the Woolworths and Coles supermarket catalogues available in WA on 14 July 2014 contains two pages of liquor promotions. The BWS liquor promotion in the Woolworths supermarket catalogue highlights Berri Estates 5 Litre wine casks at 3 for \$30 (save \$26.97) - 15 litres of wine at a price equivalent to \$2 per litre or less than 25 cents per standard drink. The Liquorland promotion in the Coles supermarket catalogue highlights a "Hammer 'n' Tongs" brand of lager at \$30 for 30 cans.

The Alcohol Advertising Review Board – an independent complaint review system administered by the McCusker Centre for Action on Alcohol and Youth – has reviewed a substantial number of complaints about liquor retailer advertisements, including<sup>5</sup>: television advertisements broadcast during sporting games; advertisements on sports websites; sponsorship of sporting teams (including motor racing); advertisements in a football tipping email; promotions on supermarket dockets and in supermarket catalogues; bus stop advertisements (including an advertisement outside a school); print advertisements in newspapers; advertisements on YouTube; outdoor

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<sup>4</sup> Wilson I, Munro G, Hedwards B, Cameron S. A historical analysis of alcohol advertising in print media 1989–2009. Carlton (Australia): Victorian Health Promotion Foundation; 2012.

<sup>5</sup> Alcohol Advertising Review Board determination reports are available at <http://www.alcoholadreview.com.au/articles/determination-reports/>

advertisements; complaints about inappropriate products (including products expected to appeal to children); and complaints about large quantities of alcohol promoted at very cheap prices.

### **Liquor licensing laws and processes**

Submissions from the major liquor retailers to the recent review of WA's Liquor Control Act demonstrate their efforts to prioritise commercial interests over the well-being of the community.<sup>6</sup>

*"We believe it is the Licensing Authority's role to regulate the sale and supply of liquor, not implement public health policy."*

Coles Liquor (page 4)

*"The important issues of health, social, education, policing and community issues are more fittingly dealt with holistically rather than solely by licensees. It is still appropriate that these be objects of the Act, but it more sensibly rests as a secondary object."*

Woolworths Limited (page 3)

The current primary objects of the Act *"are appropriate for the provision of a good that can cause harm when abused, though we do question the need for the inclusion of object (b) as a primary object. This is chiefly a health issue better dealt with through the work of health and education systems and not through supply side measures that undermine the operation of traditional market forces."*

Woolworths Limited (page 10)

Note. Primary object (b) is "to minimise harm or ill-health caused to people, or any group of people, due to the use of liquor".

It is extremely concerning that Woolworths Limited and Wesfarmers Limited – two highly regarded companies with large liquor market shares – seek to promote their commercial interests over the need to minimise harm and ill-health in the community.

Community access, participation and representation in liquor licensing processes are restricted by a range of factors, including the fact that liquor retailers are far better resourced than community members to ensure their interests are represented in liquor licensing processes.

### **Controlled purchase operations**

Controlled purchase operations (also called 'test purchasing' or 'compliance monitoring') would enable police to monitor and enforce existing legislation regarding the sale of alcohol to minors. In controlled purchase operations, an underage person enters a licensed premise under controlled conditions to attempt to purchase alcohol. If the underage person is successful, the accompanying police can lay the appropriate charge against the retailer. Such operations are used for alcohol in New Zealand and the United Kingdom. Controlled purchase operations are undertaken in WA for compliance monitoring of tobacco sales, but are not currently allowed for

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<sup>6</sup> The submissions from Coles Liquor and Woolworths Limited are available at <http://mcaay.org.au/liquor-control-act-review.aspx>

alcohol. We believe it would be appropriate for liquor retailers to support controlled purchase operations to reduce young people's access to alcohol.

In summary, there are a number of actions liquor retailers could take which would make a difference. These include:

- Cease alcohol promotions at times and in places where young people are likely to be exposed (e.g. in association with sport; outdoor promotions including those on public-transport related sites).
- Cease alcohol promotions likely to appeal to young people or those with alcohol problems (e.g. promoting very cheap alcohol products).
- Support controlled purchase operations to reduce young people's access to alcohol.
- Support the minimisation of harm in the community as the highest priority of liquor licensing laws.
- Reduce or put a hold on any increase in the availability of alcohol in the community.

