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SENATE

STANDING COMMITTEE ON COMMUNITY AFFAIRS

Reference: Ready-to-drink alcohol beverages

THURSDAY, 12 JUNE 2008

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**SENATE STANDING COMMITTEE ON
COMMUNITY AFFAIRS
Thursday, 12 June 2008**

Members: Senator Moore (*Chair*), Senator Humphries (*Deputy Chair*), Senators Adams, Allison, Boyce, Carol Brown, Lundy and Polley

Substitute members: Senator Colbeck for Senator Adams

Participating members: Senators Abetz, Barnett, Bartlett, Bernardi, Birmingham, Mark Bishop, Boswell, Brandis, Bob Brown, Bushby, Campbell, Chapman, Colbeck, Collins, Coonan, Cormann, Crossin, Eggleston, Ellison, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Heffernan, Hogg, Hurley, Hutchins, Johnston, Joyce, Kemp, Kirk, Lightfoot, Ian Macdonald, Sandy Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Nash, Nettle, O'Brien, Parry, Patterson, Payne, Polley, Ronaldson, Scullion, Siewert, Stephens, Sterle, Stott Despoja, Troeth, Trood, Watson, Webber and Wortley

Senators in attendance: Senators Carol Brown, Colbeck, Humphries, Moore, Siewert

Terms of reference for the inquiry:

To inquire into and report on:

- a. the effectiveness of the government's proposed changes to the alcohol excise regime in reducing the claims of excessive consumption of ready-to-drink alcohol beverages;
- b. the consumption patterns of ready-to-drink alcohol beverages by sex and age group;
- c. the consumption patterns of all alcohol beverages by sex and age group;
- d. the impact of these changes on patterns of overall full strength spirit consumption, including any increased consumption of standard drinks of alcohol;
- e. the evidence underpinning the claims of significant public health benefit in the increase of excise on this category of alcohol;
- f. applicability of incentives to encourage production and consumption of lower alcohol content beverages;
- g. the modelling underpinning the government's revenue estimates of this measure;
- h. the effectiveness of excise increases as a tool in reducing the levels of alcohol related harm;
- i. the empirical evidence on which the government's decision to increase the excise on ready-to-drink alcohol beverages was based; and
- j. the effect of alternative means of limiting excessive alcohol consumption and levels of alcohol related harm among young people.

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Committee met at 9.08 am

BRODERICK, Mr Gordon James, Executive Director, Distilled Spirits Industry Council of Australia

McSHANE, Mr Michael, Managing Director, Brown-Forman Australia

RYAN, Mr Warwick Michael, Director, Government Relations, KPMG

CHAIR (Senator Moore)—Good morning. Our committee is continuing our inquiry into ready-to-drink alcohol beverages. I welcome back—as I think I have met all of you before—representatives from the Distilled Spirits Industry Council of Australia and KPMG. Do you have any comments to make on the capacity in which you appear?

Mr McShane—I am an executive member of the Distilled Spirits Industry Council of Australia.

CHAIR—Thank you. You have been provided with information on parliamentary privilege and the protection of witnesses. We have at least one submission from you, Mr Broderick, and I think there is a supplementary one as well.

Mr Broderick—Not yet, Senator.

CHAIR—All right. We have your submission in front of us. I invite any or all of you to make an opening statement, and then we will go to questions.

Mr Broderick—Thank you, Senator. I will make an opening statement, and then we would be very pleased to answer your questions. The Distilled Spirits Industry Council of Australia, or DSICA as we call it, is the peak spirits body representing the interests of distilled spirits manufacturers and importers in Australia. DSICA represents companies that cover approximately 90 per cent of the spirits market in Australia, and their products comprise both bottled spirits and ready-to-drink products. DSICA and its members are committed to the responsible marketing and promotion of spirits in Australia, and DSICA is also committed to supporting social programs that are aimed at reducing the harm associated with excessive or inappropriate consumption of alcohol. DSICA was an important player in the creation of DrinkWise Australia, an industry funded body aimed at encouraging socially responsible alcohol consumption and about which you will hear a lot more in the very near future.

As you could well appreciate, the combined experiences and insights amongst our members into Australia's alcohol consumption and consumer behaviour are significant. With great concern, we firmly believe that the government's tax hike is having significant and threatening unintended consequences. If this period in which RTDs have been hit with massive tax hikes is seen as a trial, it is failing. Consumers know it, publicans know it, major retailers know it, police and health authorities know it and certainly the industry knows it. If this were a product launch, we would have pulled the product already.

The government's 70 per cent tax increase on a limited range of alcohol products has created some potentially dangerous unintended consequences, and these effects are already evident in

the community. The consequences are real and current and include inexperienced consumers being driven to purchasing and mixing their own, stronger spirits and younger drinkers opting for cheaper wine pops and cask wine, which contain twice the alcohol and are taxed at half the rate. Young girls are facing the real risk of being victims of drink spiking; highly respected medical experts are already warning that teenagers are at risk of being drugged as they opt for buying open drinks over the bar or at parties rather than safeguarding against drink spiking by consuming drinks already premixed in a can or a bottle. There is increased abuse by young men of full-strength beer, with the potential for greater street and domestic violence. The tax hike trial has failed not only because it does not achieve its objective but also, more dangerously, because it has created a series of problems that continue as long as the trial continues.

The causes of excessive alcohol consumption are many and varied. There is no one solution. However, if achieving health objectives were the purpose of the alcohol taxation—and we very much doubt that—all alcohol beverages would be taxed according to alcohol content. You have already heard, through the AIHW, evidence that the levels of drinking among young people are stable or declining. The facts are clear and show that there is no clear trend regarding a preference for RTDs and that the increasing availability of RTDs does not appear to have contributed to any increase in risky drinking. We do not resile from the fact that the level of risky drinking among young people is too high, but it is not attributable to any one product.

We agree that excessive alcohol consumption is an issue that we all must take seriously, and our detailed submission to this inquiry outlines our suggested approach to the problem. DSICA's mission is to create an informed political and social environment that educates consumers about moderate alcohol consumption and encourages responsible community attitudes towards alcohol. To this end, we wish to engage proactively and positively with the government and with health organisations on working towards a lasting solution to problem drinking and substance abuse amongst our young people in particular. It is important that the industry share its views, insights and data with the committee and the government, whose opinions and views we value and with whom we wish to ensure are armed with the full story about ready-to-drinks.

Until the real issues surrounding alcohol abuse are dealt with in a comprehensive way and in an informed manner, the unintended consequences of this tax trial are too real and too serious for our industry to remain silent. We argue that the taxation hike must be reversed right now; there is no time to waste. Please do not cloak yourself in the false comfort that this is a reasonable measure for either health or tax purposes. It is not a positive solution to binge drinking; it is actually a dangerous measure. We have heard a number of health people say rather cynically, 'Well, this may not be the answer to the problem, but at least it is a start; it is a step forward.' It is not a step forward; it is two steps backward.

A solution to this problem will require much more than a narrow tax hike. If this is about our industry changing, we are determined to see that we apply ourselves to that challenge. Our industry is committed to working with the committee and the government to bring about a meaningful solution. We know that after yesterday, and again after today, you will have heard a multitude of facts and figures—and some myths and misfigures as well. I would like to tell you that we are bringing the true facts to you, but I guess that that is what every other witness said.

CHAIR—It is a common statement, Mr Broderick.

Mr Broderick—Yes, I do not have ownership of it. Let us put it very clearly in context. This drink is the product that we are talking about; this is a typical ready-to-drink product. This happens to be a Bundaberg and cola. It could be a Jim Beam and cola; it could be a Jack Daniels and cola; it could be a Johnny Walker and Coke. It is five per cent alcohol by volume, and it now pays \$1.25 in tax. This other drink is the elephant in the room that nobody has been talking about. This is the single biggest-selling RTD on the market, and it is commonly called ‘beer’. It is the drink of preference of young males. It is 4.8 per cent alcohol by volume and it pays 54c tax. One drink is taxed at \$1.25 and the other at 54c. They have virtually the same alcohol content. This third drink is a strawberry-wine-based product. It is 12 per cent alcohol by volume, and it pays 82c tax. The first drink has five per cent alcohol, the second has 4.8 per cent and the third has 12 per cent. The first is taxed at \$1.25, the second at 54c and the third at 82c. Where is the logic? What has the government done? Why should the first drink be taxed at a higher rate than the second when it has the same alcohol content by volume? Why should people be encouraged to buy stronger alcohol products which are taxed at a lesser rate? That is the argument that we wish to advance to you, and we look forward to your wisdom in solving that problem. Thank you.

CHAIR—Gentlemen, we have a request for some press photography. I always ask whether people have any objection to that.

Mr Broderick—No, I am amongst friends.

CHAIR—I presumed that that would be your answer, Mr Broderick, but I always ask.

Mr Broderick—Thank you for the courtesy.

CHAIR—So there is no problem with the photography. Thank you, Mr Broderick. Are there opening statements from either Mr Ryan or Mr McShane?

Mr McShane—No, Senator.

Mr Ryan—No, thank you.

CHAIR—We will go to questions.

Senator HUMPHRIES—You have raised the issue of the inconsistencies in the approach that we have taken to date with respect to the taxation of different alcoholic products. You pointed out—I think quite fairly—that the step taken in April to increase the taxation level of the ready-to-drink products has not, in fact, put those drinks onto some sort of reasonable footing with respect to other drinks in terms of the taxation of the alcoholic content of those drinks. The argument has been put to the committee, however, that putting this extra tax on ready-to-drinks will have the effect of causing some migration of drinkers, particularly young drinkers, to other products, particularly spirits. The argument was put to the committee that young drinkers have a preference for spirits. They are getting them, at the moment, primarily through the ready-to-drinks, but with this tax they will migrate back to the straight spirits. But there are also some for whom the price increase will be a barrier, and they will not drink at all; they will simply defer drinking or drink at more moderate levels. Do you have any information to support or contradict

that evidence? What is your reaction to the suggestion that people would not drink, or would not drink as much, because of this tax hike?

Mr Broderick—I think it is a novel concept that people would stop drinking, but I will defer to Mr Ryan on that because he has the data that is available to us that will answer your question.

