



Distilled Spirits Industry Council of Australia Inc.

Committee Secretary
Senate Standing Committee on Community Affairs
Department of the Senate
Parliament House
ACT 2606

3 March 2009

Dear Sir/Madam

DSICA submission to the Senate Standing Committee on Community Affairs Inquiry into Excise Tariff Amendment (2009 Measures No. 1) Bill 2009 and Customs Tariff Amendment (2009 Measures No. 1) Bill 2009

On behalf of the Distilled Spirits Industry Council of Australia Inc (DSICA), I enclose our submission to the Senate Standing Committee on Community Affairs Inquiry into Excise Tariff Amendment (2009 Measures No. 1) Bill 2009 and Customs Tariff Amendment (2009 Measures No. 1) Bill 2009.

DSICA is the peak body representing the interests of distilled spirit manufacturers and importers in Australia. DSICA's members account for over 80% of the spirits industry in Australia.

The RTD tax increase has failed as a health measure, will not raise the amount of revenue originally forecast and is unpopular with the general public. Accordingly, the tax increase should therefore be reversed prospectively.

The RTD tax increase has drawn widespread condemnation from consumers and the media. This view is confirmed by the Government's most comprehensive drug survey, the National Drug Strategy Household Survey (NDSHS), which found that tax increases are one of the least supported policy measures to address harm.

Repeated revisions to revenue forecasts demonstrate that the Government has failed to conduct due diligence into the social and economic impacts of the tax change. The Government has been forced to revise on a number of occasions estimates of the revenue impacts of the decision. Revisions, reducing the budget estimates by nearly 50%, have been required as a result of a total failure to properly account for the dramatic decline in RTD sales and a corresponding substitution into sales of full-strength spirits, beer and wine.

Observed patterns of purchasing and consumption behaviour since the RTD tax increase demonstrate that the tax increase has not had the desired effect of reducing harmful alcohol consumption by young people.

"Free The Spirit"

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Data showing no reduction in alcohol related hospitalisations since the tax change also confirms that the RTD tax increase has failed to achieve its health objective.

Accordingly, from both the perspective as a health measure and a revenue raising instrument, the RTD tax change has failed and accordingly should be prospectively reversed.

DSICA believes that the Senate should validate the RTD tax increase retrospectively for the period 27 April 2008 to the date of Royal Assent of the Amendment Bills. A new rate for RTDs should be implemented prospectively from the day after Royal Assent which would see the RTD rate return to the previous rate applying to RTDs prior to 27 April 2008 (indexed by CPI)(i.e. \$40.82 per litre of alcohol).

An amount equal to the amount of the additional tax collected on alcohol beverages in the period 27 April 2008 to the date of Royal Assent could be allocated to a new fund (or to DrinkWise Australia) to implement a range of community-based alcohol harm reduction initiatives.

DSICA recognises and commends the Government's focus on preventative health, and in particular the creation of the Preventative Health Taskforce. DSICA looks forward to working with the Government through the Preventative Health Taskforce framework to address issues of alcohol related harm and with the Henry Review process to design a world's best practice alcohol tax policy framework.

DSICA looks forward to appearing before the Committee on 11 March to further elaborate on the submission and to answer any questions Committee members may have regarding our submission. Please do not hesitate to contact me on (03) 9696 4466 if you have any queries in relation to the submission.

Yours sincerely

Gordon Broderick
Executive Director

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