### **Alcopops tax**

The Committee expressed interest in information about the impact of the alcopops tax in Australia. It is worth noting that the alcopops tax was a one-off initiative and should be viewed in this light. The best available evaluation of the alcopops tax was published by Professor Tanya Chikritzhs and colleagues in 2009; the full paper is provided as an attachment. We also attach a brief commentary about the alcopops tax published in The Lancet by Professor Wayne Hall and Professor Chikritzhs in 2010.

Yours sincerely,,

PROFESSOR MIKE DAUBE AO  
DIRECTOR, MCCUSKER CENTRE FOR ACTION ON ALCOHOL AND YOUTH

### **Attachments:**

1. Screenshot of the online Woolworths supermarket catalogue taken on 17 July 2014.
2. Photo of a Dan Murphy's advertisement on a bus stop taken in Bicton, WA on 12 July 2014.
3. Chikritzhs TN, Dietze PM, Allsop SJ, Daube MM, Hall WD, Kypri K. The "alcopops" tax: heading in the right direction. Medical Journal of Australia. 2009;190(6):294.
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Screenshot of the online Woolworths supermarket catalogue taken on 17 July 2014

The screenshot displays the Woolworths online catalogue interface. At the top, the browser address bar shows the URL: [www2.woolworthsonline.com.au/shop/seasonal/Woolworths-Catalogue-Specials#view=catalogue2&saleId=6804&areaName=WA&page=31](http://www2.woolworthsonline.com.au/shop/seasonal/Woolworths-Catalogue-Specials#view=catalogue2&saleId=6804&areaName=WA&page=31). The page header includes navigation links for 'Home / Catalogues / Weekly Specials Catalogue WA' and 'Showing Catalogue for: Woolworths Murray Street store, 6000'. A search bar and navigation controls are visible.

The main promotional banner is titled 'RED HOT SALE' in large white letters on a red background with a flame effect. It features several product offers:

- Coopers Clear Dry Beer:** 'ANY 3 CASES \$108' (4x6 CANS). Includes a 'SAVE \$27' badge. Text: 'Coopers Clear Bottles or Case (additional 100) Tinklers Extra Dry Bottles included'.
- Tellington Colours NV, Wolf Blue Red Label OR Rawson's Reserve 750ml:** 'ANY 3 FOR \$20' (SAVE \$18.97).
- Kahlua Liqueur OR Baileys Original Irish Cream 750ml:** 'ANY 2 FOR \$45' (SAVE \$25).
- Coolabah 5 LT VALUE PACK:** '3 FOR \$27' (SAVE \$23.97). Includes 'SWEET FRUITY WHITE' and 'FRESH DRY WHITE' varieties.
- McKester Reserve Scotch Whisky, Reserve Vodka OR Reserve County Double Wood:** 'ANY 2 FOR \$54' (GREAT VALUE).

At the bottom of the banner, there is a '200 MORE SPECIALS IN-STORE TODAY & EVERYDAY' logo and the 'BWS TODAY'S SPECIAL' logo. The date 'Wed 16 Jul 2014 - Tue 22 Jul 2014' is displayed at the bottom left, and 'Woolworths catalogue powered by Salefinder.com.au' is at the bottom right. The Windows taskbar at the very bottom shows the system time as 9:33 PM on 17/07/2014.

Photo of a Dan Murphy's advertisement on a bus stop taken in Bicton, WA on 12 July 2014



EDITORIALS

## The “alcopops” tax: heading in the right direction

Tanya N Chikritzhs, Paul M Dietze, Steven J Allsop, Michael M Daube, Wayne D Hall and Kypros Kypri

*Evidence shows that cost does affect alcohol consumption, and reducing consumption improves public health*

There is strong evidence that increasing the cost of alcohol reduces the overall amount that is consumed.<sup>1</sup> In a range of countries, price increases have been consistently shown to reduce alcohol consumption and related harms in both the general population and at-risk populations such as young people and heavy drinkers. Conversely, price decreases have resulted in an increase in consumption and harm.<sup>1-3</sup> In this context, the Australian Government’s April 2008 increase in excise tax (Bill introduced on 11 February 2009) on ready-to-drink (RTD) spirit-based products (RTDs; “alcopops”) is an evidence-based strategy to reduce excessive RTD consumption among young people. The alcoholic content of RTDs is now taxed at a similar rate to that of other spirits (tax increased from \$39.36 to \$66.67 per litre of pure alcohol).