Mr Ryan—In the DSICA submission, we summarised the experience in two overseas countries where a similar tax increase was imposed: Germany and Switzerland. The evidence is very clear, particularly in the case of Germany, that overall total alcohol consumption across the community increased as a result of that tax change. There was a small decrease for a short period, but then there was substitution of other products that were lower taxed and therefore lower priced, and consumption went up. There was a similar experience in Switzerland, which we have summarised in the submission, and in the UK. So what happens is that, if you increase the tax on one category of product and not across the board, you effectively push consumers into other categories which are lower priced and lower taxed. In some countries, those categories may actually be of a higher alcohol content. So we do not think that the international evidence supports the proposition you have put at all. Certainly the market evidence here in Australia that we have included in our submission has shown a very significant substitution of full-strength spirits, and there is anecdotal evidence that there has been substitution of beer and wine products as well. We are not aware of any international evidence that shows that there would be a reduction in total alcohol consumption as a result of a tax increase on one category of product.

The other point that we would make is in terms of purchasing power if young adults or young people have a fixed amount of income available to spend in purchasing alcohol. When you look at how many standard drinks \$20 buys, what you find now is that the tax increase has made RTDs the most expensive way to buy your standard drinks—as they were before, but they are actually a lot more expensive now than they were before. The fact of the matter is that cask wine is a way of obtaining a far greater number of standard drinks for \$20—about 55 standard drinks for \$20—compared to RTDs or other ready-to-drink products such as beer. For \$20, you would get seven standard drinks of an average RTD, but for \$20 you could get 55 standard drinks of cask wine.

Senator COLBECK—Can you just clarify your comment there, Mr Ryan, that RTDs were, prior to the tax increase, already more expensive than other products?

Mr Ryan—In terms of the amount of alcohol tax per standard drink, RTDs paid about 50c per standard drink, and that was higher than any of the forms of beer—full, mid or low—and certainly higher than bottled wine or cask wine. The only two product categories that paid more tax per standard drink previously were brandy and spirits, and now RTDs have been moved up to the tax rate of spirits.

Senator COLBECK—So it is a price per standard drink that you were talking about?

Mr Ryan—Correct.

Senator HUMPHRIES—I see that there is a submission from Independent Distillers Australia about evidence of migration already taking place, as monitored by sales in a number of

Sydney stores that they are connected with. Is Independent Distillers one of the constituent bodies of your organisation?

Mr Broderick—No, they are not members of the Distilled Spirits Industry Council of Australia. They will be appearing in their own right.

Senator HUMPHRIES—All right. You have not got any evidence of the kind that they have put forward that suggests the pattern of migration to other drinks that is occurring at the moment?

Mr Broderick—I think Mr McShane can respond to that.

Mr McShane—Yes, there has been a migration. Our experience so far is that there has been a definite reduction in the amount of sales of RTD products since the imposition of the tax, but equally there has been a significant shift into full-strength spirits since that date. We also have anecdotal evidence to suggest that there is switching going on into other categories, and I think the opening comments in the *Four Corners* program on Monday night would have shown that. Our experience is that there is definite shifting going on.

CHAIR—Certainly one of the things we are finding—and we have found this in all the ways we are being bombarded with figures; some of them are beautifully presented in graphs and some of them are just stated, but they are very confusing—is that the issue we are struggling with with the RTD process is that it is so recent. Being able to draw categorical evidence from what has happened in two months is very difficult. I am interested in how you have got the data that has been done in the press. We know that the tax came in. We know that there is a reaction in the community, of course, because the media was stirring it and there was lots of activity going on. But how have you been able to assess the kinds of effects that you have been talking about? Has it been by looking at sales? Has it been by looking across the whole country? How do you know the data after two months?

Mr McShane—Our data comes from two sources. One is our sales out of wholesalers—we have what we call wholesaler tapes which provide that information—but, more importantly, we have scanned data which comes from actual sales across the till in our national chains. We can measure that fairly quickly and so, when we quote the figures we are quoting, they are based on both scanned data and our internal sales data.

CHAIR—What about the age and gender breakdown that you are talking about? The arguments are that a lot of the people who used to drink RTDs—and the understanding we have is still debateable—were young people. How do you know, from those sources of assessment—the age, gender and location—about the drinkers who are now buying spirits? How can you make the statement that the same people who bought the sixpack of RTDs in February are the people who now are buying something else in May? How do you get that information?

Mr Ryan—It comes from the sales data that the ACNielsen survey monitors on a weekly basis. If you have a 40 per cent fall in the sales of a particular category of product—that is a very significant fall—it is certainly not within any reasonable seasonal fluctuation. There would have been no period of time in the last 10 years when there has been a fall in a category of about 40 per cent, which is what the ACNielsen data shows.

CHAIR—This is for the period after the imposition of the tax?

Mr Ryan—Correct. In the two-week period immediately after the tax increase, there was between a 38 and 39 per cent fall in sales of ready-to-drink products. Those products are preferred by a wide range of age groups, as we know, and that fall in sales has not, that we are aware of, been restricted to one age group. We do not have any evidence which says that that significant reduction in sales took place in relation to one age group only. We are assuming that it has taken place across all of the age groups. We do not have any hard evidence yet as to whether there were differences in the reduction in sales by different age groups. We do not know that yet.

CHAIR—Do you know where reductions happened? Can you trace that data? Is it more likely to have happened in the Northern Territory than Tasmania? Is it more likely to have happened in Westbrook, outside Toowoomba, where my niece is a purchaser, than it is in inner-city Sydney? The amount of data we are getting is so overwhelming, it is difficult tracing through it to come up with the exact things we need to know. So I am very interested in finding out the kind of sources that you have used to come to that. In your submission, a lot of the data is attributed, so we can see which it has gone to. But the stuff about the impact of the cost change and the change in drinking is not attributed to particular sources. I would really like to find out, because seeing how we extract the data is going to be an ongoing thing. We heard yesterday that it is very difficult to obtain the figures on the volume of alcohol purchased. One of our witnesses was saying that that data is no longer available.

Senator SIEWERT—It was the National Drug Research Institute.

CHAIR—Yes. You might have a look. I know the people in your organisation are trawling through the *Hansards*, but you might want to have a look at what they said. They were saying that the figures on the sales are no longer kept and so it is very difficult for them to extract that data. You are saying that you are using that data to come up with this assessment. If you could put that all on record, it would be very useful for finding out where it goes. What you have told us is that you have been able to extract data from the sales figures and from the tills at the point of sale, and also that you have been able to get from the wholesalers what they have been churning through—is that right?

Mr Broderick—Yes. The data is available but it is commercially available and it is expensive. Our members regularly obtain the data because it is their bread and butter to know where their sales go. What the body that you mentioned was referring to was the change in the liquor law. When the state had state licence fees, authorities were able to obtain sales details from the local licensing authorities, but when that was found to be unconstitutional the maintenance of those databases ceased. That is what they were referring to.

CHAIR—Everywhere but in WA, apparently. We heard that WA is still doing it. The figures you have are commercially available. Does that mean some people keep it and you have to buy it?

Mr Broderick—Correct.

CHAIR—Who keeps it?

Mr Broderick—You would have to have a contract with one of the major data collection companies. That is correct, isn't it, Michael?

Mr McShane—Yes. There are several sources. Obviously the members, our customer base, which are primarily wholesalers, keep all of that data and, as part of your commercial relationships with those parties, you actually purchase data. The big national grocery chains also have scanned data which is commercially available for a fee, which we obtain for use in terms of our insights. That data is available and we purchase it as members.

CHAIR—So research people would have to then have a contract with them—that would be how that would work?

Mr McShane—That is correct.

CHAIR—We have not heard that particular differentiation before, so that is very useful to have. Mr Ryan, I could see that you were ready to answer a question when I kept bombarding you. What do you have for me?

Mr Ryan—I go back to the point about the evidence we have as to which age groups may have switched to different products. The AIHW submission to this committee—I refer to table 3—provides a comparison of the percentages of different age groups of males and females who have expressed a preference for premixed spirits, either in a can or a bottle. It shows, for example, that 47 per cent of males between 20 and 29 years of age and 28 per cent of males between 30 and 39 years of age expressed a preference for premixed spirits in a can, in answer to the question: 'What do you usually drink?' They could answer that question with more than one product—

CHAIR—Yes. We found that out yesterday.

Mr Ryan—Of course. But the fact that 28 per cent of 30- to 39-year-old males have answered the question about their preferred drink in the government's most credible and reliable survey would suggest that that age group have been affected by the price increase in a similar way to other age groups.

CHAIR—But we do not know.

Mr Ryan—We do not know for sure.

CHAIR—Under the current way of getting data there is no way you would know, unless you did point-of-sale surveys asking people as they left the distributor. Is that right?

Mr McShane—In terms of the scanned data, I would have to come back to the committee on the breakdown of the data itself.

CHAIR—It would be great if we could get that. That would be really useful. Sorry for jumping in there, but that data is just beginning to really bug me.

Senator HUMPHRIES—I want to come back to the issues about migration between drinks. It has been pointed out that the one thing that the RTDs have in common is that they almost all have high sugar content and that young palates will be attracted to these drinks in a way which will not encourage them to migrate to, say, beer or wine products. Do you have any evidence that would confirm or contradict that theory?

Mr Broderick—I think the high sugar content is an assertion. I have not seen any scientific data saying that the ready-to-drinks have higher sugar content than any fruit juices or soft drinks. The most common component of the ready-to-drinks is probably cola. I do not think they are artificially highly sweetened for any devious purpose. This strawberry wine would be very sweet. People could well migrate to that.

Senator HUMPHRIES—Yes, I can just see that!

CHAIR interjecting—

Mr Broderick—Yes, it would have sugar in it because people like that taste, but it is not excessive sugar.

Mr McShane—Over 90 per cent of the ready-to-drink products in Australia are actually served with cola, and those are cola bases which could carry similar sorts of sugar levels and caffeine levels, for example, as a standard cola that you would buy in a supermarket.