Critics have argued that the RTD tax increase has not reduced alcohol consumption by young people, and will not do so. One claim is that young people will merely switch to other beverages. These arguments have been made by some from the alcohol industry and some researchers. Doran and Shakeshaft, for example, argued that young people “seem to be price inelastic about their alcohol demand”.<sup>4</sup> Citing a national school survey, they claimed that “spirits are by far the beverage of choice for the 45% of 16–17-year-old Australians who drink, despite spirits being the most highly taxed beverage in Australia, and the most expensive per litre of alcohol”. This is not evidence for price inelasticity. They also argued that “overall rates of usual or binge consumption in Australia are unlikely to substantially fall, because spirits hold a smaller market share than beer, and young people will more than likely switch their preference”.<sup>4</sup> The weight of scientific evidence suggests otherwise — that overall consumption is likely to decline because young people’s demand for alcohol is elastic.<sup>1-3</sup>

The survey series on which Doran and Shakeshaft rely shows that beverage preferences vary between boys and girls and over

time. In 1999, before reductions in tax and in the retail price of RTDs in 2000, RTDs were the preferred beverage of about 23% of 12–17-year-old female drinkers. By 2005, after the tax decrease, 48% of young females drank RTDs, while the preference for higher-taxed spirits fell from 42% to 30%. For 12–17-year-old males, RTD consumption increased from 6% to 14%, a small share compared with spirits (39%) and beer (33%).<sup>5</sup> Although new products and marketing strategies may have contributed to this substantial change, these data suggest that young Australians, like their counterparts in other countries,<sup>2</sup> do alter their beverage choices in response to price changes.

Definitive statements about the impact of the “alcopops tax” are premature in the absence of independent alcohol sales data. It is regrettable that there are no readily available, official monthly sales

### Number of standard drinks\* consumed in May to July, 2007 and 2008, by beverage type

Beverage type	Million standard drinks consumed		Difference in million standard drinks	
	2007	2008		% Change
RTDs	348	257	-91	-26.1
Beer	886	899	13	1.5
Wine	797	776	-21	-2.6
Spirits	313	348	35	11.2
Total	2344	2280	-64	-2.7

Source: Nielsen Liquor Services Group (NLSG) 2008.<sup>7</sup> RTDs = ready-to-drink spirit-based products.

\*One standard drink = 10 g pure alcohol. To accurately convert beverage volumes to pure alcohol, the NLSG applies alcohol conversion factors at the subsegment level for beer (eg, regular, mid-strength, low-strength beer) and RTDs. Average alcohol contents by beverage type: RTDs 5.0%; beer 4.8%; straight spirits 38.0%; and wine 13%. ◆

## EDITORIALS

data for all alcoholic beverages, like those obtained by the detailed monitoring that we know is conducted by private industry.<sup>6</sup> However, available evidence does indicate that the tax has reduced sales of RTDs and the reduction was far from wholly offset by a switch to other beverages.

A market research company that regularly compiles reports on sales of alcohol products has estimated national monthly sales of packaged alcohol (sold for off-premises consumption by liquor licensees across the five mainland states of Australia) by beverage type for 2007 and 2008 (Box).<sup>7</sup> These data show that in the 3 months after the April 2008 tax increase, 91 million fewer standard drinks were sold as RTDs than in the same months in the previous year. Standard drinks sold as spirits and beer increased but wine sales decreased. The increase in spirit and beer sales (48 million standard drinks) was only 53% of the 91 million fewer RTD drinks sold.

A decline in RTD sales was also reported on the basis of Australian Tax Office data. These showed a 54% reduction in sales of RTDs and a 7% increase in spirit sales from April to June 2008.<sup>8</sup> In presenting the Excise Tariff Amendment Bill to Parliament, the Minister for Health and Ageing confirmed that: "Tax office figures drawn from the first nine months of this measure show that alcopops sales have dropped by 35 per cent compared to the previous year".<sup>9</sup>

Critics have been hasty in predicting that young people's drinking would be unresponsive to the RTD tax increase. In keeping with a large body of research evidence, the early indications are that RTD sales declined in the first few months after the tax increase. Previous research suggests that this decline in alcohol sales (a reliable proxy for consumption<sup>10</sup>) will produce a public health benefit.<sup>1-3</sup> Further investigation is needed to determine specifically in which population group(s) the benefit accrues; for example, whether this reduction in RTD purchases occurred primarily among young drinkers (the target of the tax increase), and what other factors may have contributed to the reduction. Informed policy debate requires independent evaluations of short-term and long-term effects of these tax changes on consumption and harm indicators (eg, injuries). Nevertheless, the evidence to date is that the "alcopops" tax is a step in the right direction.