Senator HUMPHRIES—The last witnesses yesterday, the National Drug and Alcohol Research Centre, made reference in their evidence to a couple of studies into the sweetness attraction of RTDs. We have not seen those as yet. We are going to go back and look at them, but you might like to have a look at them and see if you have any reaction to the basis on which they make those claims. Again, it was not widely supported by commentary, in the course of the hearing yesterday, as to how that comes about, but reference was made to another study and if you have a reaction to that I would be interested in hearing about it.

Mr Broderick—Thanks, Senator. We will have a look at that and respond.

Mr McShane—Just in relation to our own studies, I might suggest that, in fact, sweetness can be a negative. It is like any drink that is excessively sweet; you cannot drink so much of it. It becomes quite—

Mr Broderick—Cloying.

Senator HUMPHRIES—Cloying, yes.

Mr McShane—There is a term that we use in the industry: ‘sessionable’. You cannot drink too much sweet product because it just becomes sickly on the palate, and so, in fact, sweetness is not necessarily an inducer. It can actually be a negative. So excessive sweetness is not necessarily a good thing.

Senator SIEWERT—Is that not one of the points of contention here: that the very sweetness of it is what attracts the young palate because the young palate cannot deal with alcohol? In fact,

your body does not deal with alcohol very well when it is young. You have to have drunk these drinks to realise that some of them are very sweet. That is the point: that young people favour these drinks because they are so sweet.

Mr McShane—Yes. It is interesting. I also have teenage children and, strangely enough, I have noticed that their palates have changed over the years. They have been brought up on, dare I say it, an American style diet. So their palates tend to be quite sweet. When I drink some of these things I think, ‘Oh, that is just too sweet,’ whereas their palates are different. But if the suggestion is that a drink should taste poor, the answer is no.

Senator SIEWERT—A drink should taste what, sorry?

Mr McShane—That a drink should taste poor. I mean that it should taste good. It is no different, quite frankly, to when I talk about RTDs. For example, 90-odd per cent of the spirits market in Australia is drunk with cola. That is no different from going into a bar and asking for a full-strength spirit and mixing it with cola. We are a mixer type economy. People mix their drinks.

Senator SIEWERT—I accept that there are a lot of RTDs on the market that do have cola in them but there are also a lot that have other mixers. This one, for example, has pineapple; this one is pink, so it must have strawberry or something in it; and that one has something green in it. Do you have a breakdown of sales figures by age of the purchaser as related to the flavours of RTDs they favour? For example, anecdotally and in the media it would appear to be older men—those that you were talking about—that drink Bundy and Coke. But I would hazard a guess—and I would like to see these figures—that it is the younger people, particularly women, who drink these RTDs. Do you have those figures? And also, if you have those figures, is the sugar content of these types of drinks comparable to those with cola?

Mr McShane—We can certainly provide you with the figures in relation to our members’ products. I could point out that certainly in terms of the RTDs, as I said earlier, over 90 per cent of our products are served with cola. I can say to you that a number of our members that are in the coloured drinks area are actually in decline in this market. Cola is still stable; it is still growing. We could certainly provide those figures.

Senator SIEWERT—That would be really useful. Thank you.

Mr Ryan—If I could just add to that answer, the sales data shows that about three-quarters of all the RTDs sold in Australia are dark spirit based. That means they are bourbon and cola, rum and cola or brandy or scotch. What we have done is that we have looked at the top 50 RTDs, both before and after the tax change. When you look at the top 50, the vast majority of them—roughly three-quarters—are dark spirit based.

Senator SIEWERT—Sorry, could you just take a step back. Do you mean of the recent sales?

Mr Ryan—Of the recent sales since the tax increase. And this has not changed between before the tax increase and after.

Senator SIEWERT—Yes, okay.

Mr Ryan—So roughly three-quarters, by volume, of all the RTDs sold in Australia are dark spirit based.

Senator SIEWERT—Okay.

Mr Ryan—The top-selling product is Jim Beam and cola, which is a bourbon based product, and the second top-selling product is Bundaberg rum and cola. The top 12 or so products are all dark spirit based products. So the numbers of products that are colourful like that are certainly in the great minority of products. They are certainly not in the top sellers in the RTD market.

CHAIR—Across the board?

Senator SIEWERT—What I am trying to break it down to is the percentage of the market. In the other quarter of the market—it would be interesting to know what volume that is—who purchases that? The figures show that young women are transferring or have transferred—we got plenty of evidence of that yesterday—to RTDs. So what percentage of the market are they drinking, and what type of product are they drinking? Are they drinking the dark spirits or the white spirits?

Mr Ryan—We can certainly provide you with that data in detail, but they are drinking both dark spirit based and light spirit based drinks. I go back to table 3 in the AIHW submission to the committee. If you look at the age groups for females, the preferences for RTDs, whether in a bottle or in a can, have not really changed since 2001, according to the AIHW, and the preferences are not significantly different between cans and bottles. So the bottles tend to have coloured white spirit based products in them, whereas the cans tend to be the dark spirit based products because it just looks like cola. If all these products were in a bottle they would be a dark colour.

Senator SIEWERT—The Pulse drinks, though—which I did not bring over; they are on my desk back there—are vodka. So there are cans with white spirits in them.

Mr Ryan—Sure. In fact, one of DSICA's members, Diaggio, produces canned vodka based RTDs. I am not saying that all of them are in bottles.

Mr Broderick—And gin and tonic.

Mr Ryan—Gin and tonic is in a can, for example.

CHAIR—Mr Ryan, those figures from the AIHW are very high.

Mr Ryan—Sure.

CHAIR—We had a long discussion with AIHW yesterday about the credibility of figures, where they come from, truthfulness in response and all those things. But still we find that for women in that age group—which unashamedly this committee is concentrating on, because of youth—the figures are still very high. Over 60 per cent are premixed spirits in a can and premixed spirits in a bottle. Even though they have not gone up that much they are still over 60 per cent. So it is still a significant percentage. I know your submission concentrates on the data

for the male gender—and the older man—where a lot of the dark spirits are being drunk, but our committee is looking at youth. So that is still a high figure.

Mr Ryan—Certainly. If the levels of risky and high-risk drinking amongst that age group were growing or increasing then one could put the proposition that there is a link between this preference and levels of risky or high-risk drinking, but the fact of the matter is that the levels of risky or high-risk drinking amongst this age group of females has been stable and, in some cases, declining.

Senator SIEWERT—The report that was released yesterday by Michael Livingston from the Institute of Public Health shows that the level of harm is going up, and also questions the figures—whether we are measuring risky behaviour properly

Mr Ryan—We have not had a chance to review that in detail.

Senator SIEWERT—I strongly suggest you have a look at that article.

Mr Ryan—Sure. Certainly from DSICA's point of view, we had Professor Ian McAllister from the Australian National University review all of the most commonly cited surveys in the area. He evaluated the AIHW National Drug Strategy Household Survey report as the most credible and most reliable. And that is the one that DSICA relies on.

CHAIR—Have you seen the Livingston one, Mr Ryan?

Mr Ryan—No, we have not.

CHAIR—That is an issue too, because not only is there a lot of this data but it is coming out all the time. Yesterday's hearings focused a lot on the Livingston report because it came out the day before and its focus was the level of harm, which is exactly what we are talking about. So maybe you would like to have a look at that and get back to us, because that seems to be relevant to this area. It was also looking at the level of hospital admissions, which is the other determinant. I know that there is a lot of discussion about the phrase 'binge drinking'. We seem to be looking at the issues of risk and harm, and we are looking particularly at people's behaviours and the consequences of those behaviours—that is, hospital admissions and danger. So, if you would not mind having a look at that, that would be good.

Mr Ryan—Certainly.

Senator HUMPHRIES—I have one more question. The suggestion was also made to the committee yesterday that the products—these ready-to-drinks—are so sweet that, in effect, many young people are drinking them without realising that they are actually alcoholic. Do you have a reaction to that evidence?

Mr Broderick—I think that that can only be an assertion, but they are clearly labelled. Some time ago, the members of the Distilled Spirits Industry Council took the initiative of developing a logo which is quite large and distinctive and which shows the number of standard drinks in an alcoholic beverage. I find it hard to believe that somebody would be drinking something and not know that it was an alcoholic beverage.

CHAIR—So each of your products has that on.

Mr Broderick—Yes, they do.

Senator HUMPHRIES—The Vodka Cruiser we looked at yesterday did not have a label on it. We wondered whether it had fallen off. Do you know where that label would normally be found?

Mr Broderick—You would have to ask the representatives of Independent Distillers when they appear before you. That is one of their products.

CHAIR—We will ask them. We just ask everyone, Mr Broderick. We just collect things.

Senator COLBECK—We heard yesterday from the National Drug and Alcohol Research Centre. They were talking about data comparison, which is something we have been discussing this morning, and they indicated that there had been a sales growth of 21 per cent by volume and 47 per cent by value across the industry; we discounted the 47 per cent increase by value by virtue of the fact that it was not comparable with other data that we were talking about. The question that I have relates to how that compares with data showing that there is a fairly level rate of consumption. If there has been such a significant growth in volume, and most of the other data shows that consumption has remained fairly stable, is there an adjustment that has been missed out in that process—population or something of that nature? Are there any figures that you would have that would—

Mr Ryan—Do the comments being made relate to full financial or calendar years and not just to the period since the tax increase? Can I just clarify which period that data relates to?

Senator COLBECK—The indication that we had yesterday was a comparison of sales data with self-reporting data. The sales data was showing a growth by volume of 21 per cent, and because of that growth there was an assumption that there was an increase in consumption. Again, it is this data-matching thing that we are having an issue with. Where is the data coming from that demonstrates that consumption levels are pretty much consistent?

Mr Ryan—DSICA reviews the Australian Bureau of Statistics data. The most recent formulation of what has been happening in the overall market was, again, in the AIHW's submission to the committee. I refer to table 11. What the AIHW has done is to report on ABS data and its own data to show the total volume, in litres of pure alcohol, that is being consumed across the four main categories of beer, wine, spirits and RTDs. It has then done an analysis of the adult population—15 years and over, which is the internationally accepted measurement for estimating apparent alcohol consumption in a community.

What this data shows is that, although there has been a slight increase in consumption, that has been at the same time that there has been a slight increase in the population. So, on an adult per capita basis—if you take everybody in the community aged 15 years and older, which is the international measurement approach, and then divide that number into the total amount of alcohol consumed—there has been no increase. It is actually 9.9 litres of pure alcohol per head, and that has been the same for 10 years with some minor fluctuations in between. So anybody who puts the proposition that there has been an increase in consumption may not be making a

comparison on a per capita basis, which is the internationally accepted measurement, and they may not be looking across all the different alcohol categories collectively.

There is certainly no doubt there have been significant changes within the proportions of that between the different products. The consumption of beer has certainly been in long-term decline for 30 years. The consumption of full-strength spirits has been falling. Wine consumption has been growing and RTD consumption has grown off a very small base. But the net outcome has been no overall increase, per capita, in alcohol consumption in Australia.

Mr Broderick—I think that graph on page 10 of our submission goes to answering that question and demonstrates quite clearly that, whilst the growth in RTDs has been significant from a small base, it has not really been creating new drinkers. It has been taking from our own full-strength spirit market and quite obviously from the beer market.

Senator COLBECK—It shows, within the scale of the spirits, a substitution potentially, and I want to come to that. We talked about substitution and you made some comment about what has happened since the change in the taxation regime. Obviously, you would have the sales data to match up what has been going on there. We spoke to the tax office at estimates hearings last week and they told us that they used a transference factor of zero to make their calculation. We did not find anyone yesterday and we have not yet found anyone today who believes that that was necessarily going to be the case, and I do not think the historical data would support that, either. You mentioned two European countries earlier that had been through a similar process. Are there any figures that come out of there to give an indication of what the factors or levels of transference might be?

Mr Ryan—There certainly are. We are working with one of Australia's leading econometricians to model the impact of the tax changes. That has not yet been completed because we want to leave a small amount of time so that we are not just working off a very narrow database. In fact, there has been approximately a 20 per cent increase in the sales of full-strength spirits since the tax change, but it is not yet clear whether that will continue to be the case as a bit more time passes by.

CHAIR—What kind of time frame are you putting on that study?

Mr Ryan—We would hope to have that within a few weeks.

CHAIR—My point earlier was that there has only been two months in which to make an assessment. For your study of the area, what kind of time frame are you using? Is it still just the two-month period?

Mr Ryan—Initially, just to do some preliminary modelling. But certainly sales of 375 ml and 200 ml containers of full-strength spirits have gone up about 20 per cent since the tax increase. Certainly the zero cross-price elasticity assumption which Treasury used in their modelling is not a number that has been applied in overseas countries and it is not the cross-price elasticity or the transference factor which you refer to that will be used in the modelling undertaken for DSICA. Certainly the evidence in the market of substitution of full-strength spirits, beer and wine shows that that zero transference factor is not credible.

Senator COLBECK—So you are saying there has been an approximate 20 per cent increase in the purchase of—

Mr Ryan—In full-strength spirits in the two or three weeks that has been measured since the tax increase. When you look at the price points for the products, effectively consumers with fixed amounts of income to spend have had a significant price increase—in the order of 20 per cent to 30 per cent, not the 9.4 per cent that Treasury modelled. The fact of the matter is that prices have gone up by more than the 9.4 per cent of the Treasury modelling, and as a result products like these are now being promoted by liquor stores as an alternative purchase, compared to a product that has gone up by 25 per cent.

Senator COLBECK—I was going to ask: what is the sort of factor by which the price has gone up? I know what my experience has been but that is only very limited and anecdotal. Can you give us an indication of what has happened to the prices of RTDs?

Mr Ryan—The prices of the two most popular products—the Bundaberg and cola, in a can or as a sixpack, which is the most common pack size—have gone up by 25 per cent on promotion. Obviously there are differences between the off-promotion price and the on-promotion price. Looking at the on-promotion prices, the prices of these products have gone up by about 25 per cent. So a sixpack has gone up, on promotion, from about \$16 to about \$20.

CHAIR—When you say ‘on promotion’ what does that mean?

Mr Ryan—It means that a special promotion is being done on that particular line of product in that particular bottle shop for that particular week. I can give an example for Jim Beam and cola. On promotion, a sixpack of Jim Beam and cola would have been \$18 before, and now it is \$23. So that is an increase of 28 per cent. So if you had \$20 to spend and you were used to buying a sixpack of Jim Beam and cola, which would be a total of nine standard drinks, it has cost you just under \$20. Now, on promotion, the price has gone up to \$23.

Senator SIEWERT—Why has it gone up so much—

CHAIR—As opposed to the other one?

Mr Ryan—The differences are to do with the cost of production and the different manufacturing costs between the different products.

CHAIR—But that one was \$18 and so was the other one, wasn’t it?

Mr Ryan—On promotion this one was \$16 before, and on promotion this was \$18 before.

CHAIR—So the difference is still \$2.

Senator SIEWERT—How come it has gone up—what did you say?—25 per cent?

Mr Ryan—It has gone up 28 per cent, in the case of Jim Beam and cola, from \$18 to \$23.

Senator SIEWERT—What are those figures from?

Mr Ryan—They are from the manufacturers—

Senator SIEWERT—No, sorry, from what date were those figures and that price range?

Mr Ryan—Before and after the tax change.

Senator SIEWERT—So why has it gone up so much?

Mr Ryan—The tax has gone up 79 per cent. The tax has gone up from \$4.43 to \$7.50. That is the alcohol tax, and obviously there will be a subsequent increase in GST because the GST is a tax on a tax, and some retailers would be seeking to make the same margin, as a percentage, of the inter-store cost to them. So there are variations between the different products and between different retailers. The point I wanted to make is that if you are used to buying six cans of these drinks for \$18 and the price has now gone up to \$23 you might then start to think at what point you should buy a couple of these drinks, which are only \$14—the price has not changed on those—or buy a full-strength bottle.

CHAIR—I know there are so many variables, but does any of your information take into account special promotions that outlets may have done to promote the alternative? Knowing that the tax was coming in, a retailer may promote or put on special the full-strength bottles. Do you take that into account? I know that each retailer does their own thing but do you take that marketing process into account?

Mr McShane—In relation to the pricing that has been used in these models, it is generally accepted practice that there are two price models: an on-promotion price and an off-promotion price. Most product is sold on-promotion, and through our retail environments. The retailers, as Mr Ryan said, seek to maintain their margins. They pass those on. Stores will typically promote according to what they believe the needs are wherever their store operates. Do we believe that there are more promotions going on in relation to wine and full-strength spirits? We think there are. Again, it has been six weeks and our earlier evidence is that, yes, there is, because this is a driver of a consumer and retailer behaviour. So, as the sales have dropped, the retailer will typically sit down and say, 'Hang on, I am losing money here in my store. How do I do it? I will promote beer, or wine or spirits.'

CHAIR—Will that be factored into your assessment of the process?

Mr Ryan—Absolutely. If I can just add: when the price of a sixpack of these products crosses the \$20 price point, that is a very significant change and it has a significant impact on consumer-purchasing patterns. As you would have seen from the *Four Corners* report last Monday night, if you had been used to buying this product and you wanted to get a lot more alcohol and you choose to buy something else with your \$20, as I said before you can get 55 standard drinks of cask wine for \$20, compared to seven standard drinks of a premium RTD.

CHAIR—Have you got that graph pre tax as well?

Mr Ryan—Yes, we do.

CHAIR—It would be useful to have the two of them.

Mr Ryan—Certainly.

Senator COLBECK—Going back to the levels of substitution, did you say you had some figures from other countries? Do you have any indication what they might be?

Mr Ryan—I do not have the elasticity numbers here, but if I can refer you to the graphics that we have in relation to Germany, which are on page 49 of the DSICA submission. You can see, for example, in graphic 16, which has the data in it, and in graphic 17, which has the depiction in graphic form, that obviously in Germany over those three years, between 2004 and 2007, there has been an overall increase in total alcohol consumption. There has been a significant increase in the consumption of beer and beer and wine mixed drinks, which would presumably include a product such as this one here. There has not been a very significant shift into spirits. But, in the case of Germany, beer was the main product where substitution occurred. We understand that, in the UK, there was a lot of substitution into cider and also beer. In Australia, cider is taxed under the wine equalisation tax.

Senator SIEWERT—How much more do you have underneath that desk, Mr Ryan?

Senator HUMPHRIES—Is it refrigerated?

Mr Ryan—Actually, this is the last one I will bring up—this is a beer. It is a flavoured, coloured beer, on which tax would be paid at the beer rate.

CHAIR—What kind of market does that have?

Mr Ryan—I am not quite sure how big that market is. Certainly beer accounts for about one-half of all the alcohol sold in Australia, so it would account for half of the alcohol market in Australia. I do not know how big that component is.

CHAIR—Gentlemen, are those beers that you recognise?

Senator HUMPHRIES—We might have to meet and discuss it later!

Mr Ryan—But the fact that cider attracts the wine equalisation tax and is not taxed on its alcohol volume means that there is now an enormous tax incentive to move out of RTDs into wine based RTDs, into cider or into the growing range of flavoured and coloured beers that are coming onto the market. Quite a number of these products are imported—this is an imported product. Obviously, most of the RTDs in Australia are locally manufactured in a number of manufacturing plants around the country. But what we are finding is that manufacturers are seeking to find the parts of the tax system where there is a tax incentive to shift their formulation, which is what the tax increase has done. The tax increase has increased the incentive to import and experiment with forms of alcohol that fit into the beer definition, that are cider or are a wine based RTD. So we expect to see that. As was the case in Germany, presumably the definitions of beer and wine mixed drinks there allowed the creation of products like this in response to a tax increase in one narrow category of product.

Senator COLBECK—We heard yesterday almost universal calls for a volumetric tax on alcohol—that is, calls to basically treat alcohol as alcohol and tax it on a volumetric basis.

CHAIR—Almost universal, Senator Colbeck.

Senator COLBECK—It was pretty much universal.

CHAIR—Except for the winemakers.

Senator COLBECK—Yes, except for the winemakers of course. That was a very important omission on my part. If we go back to the first examples that you brought out of that magic pudding you have got on the chair next to you, Mr Ryan—I think it was the VB can and the Bundy and Coke—would they be taxed at the same rate given that they have about the same alcohol content?