### Acknowledgements

We thank Michael Walton of The Nielsen Company, who advised on the description and interpretation of the alcohol sales data described in this editorial.

### Competing interests

The Distilled Spirits Industry Consortium Australia funded the airfare for Steven Allsop to speak on the topic of evidence on effective prevention responses to alcohol problems at a meeting.

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## The Australian alcopops tax revisited



Published Online  
September 13, 2010  
DOI:10.1016/S0140-  
6736(10)61420-1

In 2008, the newly elected Australian Government increased taxes on ready-to-drink spirits-based alcoholic beverages (alcopops) to reduce their harmful use by young Australians. The alcohol industry and some critics<sup>1</sup> argued that the tax would encourage young drinkers to consume more hazardous forms of alcohol, such as spirits.

Effects of the policy became evident with release of the Australian Bureau of Statistics estimates of alcohol consumption per head between 2004 and 2009 for the Australian population aged 15 years and older.<sup>2</sup> These estimates confirmed that the alcopops tax reduced consumption of alcopops;<sup>3</sup> consumption of spirits did increase, but not by enough to offset the reduction in alcopops drinking. The result was a 2% reduction in alcohol consumption per head, the first in Australia for 4 years. This decrease was almost completely due to the reduction in alcopops drinking (apart from a 0.4% decrease in beer). Alcohol use did not decrease for all beverage types, which suggests the global financial crisis was not responsible.

The data from the Australian Bureau of Statistics show that taxation increases can reduce the consumption of specific alcoholic beverages. This point is supported by Australian studies of the effects of price increases for cask wine and beer with 3% or more alcohol content,<sup>4-6</sup> which showed that increases reduced the use of wine and beer, and their related harms.

Partial substitution of other alcoholic beverages for alcopops indicates the need for a more comprehensive reform of alcohol taxation. Australia needs a flexible tax on alcoholic beverages that increases in proportion to their alcohol content and allows additional levies to be imposed in proportion to the harms that specific types of alcoholic beverages may cause. This approach is supported by national and international evidence that increasing alcohol price is the most cost-effective way of reducing harmful consumption.<sup>4,7,8</sup>

A more rational taxation system for alcohol would also set a minimum price per standard drink below which alcohol could not be legally sold; such a system would prevent discounting of alcoholic beverages to encourage substitution.<sup>9</sup> Economic modelling with UK data suggests that this approach would be particularly effective in reducing harmful alcohol consumption by young people.<sup>10</sup>

A reformed alcohol taxation policy would provide a fair way of addressing market failures in alcohol pricing. A modified volumetric alcohol tax that targets the most harmful drinkers extracts compensation for the societal costs of harmful alcohol use in proportion to the amount that drinkers consume. It would have its largest effect on heavy drinkers who put their own health at risk (and whose treatment costs are borne in part by tax payers). Such heavy use also affects the health of non-drinkers via alcohol-related accidents, assaults, neglect of children, and the cost of policing the public nuisance arising from intoxicated behaviour.<sup>11</sup>

Australia is one of the few high-income countries that does not have such an alcohol tax.<sup>12</sup> Wine in Australia is taxed on the value of production rather than its alcohol content, as are beer and spirits. This tax effectively provides a public subsidy to wine producers, making cask wine (which accounts for 45% of all domestic wine sales) an exceptionally cheap way to purchase alcohol in Australia.<sup>13</sup>

Reform of these tax arrangements was recommended by Australian public health advocates,<sup>14</sup> the Australian treasury in 1995 and 1998,<sup>12</sup> and most recently by the Henry Tax Review.<sup>15</sup> Australian governments have been unwilling to implement these reforms<sup>12,16</sup> for electoral reasons—removing the wine subsidy would adversely



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affect the wine industry in South Australia, a state whose economy heavily depends on wine.

There is a way out of this policy stalemate. First, Australians should recognise that the export success of the Australian wine industry and wine sales in Australia do not warrant a continuation of the subsidy. Second, the Australian Government should adopt the same approach that was used to reduce tariff protection for the Australian manufacturing industry in the 1990s, namely to gradually reduce the subsidy over 10 years.

Alcohol taxation reform is long overdue in Australia. A government that implements it will deliver a public-health-based alcohol policy that fairly and cost-effectively reduces the burden that harmful alcohol use imposes on the health and wellbeing of all Australians.

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We declare that we have no conflicts of interest.

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