Mr Ryan—Absolutely.

Senator COLBECK—So the effect of a volumetric tax on alcohol would be to basically take us back to where we were before 26 April?

Mr Ryan—There are a number of ways that you can structure a volumetric alcohol tax. One way, which was included in the submission from the Australasian Associated Brewers, is what we call a flat earth volumetric approach. Under that approach all alcohol, whether it is spirits or RTDs, would just pay one volumetric rate across the entire market—beer, wine, spirits and RTDs. That would result in price changes. There would be a significant price increase for cask wine and price falls for spirits and RTDs.

Around the world there are a number of progressively structured volumetric tax systems where you look at alcohol content from zero up to 50 per cent alcohol content and you create bands within that overall alcohol structure. You can then say that, down at the low-alcohol level, we want to encourage the production of low- and mid-strength alcohol products, so we will have a lower rate for all of the alcohol products that are under 3½ per cent. In Australia we have three rates for beer, as you know—one rate for low-alcohol beer, one for mid-strength beer and one for full-strength beer. That is a progressively tiered volumetric system, which we support. DSICA's proposition is that that type of tiering should apply regardless of the form of alcohol. Whether your product is a beer, a cider, or a wine based product, our proposition is that they should all be taxed at the same volumetric rate.

You can then build bands above that and have consistent rates at a higher level for higher bands. You can then say that from 3½ per cent to seven per cent, which is where most of these products are, we will have a higher volumetric rate in that second band or tier. You can then say that from seven per cent to 10 per cent there will be a higher rate. From 10 to 20 per cent there will be a higher rate and above 20 per cent there will be a still higher rate. In a number of countries in the world they have chosen an alcohol content level and then applied increasing rates of volumetric tax through those different bands regardless of the form of the alcohol. That is the fundamental point. If you have a common rate for all alcohol products within a common band of alcohol content, regardless of whether it is wine, beer, cider or spirits, then you will remove any distortions within the system and you will remove the problem that Germany has experienced and the problem that we have got in Australia now.

Senator COLBECK—So those two products, packaged beer and an RTD of the same alcohol content, would then attract the same rate of tax, as they did prior to the change in the tax system?

Mr Ryan—That is correct. It is important to note that having the same tax rate does not mean the products will be the same retail price. It will always be more expensive to make this RTD than this beer because of the sheer volume and economies of scale. The economies of scale will always make it cheaper to make beer. Even if the tax rate is the same, buying RTDs will always be a more expensive way to buy your alcohol.

Mr Broderick—As it was.

Mr Ryan—As it was before.

Mr Broderick—On that volumetric tax, could I add that, if I wanted to dissuade the government from introducing a volumetric tax, I would do what was done yesterday and propose a flat rate. We are certainly not suggesting a flat rate volumetric tax, because the distortions, the reductions in the prices and the increases in the prices are so dramatic. We would be recommending a tiered volumetric tax system.

Senator CAROL BROWN—Under the system that you are advocating, what would happen to the RTDs that are seven per cent alcohol volume and above?

Mr Ryan—DSICA does not have a finalised position on where the bands should cut in. But arguably you could have a band between seven and 10 per cent. At the moment the RTD ceiling is at 10 per cent, but arguably you could have a band between seven and 10 per cent which paid a higher rate than between 3½ and seven. It would then be a matter for the Henry tax review. We will be making submissions to that tax review, and we congratulate the government on referring alcohol tax to that review. We would be proposing what the bands should be and we would be proposing higher rates as you stepped up the ladder.

Senator CAROL BROWN—Yesterday we received evidence from the National Drug Research Institute that they were in favour of a volumetric tax on all alcohol but wanted to see the price of RTDs maintained at the current level rather than fall.

Mr Broderick—That is a contradiction, isn't it, if you are advocating a volumetric tax system but then you are singling out one particular product which just does not fit into the volumetric tax regime?

Senator CAROL BROWN—So you would not support their proposal?

Mr Broderick—No.

Mr Ryan—In fact, to show the ludicrous nature of that proposal—if I may put it that way, with respect—some of these products can be made at a mid-strength level. This is not one—but I don't want to bring out any more and confuse you completely! But Bundy and cola comes in a mid-strength level of 3.5 per cent, Jim Beam and cola comes in a mid-strength level of 3.5 per cent, as does VB. Under the existing tax structure there is an effectively lower volumetric rate for mid-strength VB. Under the current tax structure—and this would be the case if it were not to

change—a 3.5 per cent Bundy and cola is effectively paying the same rate as this full-strength spirits. So where is the incentive to increase the production—or for the consumption—of mid-strength or low-alcohol RTDs when you are taxing them at the same rate as full-strength spirits? So any proposition that says, ‘We’d like a volumetric tax, but we don’t want the price of one particular product to come down,’ is missing the key point of a quality volumetric tax system.

Senator CAROL BROWN—I suppose they are coming from—and I should not really put words in their mouths—more of a health aspect, given the evidence that we have received of greater harm in risk taking with alcohol.

Mr Broderick—I think that is misconceived and cynical, because it is not a health benefit. In fact, it distorts the health situation and drives people to mixing their own, where inexperienced people not used to mixing their own may well be pouring more alcohol than they are getting in their RTDs.

CHAIR—That is still not proven. That is a perception that people have talked about, but we do not have actual proof that that has happened.

Mr Broderick—What, that when people free-pour their own spirits—

CHAIR—No, that people who move from the alcopops process go automatically to buying the other. We still do not have proof of that. That has been put forward, and we are prepared to look at it. But it has not been proven categorically that everybody who had the alcopop process is now getting spirits and drinking more of them.

Mr Broderick—I think our data that we have—

CHAIR—There is absolutely no categorical evidence in that data. There is a presumption and there is evidence being put forward, but I do not think anyone has been able to say that it is absolutely proven that this has occurred. Am I wrong?

Senator HUMPHRIES—No. The National Drug and Alcohol Research Centre yesterday said that that is what they expect would happen. But they could not prove it, no.

CHAIR—There is no absolute evidence base that that has occurred and will occur. It may well occur, but we are still in this area of having opinion on this process and I am not sure whether we will get beyond that. I have one question about the mixers. Alcohol base is one level of looking at this. But certainly we have seen that some drinks are mixed with other mixers with high levels of sugar and caffeine—Red Bull, all those very intense mixers. In the process that you have discussed, where would you take that into account? I ask because some of the health evidence that we have had indicates that those combinations are particularly effective in terms of moderating behaviour. The one we saw yesterday, which I cannot remember the name of—

Senator CAROL BROWN—The Rockstar?

CHAIR—One of them has got really strong Red Bull mixed with a spirit. I do not know whether they are yours or not. I do apologise, I am not sure what is yours and what is the independent brewers’. If you are looking at the process you have just put before us, a grading

purely on alcohol content, how do you then take into account in terms of process what they mix it with?

Mr McShane—I might point out that the product Senator Brown has before her, the Rockstar, does not actually contain alcohol.

CHAIR—We know that. It was the other one.

Mr McShane—In relation to the DSICA members, if we are talking about energy drinks and we are defining energy drinks as any product that contains caffeine at levels higher than normal cola based products or contains taurine, our members do not sell those products.

CHAIR—It is not your group? That was just another thing that we have had brought forward to us by the public health people, that that is another element in terms of a substance that may lead to behaviour that is risky and more dangerous.

Mr McShane—In the present case of the DSICA members, if we are defining energy drinks as anything that contains caffeine at elevated levels above the standard cola or that contains taurine, then our members do not do that.

Senator CAROL BROWN—But your members used to sell alcohol based drinks with energy drinks mixed in?

Mr McShane—No.

Senator CAROL BROWN—Not at all? They are all from Independent Distillers?

Mr Broderick—From a number of other companies—there are a number of manufacturers and some of them are single product companies—but not members of DSICA.

Mr Ryan—I can add that DSICA has lodged an application to FSANZ for the rules regarding formulated caffeinated beverages, which are those high-caffeine beverages, to also apply in the case of alcohol products that are mixed with caffeine. That application is a DSICA application to FSANZ which we understand might take up to two years to be considered.

Mr Broderick—We put the application in about three months ago. We were advised that the application has been accepted and we have been advised that it will be the last quarter of next year before it will be considered.

Senator SIEWERT—I am interested in this substitution issue and I was just rereading some of the points you made about substitution. An article from last year on alcohol taxation and regulation in the European Union was mentioned in evidence yesterday. I cannot see that you have referenced this particular article. It says:

Apparently, the additional excise duties on ‘alcopops’ in Denmark, France, Germany and Luxembourg have greatly reduced their consumption by the young without a notable substitution of other drinks.

I am wondering if you have looked at that article, from May 2007. I am not even going to attempt to pronounce the name of the person who wrote it. It seems to indicate, and it is specifically talking about the young, that there has not been a noticeable substitution there. I am wondering whether you have looked at that article as well.

Mr Ryan—No, we have not. We are grateful that you have brought it to our attention. We are aware from yesterday—and we have not had a chance to look at this either—of a worldwide literature review that goes beyond Europe and that comes to a contrary conclusion to the one that you have just read out from there. There are a number of international pieces of research which we are going to be reviewing.

Senator SIEWERT—What I am interested in is the package that goes with the binge-drinking package that the government is talking about but has not yet introduced. Obviously, if it is done in isolation the measure may have an impact, or it can be done as a package of measures that we were talking about yesterday with some of the witnesses, in terms of education, working with peers and those sorts of things. Has your industry or your organisation done any review of the success or failure of these measures in association with particular products and packages that in fact back up the measure?

Mr Ryan—Our focus has been on taxation measures in other countries and our initial, preliminary conclusions are that the evidence we have been able to find shows that if in a country you just increase the tax on one category of product you cause substitution into other products. The tax structure effectively creates an incentive to produce those other products, as we have talked about before. For example, in the UK budget recently there was an increase in tax across all of the alcohol categories. Beer, wine, cider and spirits were all increased by a roughly similar amount. That is a much more sensible approach to take.

When you look at the AIHW data on preferences, you will find that for underage and young males there are strong preferences for beer and there are preferences for RTDs, cask wine et cetera. So if you had a perfect opportunity to deal with the issue you would increase the tax on all of the products in a relative, proportionate way. There would be no artificial incentive to substitute into other forms of alcohol.

Senator SIEWERT—I take your point, and I think we have had a discussion about the volumetric tax. I must admit, I am attracted to it. I am still concerned about RTDs, and that is why I asked the question. All the evidence yesterday, I think without exception, said that we should not use a volumetric tax in isolation. It was education, restricted hours and all those sorts of things—the standard list of things you do to address alcohol abuse, which you know as well as I do. What I want to know is: have you done research, leaving aside the taxation issue, on all those other things that all the experts say you need to be doing to successfully address alcohol abuse? That is what I want to know. I must admit I have not had a chance to read all of the international literature—I only got this article yesterday afternoon—but does it go into whether, when this initiative was introduced and they looked at the package of a legislative approach, education, restricted trading hours and all those sorts of things, those measures were backed up and which were successful and which were not?

Mr Broderick—One of the benefits of DSICA's membership is that, without exception, all the members are multinational companies. As a consequence of that, we certainly have the

benefit of seeing what is successful in other markets. It is not a question of one size fits all, because cultures and patterns vary. But it is really a waste of time to just introduce a tax increase on one beverage. Doing that on its own, putting the tax bit aside as you have asked us to do, will not achieve the aim of improving the drinking culture if you do not include education packages and go down the path that you are suggesting. We would certainly support a number of the more sensible measures in that area.

Senator SIEWERT—But in the specific literature review, the specific studies that I am asking about, you are not aware of whether that work has been done? You have not looked at it?

Mr Broderick—I feel confident it would have been done. I do not have it here, but we are happy to have a look and do a literature search for you, if you would find that helpful.

Senator SIEWERT—If you have actually done that, because you have made comments here in your submission about substitution. What I am keen to know is whether that review has looked at substitution where a product has been targeted in isolation and what has happened in countries where a tax increase has been introduced as part of a comprehensive approach to that particular type of product.

Mr Ryan—We certainly have not had time since the tax increase to do an extensive review of the non-tax measures that might have been introduced in other countries to complement tax increases in those countries. It is our intention to do that.

Senator SIEWERT—Thank you.

CHAIR—Gentlemen, we could take a lot longer but we cannot. I do apologise, because I think there are many questions we are still in the middle of talking about on this issue. It is a very big issue and much wider than just this inquiry and this piece of legislation. We asked you to have a look at some of this stuff, in particular in terms of the article about risky drinking and risky behaviours that came out. I think one of the other things to look at was the different types of volumetric tax and the effect described in the Access Economics paper in terms of the impact it would have, and there was also the study that you are doing in that area, which may or may not be ready in the near future. On that basis, we would like to thank you. If there is anything you think we need to have that we do not have, please let us know. And you can take all your gifts with you!

Mr Broderick—Thank you for the opportunity to present and the manner in which you heard our submission. We wish you well in your deliberations. If you think of anything outside of this meeting that we can help you with—

CHAIR—We may well do that, Mr Broderick, because I know that senators were thinking of more things they wanted to ask. The other issue is that if you look at the *Hansard* from yesterday and there are things in there that you wish to respond to, please do.

Mr Broderick—Yes. Thank you very much, Senators. We appreciate it.

[10.25 am]

CARNELL, Ms Kate, Chief Executive Officer, Australian General Practice Network

CHANDRA, Ms Julia, Senior Policy Adviser, Australian General Practice Network

WETT, Ms Liesl, Deputy Chief Executive Officer, Australian General Practice Network

CHAIR—Good morning. I do apologise for keeping you waiting, but you know the way these things operate. You have information on parliamentary privilege and the protection of witnesses and evidence, and I know that Ms Carnell and Ms Wett have been here before. Ms Chandra, have you given evidence before?

Ms Chandra—No, I have not.

CHAIR—Good, so you will today and then you will be experienced. We have your submission; thank you very much. I now ask one or all of you make an opening statement and then we will go to questions.

Mr Carnell—Thank you very much. We do appreciate the opportunity to be here today. I will give a very brief summary of the position that the Australian General Practice Network takes on this issue. AGPN supports the government's decision to increase the tax on ready-to-drink alcohol beverages; however, AGPN considers that the increase in tax on ready-to-drink alcohol beverages is only the first step, and it is not in any way a complete solution for the issue of youth binge drinking.

As a longer term solution, AGPN joins with all of the other people—or most of the other people—who have given evidence supporting a volumetric tax on all alcohol products. We are very pleased to see that the Henry tax review will look at the issue of alcohol tax as we believe this is fairly fundamental. In the absence of a volumetric tax on all alcohol products, there is certainly a risk that young people will be pushed from one form of alcohol to other forms of alcohol and potentially to other substance abuse as well, and that is something we would like to speak a little bit more about later.

There is starting to be some evidence—I accept comments that were made earlier that there is no definitive evidence yet—that we are seeing a change in the sorts of drinking that young people are engaging in based upon the price of the particular beverage. We are also concerned that, without a more general approach to taxation of alcohol more broadly, the incentives for the liquor industry generally to produce lower strength alcohol products that may be of interest to young people simply is not there. So we are concerned that low-strength products that might appeal to younger people may not be in the market much at all, and this could produce more incentives to produce, say, high-alcohol cask wine, which we think would be a very retrograde step.

AGPN considers that price signals are an effective tool in reducing alcohol consumption and youth binge drinking. But, as I said before, there is a danger in pushing the price of alcohol too

high. We know that young people do engage in risk-taking behaviour. If we were to produce a situation where other forms of substance abuse became significantly cheaper than alcohol, this could cause some very unintended consequences for at least some young people.

As we know from a recent study in the *Australian and New Zealand Journal of Public Health*, alcohol induced hospital admissions for young people aged 16 to 24 years in Victoria had substantially increased over the last eight years, and the report found that the most significant increase was amongst females aged 18 to 24, where the rate had increased from six per 10,000 in 1998-99 to 14.6 in 2005-06. We are fully aware that this is at the pointy end of alcohol abuse amongst young people, but we should not, in an inquiry like this, not talk about that pointy end where we have some very definitive evidence of significant risk-taking behaviour in that group. I think that when we think about that group of people we have to move from talking about high-risk alcohol consumption to self harm, and if we are going to speak about self harm we cannot, in this situation, not speak about the comorbidities that exist, particularly in young people, between mental health issues and alcohol abuse. So we think that it is important for the committee to look at those issues when looking at the whole issue of alcohol consumption.

Young people who engage in high-risk alcohol abuse often have other issues—mental health issues, family issues and other things. This is the reason why we believe it is important for the government to continue to focus on initiatives such as headspace, which has 30 sites around Australia that are trying to bring together all government services and non-government services, both at state and federal levels, to focus at a local level on young people with mental health and, often, alcohol and drug abuse problems. We cannot help but throw that in, as I am sure senators would be aware.

To summarise our position, we do support the current approach, although we would not support it if that was the end of it. We do support it if it is part of a broader approach to risky behaviour with alcohol amongst young people. We do support a volumetric approach and we would like to see, in that approach, incentives to produce lower alcohol products. We also believe very strongly that there need to be targeted strategies to increase the capacity of the primary health-care sector in dealing with risky alcohol consumption. Headspace is one example, and there are a number of others—the CAN DO approach, Lifescripts, the list goes on—but it is really important to focus on that. We believe that strengthening alcohol labelling is important.

In the food area I think we would all support food products having good information about what is in the product and comparative information on recommended average daily intakes of sugar, additives, vitamins and so on. Why wouldn't we take the same approach with alcohol? We need to ensure that young people understand what is in the product—and not just young people but people more generally. How many average drinks are in that product and what is a safe level would seem to be a reasonable and a consistent approach to take across the board. We believe very strongly that having a very close look at the number of alcohol licences, the times that outlets are allowed to sell alcohol and the restriction of hours of nightclubs are things that we, as a society, have to take seriously. We also believe that it is important to focus on supporting parents to provide positive role models in order to assist teenagers to manage alcohol in a more responsible manner.

I think we have all seen a number of recent surveys which suggest that alcohol drinking patterns of parents can have quite a significant impact on the drinking patterns of young people. So responsible drinking information really comes from home. We would also suggest having public information campaigns on what safe levels of drinking really look like, and, more importantly, the damage that unsafe drinking levels can deliver for all members of society, particularly young people.

In summary, AGPN submit that the issue of youth binge drinking is multidimensional, particularly in the instances of severe alcohol abuse problems, and that this issue cannot be effectively addressed by one particular tax increase alone. We call on the committee to consider a range of additional measures, and I have talked about some today. But the real issue here is focusing on ensuring that young people in our society can have as safe a transition to adulthood as possible.

CHAIR—Ms Wett or Ms Chandra, are you wanting to add anything at this stage?

Ms Wett—Not at this stage.

Ms Chandra—No, nothing at this stage.

CHAIR—We will go to questions.

Senator HUMPHRIES—You supported this increase in the excise and you also argued for a volumetric approach towards taxation of alcoholic products. You are certainly not alone in that respect—lots of the witnesses have made the same point. But there was evidence presented yesterday by the Alcohol Education and Rehabilitation Foundation that suggested that if you took a volumetric approach to taxation of alcoholic products and you presupposed that the total tax take is the same, you would end up with the new levels of taxation on RTDs being much higher than the amount that you would actually tax them under a volumetric approach—47c per can or bottle compared with the \$1.25 that we are actually obtaining now. I can see why lots of public health groups have argued for some time that we need to be moving on the question of taxation levels, that taxation was not being employed as a tool to address the question of abuse of alcohol. But I wonder whether this step is actually not taking us in the right direction; that it is actually further distorting taxation policies and taking us a bit further away from a concerted, consistent approach across the board to these things; and that we should roll this question back into the general review that Ken Henry is doing of taxation levels rather than take this single, inconsistent step at this time.

Ms Carnell—We became concerned, as an organisation, back in 2003 with reports of quite significant increases in the consumption of alcopops, particularly amongst quite young people—in the words, underage drinkers. I think the committee has a copy of the report we put together in 2003. That is a long time ago, and it was only a very small survey so we are not in any way suggesting this was the best survey in the universe. But even back in 2003 the evidence we were getting was that alcopops were attracting a new drinker—very young drinkers, and women particularly. Would they have been drinking something else if they had not been drinking alcopops? Again, it is extraordinarily difficult to determine whether that was the case. But we do know there was an exponential rise in the consumption of these particular products. The evidence we had from our survey and from anecdotal evidence from people in primary health

care was that alcopops were a drink that young people and women were drinking in excess. So we believe that it is something that needs to be addressed.

I think we mentioned in our submission the work that was done on the effects of price and alcohol consumption on alcohol related problems. It was published in the *Alcohol Research and Health Journal*, which we have a copy of and I am sure you have it as well. That international evidence really did indicate that price did affect consumption. Could we, as a health related group, not support an approach that, from the evidence we have got, will reduce the consumption of alcopops? We believe we have no choice but to support it—at the same time suggesting that, if that is where it stopped, then our support may not stay, because on its own it does not do it. It is a good start. It is a good price signal. Having this debate is good. We have had this debate once or twice, but we are having it again and that is good. So yes, we support it, but no, we do not believe it is the silver bullet. It is a good start, so let us make it the start and continue.

Senator HUMPHRIES—You may not be able to answer this question. I think there is evidence that, before the RTDs became prevalent in the market, young people were consuming straight spirits or maybe mixing them themselves. We heard evidence yesterday that spirits were a popular drink among young people. Do we know further back—say, 20 or 30 years ago—what sorts of drinks were popular among young people?

Ms Carnell—I seem to remember flagons of port.

Senator HUMPHRIES—I was going to say that, when I was at uni, it was flagons of port. Everybody bought them.

CHAIR—I think that is a Canberra thing.

Senator SIEWERT—No, it was Queensland for me.

Senator HUMPHRIES—It was not just Canberra.

Senator SIEWERT—It had to be late at night.

Senator HUMPHRIES—It probably was a university thing.

CHAIR—We have just done our own survey.

Senator HUMPHRIES—That is right—an empirical survey! In fact, port attracts a relatively low level of taxation. You report these incidences of problem drinking among young people. Do we have any sort of longitudinal evidence that the problems today are worse than they were five, 10 or 20 years ago?

Ms Carnell—As you would know from the Australian Institute of Health and Welfare work and so on, no, we do not. But that does not mean that the levels are all right.

Ms Wett—In our small piece of research which we did actually do we called for more research in that area because we thought it was an area that needed some more effort.

Ms Carnell—So we do not have any evidence to suggest that problem drinking levels are worse now than they were 10 years ago, but we do have any amount of evidence to suggest that they are far too high now and that they were far too high 10 years ago. Again, as I pointed out, we do have evidence to suggest that at the pointy end, the serious damage and the hospitalisations have increased quite significantly. We anecdotally believe there is evidence to suggest that younger children are drinking more regularly—the 12- to 16-year-olds—which came out of our survey and others. That will in the end produce bad health outcomes for those young people, but we do not have evidence.

Senator HUMPHRIES—There is some evidence from those Institute of Health and Welfare figures that young people are getting a large proportion of the alcohol that they are consuming from within their own home—often from parents and sometimes from siblings—suggesting that there is some degree of tolerance or trade-off going on with parents between driving them out of home and having them consume within the home. What does the General Practice Network think about that? Is there a case for saying that the means of regulating the alcoholic content of the drinks themselves that you get through a can or a bottle of a premixed drink is better than having people buy a large bottle of Bundy or something and pour it themselves, which has all the concomitant problems of a lack of control over the size of the nips?

Ms Chandra—You have touched on a few issues there. We came across a lot of evidence in compiling our submission that a lot of teenagers are drinking alcohol at home. We found evidence to suggest that 30 per cent are drinking at home and 35 per cent are drinking at a friend's house. We also found that 35 per cent of Australians feel that it is appropriate to give children an alcoholic drink in the home at 15 or 16 years of age. We did not come across evidence to say what they were drinking at home, but I think we would support a public awareness campaign of what is a standard drink, how many standard drinks are safe and some education around that.

We would also support giving parents some skills and an understanding of how to help their children drink responsibly. You may be aware of a proposal we have put together called Every Family, which is a positive parenting initiative. It has a number of interventions, one of which is targeted at teenagers. It helps parents to deal with problem behaviour and to improve their relationships with their teenagers, and it covers things such as problem drinking.

Senator HUMPHRIES—I do not think we have seen that. Can you give us a copy of that?

Ms Chandra—We can certainly forward you a copy of that.

Senator HUMPHRIES—That would be good. Thank you.

Senator COLBECK—You mentioned the increases in harm through the surveys, and you made specific mention of the younger age groups, but wasn't that increase in harm pretty much common across all age cohorts?

Ms Carnell—Yes, it was. We were just focusing here on younger people as that was where the alcopops—

Senator COLBECK—One thing that stood out in that overall discussion you had is young women. I am in no way qualified to ask this question and I will probably get myself into all sorts of strife, so please forgive me, but why women? Is there any research or evidence to demonstrate why it is women? Are we talking about a societal change? You have put it in the context of alcohol, but are we talking about something broader than that and the use of alcohol is a way that is manifesting itself?

Ms Wett—From the research that we have done we actually found that there was a perception that the ready-to-drink mixed drinks were actually seen as women's drinks or girls' drinks. In our submission we included some quotes from some young people who told us that they were perceived as easy to drink and a girls' drink.

Senator COLBECK—But you are taking a classification of RTDs out of the broad spread of RTDs. We heard from the last witnesses that 90 per cent of RTDs were black liquor and not necessarily those brightly coloured things down the other end of the table. There is some evidence to suggest that it is not just the brightly coloured things that they are drinking. Sorry to interrupt you.

Ms Carnell—It is certainly true that bottled ready-to-drinks seem to be very popular amongst women. Cans tended to be more popular amongst the blokes—

CHAIR—And they are loosely divided into the black and white, too.

Ms Carnell—and there is the black versus the coloured and all of those sorts of things. There is no doubt that risk-taking behaviour amongst young women has increased. We see that with smoking levels and a range of other things. Equally, the sorts of stats we have around the ready-to-drinks and alcohol usage amongst young women are pretty alarming.

Senator COLBECK—I am not disputing that. I am just trying to understand why, and perhaps that is a big ask for me—I understand that. But I might as well ask the question. Have I got myself into too much trouble there?

CHAIR—You have got it in *Hansard*!

Ms Carnell—I think we might skip that one!

Ms Chandra—I think one of the key concerns is the way that the products are marketed. A lot of the bottled ready-to-drink beverages are marketed towards females.

Senator CAROL BROWN—We have been having a discussion about the sugar content of these RTDs and whether they intentionally have a lot of sugar in them to mask the taste of alcohol. Do you have a view on that?

Ms Carnell—Certainly the anecdotal evidence that we got in our little, tiny survey indicated that the fact that they are really easy to drink—they are sweet and you can just throw them down—makes them a drink of choice. Whether or not it was meant to be that way, the outcome would appear to be that they are perceived as not tasting like alcohol and as being easy to drink.

At one stage when we were thinking about our submission we thought that, if we put on the side of all these bottles, 'One of these is equal to—

Senator CAROL BROWN—A Big Mac—

Ms Carnell—a Big Mac'. I was wondering whether you could mention fast food.

Senator CAROL BROWN—Or six doughnuts.

Ms Carnell—That might change drinking patterns overnight. They are certainly made so that they can be drunk really easily and quickly.

Ms Wett—The feedback we got from young people was that they tasted good and once you had one you could not stop.

Senator CAROL BROWN—Going further into the marketing of the RTDs, I am not sure if you have seen the article in the *Sydney Morning Herald* that said RTDs were being marketed with a free condom given out with every purchase and a chance to win a free pole-dancing kit. I would imagine that sort of marketing is quite worrying.

Ms Carnell—It certainly is quite worrying.

Senator CAROL BROWN—It does seem to target a female group.

Ms Carnell—It is a concern to us that the marketing would appear to be aimed not just at women but at young women. None of my staff are involved in pole dancing, but I think generally that is for exercise purposes only, of course! But I think that sort of advertising is very clear who it is aimed at.

Senator SIEWERT—I think you were here a bit earlier when the distillers were here and we were asking about the sugar content issue. They said 'No, it's cola.' My understanding is that cola has a lot of sugar in it.

Ms Carnell—Yes.

Ms Chandra—I think all soft drinks have a lot of sugar in them. The concern with the ready-to-drink alcohol is that they are using sugar to mask the taste of the alcohol.

Senator SIEWERT—That is certainly what I had understood from a lot of the evidence that we have received.

CHAIR—You heard some of that evidence, and one of the gentlemen said that, because they are so sweet, you cannot drink too many of them. The evidence you gave, Ms Wett, was that in your survey you heard people saying, once they had one, they wanted to drink more. I had not heard that issue before, either. I know with milk drinks you can have too many, but I had not heard the argument that you were unable to drink too much of the sugary stuff before. Did any of that come out in your survey?

Ms Wett—Not in our survey. In fact, our survey actually states that young, adolescent men believe that, once they cannot drink any more beer, a ready-to-drink is an easy drink to drink.

CHAIR—To ease the stomach.

Ms Carnell—We want to restate that our survey was of—how many people?

Ms Wett—Four hundred street kids in three capital cities.

CHAIR—But you did not hear people say that you can have too many of these because they are too sweet?

Ms Wett—No, there were no comments made.

Senator SIEWERT—Can I ask more about the survey. Could you clarify how you undertook the survey?

Ms Wett—It was a street survey—I should clarify that. It was a street intercept survey method that was used, so basically it was somebody standing in the middle of a mall, walking up to young children and asking them if they would like to participate. As Kate said, it is not a hugely scientifically rigorous survey; it was more for us to understand the drinking behaviours of young people.

Senator SIEWERT—It is interesting because you have already referred to the Institute of Public Health article that we have been talking about, where they were—I think you mentioned earlier—pointing out some of the weaknesses of the surveys, particularly that they do not get to the marginalised groups, those groups that are not at school et cetera. So your survey may pick up another cohort that is not being picked up in these other surveys.

Ms Wett—Yes.

Senator HUMPHRIES—Which were the three cities?

Ms Wett—Sydney, Melbourne and Canberra.

Senator SIEWERT—That is because we in the west behave differently! I think you were also here when I was asking the distillers about the international studies and if they were aware of whether some of that work had looked at the other package of measures that backed up the introduction of the tax and the issue of substitution. Are you aware of any of those studies and whether they have looked at what was backed up by a comprehensive approach and what was just plain tax-hiking attacks on the RTDs?

Ms Carnell—We have not done any of that work but, as a member of the prevention task force, that work will be done by the prevention task force and, I am sure, by other people as well in the very near future.

Senator SIEWERT—What I find difficult is that this report is quite clear in saying there was little substitution but there is other work that has been quoted that says there is. I certainly think

that part of that work must be attached to the question of what else is being done around the change in policy to support the policy initiative. I think that is critical for this committee. In our recommendations it is critical for government to say, 'This ain't going to work unless you actually have a suite of measures in place.'

Ms Chandra—When we were putting together our submission we drew upon our experience from initiatives such as headspace, where we knew that teenagers with alcohol problems did have mental health comorbidities. We have used that local experience to put together our recommendations for a range of measures. I do not know, Kate, whether you want to draw on—

Ms Carnell—There is international experience—we just do not have it with us—on what has happened when people have done only one bit of a package. As we know, in health promotion and in every area of prevention, if you do not have education and public awareness and price signals all together it does not work, so why would this be different?

Senator CAROL BROWN—We received evidence previously from VicHealth at a different inquiry but relating to alcopops that, of the 10 measures that you could possibly introduce to curb binge drinking, No. 1 on that list was price. Would you agree with that?

Ms Carnell—We do, and that is the reason why we do not oppose the current tax increase. But at the same time we say that the problem is, if you push something in here, it will poke out somewhere else. So we have to ensure that the price signals are across-the-board price signals, based upon the amount of alcohol in the product, which is the dangerous bit, rather than just on a particular set of products.

Senator SIEWERT—Chair, can I ask a question that I asked everybody yesterday about a volumetric tax?

CHAIR—Yes.

Senator SIEWERT—And we have had a lot of evidence on that. Certainly AER produced a nice graph that showed how alcohol would go up and down in price with the volumetric approach. We do not need to worry about what they suggested, because we can argue around the actual amount, but it showed that RTDs went down in price. It seemed to me that that was contrary to what this mechanism is about: putting the price up so it is higher than some of other types of alcohol or making it not as readily available. If you applied a flat volumetric tax—the distillers call it a 'flat earth approach'—you then get that—

Ms Carnell—There are a whole range of ways you can do this, as everyone has mentioned. The only way you can make these things work is to adopt a standard approach for all products based upon the amount of alcohol in them. You cannot go to a volumetric approach except for alcopops. As I said in my statement, you could have an escalation approach, which has very real incentives for low-alcohol products—products with under 3½ per cent alcohol. We are very positive about real incentives at the bottom end of the market. Over and above that, it is really about modelling—what it looks like and what the levels of taxation are. Obviously, it can be whatever you want it to be, based upon percentages. But we would like to see real incentives for the market, the wine industry and for everyone to be looking at that low-risk end of the market

and taxing more significantly at the higher risk end. And of course we would like all of the tax collected to go into prevention.

Senator HUMPHRIES—Good luck!

CHAIR—Thank you for your submission and for your time.

Proceedings suspended from 10.59 am to 11.15 am

STOCKLEY, Ms Creina, Health and Regulatory Information Manager, Australian Wine Research Institute

Evidence was taken via teleconference—

CHAIR—Good morning. We have, in the room, Senator Gary Humphries from the ACT, Senator Carol Brown from Tasmania and I am from Queensland. During the evidence, Senator Richard Colbeck and Senator Rachel Siewert from Perth will join us. Have you done a teleconference before?

Ms Stockley—I have done this once before for the Victorian government.

CHAIR—Were you part of that very large inquiry they did?

Ms Stockley—Yes, that is right.

CHAIR—If you would like to open with a statement and then we will go to questions.

Ms Stockley—The comments that I submitted to the Senate committee perhaps did not address broadly the issue of ready-to-drink alcoholic beverages. They were more to put some thought into the debate that it was not a simple debate; there were quite a few issues that had to be looked at in order to achieve a desired outcome. I looked briefly at price and then at alternative measures to reduce risky alcohol consumption, which I think is the primary issue that is related to ready-to-drink alcoholic beverages and the youth market.

CHAIR—We have that submission. They were the same kinds of wider issues that you talked about at the Victorian inquiry.

Ms Stockley—Yes, that is right.

CHAIR—We will go to questions and then work out, in terms of the Australian Wine Research Institute's point of view, where we are in this whole discussion.

Senator HUMPHRIES—Could you explain a couple of parts of your submission which are not clear to me? In the third paragraph, under the heading 'Price is a measure of reducing risky alcohol consumption', a sentence reads:

While it can be demonstrated that the mean composition of alcohol correlates with the prevalence of excessive alcohol consumption in a population ... , a reduction in total alcohol consumption results from some and not necessarily all individuals in the population consuming less.

Ms Stockley—That is related to the composition of the individuals who probably have the most harm related to their type and pattern of consumption. This is related to pattern of consumption as well.

Senator HUMPHRIES—Are we talking about young people here?

Ms Stockley—Young people and older people. The pattern of consumption is one variable that is not always taken into account with respect to harm. Harm is not necessarily ensuing from light to moderate consumption when it is spaced out. It is more the binge drinking type of consumption that is correlated most with short-term harm rather than long-term harm. When you are looking to reduce total alcohol consumption levels, when you get a blanket reduction it may not necessarily show where the level of harm is being reduced within a population.

Senator HUMPHRIES—So people could be consuming less overall, but some individuals could still be consuming more?

Ms Stockley—Exactly.

Senator HUMPHRIES—In the same paragraph you also say:

Indeed, when studies have evaluated whether prices have a differential effect on light, moderate and heavy alcohol consumption, the result suggests that both light and heavy alcohol consumption are much less price elastic than moderate consumption ...

Ms Stockley—Yes. That was quite an interesting paper. It was an English study published in the *Journal of Health Economics* by Willard Manning. It was also done in part by the Johns Hopkins University—so it was across two countries. That was quite interesting. They were trying to look at the elasticities, and moderate consumers appear from their quite large studies to be the ones that respond most to changes in price, because they have the choice. When you are a heavy consumer, often it is related to a lifestyle or a habit, whether that is actually an addictive habit or not. People are going to continue that habit irrespective of the price. Light consumers are an interesting group. Because they consume so irregularly, the price of a beverage will not have the same impact on them as, say, a moderate consumer, who will drink regularly but at a lower amount.

Senator HUMPHRIES—Heavy consumers, however, are affected by that price elasticity?

Ms Stockley—Not necessarily. The interesting thing is that heavy consumers may look to change within a beverage type but they are still going to need their fix of alcohol, for want of a better phrase. They are less price elastic in that respect because they are still going to want to continue to drink.

Senator HUMPHRIES—What is your view about the measures that the government has announced to increase the level of excise on ready-to-drink products? What is it going to do to consumption levels?

Ms Stockley—It is an interesting one. I think, by raising the price on certain beverages, there will be some changes in the beverages that, say, the youth and those that are in the binge-drinking frame will necessarily choose, so they will look for alternative beverages. If you increase the tax on RTDs they will look for alternative measures. Whether that goes to spirits, beer or wine products remains to be seen, but I think that is a given. We have seen that before, because this is not a new problem. Increasing excise is not a new measure either. We have 25 to 30 years worth of research on this area from around the world. I suspect, by increasing the excise

on RTDs, you will not have a significant effect on people's overall consumption. You will have an effect perhaps on their consumption of RTDs but not on alcohol overall.

Senator HUMPHRIES—So you do not buy the argument that some people will cease to consume alcoholic products on the basis of the price having gone up?

Ms Stockley—I do not think so. There are significant generational differences. I am very much aware of that within my workplace environment, where there are people aged between 18 and 60 and there are generational differences in what they like to consume. But overall I suspect you would not see a significant change in alcohol consumption.

Senator HUMPHRIES—So the Australian Wine Research Institute's view, if it has a view as such, is that this measure is not likely to achieve the harm reduction effects that it purports to be able to achieve?

Ms Stockley—I would be surprised.

Senator HUMPHRIES—Thank you.

Senator COLBECK—I want to touch on something that Senator Humphries was just asking with respect to the price elasticities and the habits of people with light, heavy and moderate consumption and the impact that that had. Are there any differentials in that research based on age cohort, or is it pretty much a general piece of research across age groups?

Ms Stockley—It was a general piece of research across age groups. They also looked at income, and there seemed to be a relationship with income as well—that the lower income earners perhaps would seek the lower-end priced beverages and it would have less impact on those with a high disposable income.

Senator COLBECK—So the type of product that they migrated to was impacted on by their income, with the exception of those on higher incomes?

Ms Stockley—Yes.

Senator COLBECK—The issue of transference has been one that has been discussed quite a bit over the last day or so. Am I reading your evidence correctly in saying that you believe that this measure on its own will effectively bring about changes in consumption of product, but not necessarily a reduction in consumption? Are you also saying that we cannot clearly identify—and we have not been able to, to date, with the exception of some anecdotal evidence—which products the drinkers will end up migrating to?

Ms Stockley—Yes, I would agree with that statement.

CHAIR—Ms Stockley, your research seems to indicate that the whole area of changing behaviours is complex and that no one simple action will make a difference. That is not verballing you, is it?

Ms Stockley—No, that is not verballing me; that is something that is across all countries at the moment.

CHAIR—So in terms of the particular piece of legislation we have before us, which has a range of important terms of reference about a whole lot of things to do with behaviours and drinking but whose key aspect is looking at the tax on alcopops, your paper is looking more widely at trying to build up a range of initiatives rather than just taking a single action.

Ms Stockley—Yes, that is right. I do not think that price alone is going to have a significant impact. I think there has to be a raft of measures put in place, and those measures need to be those that have been shown to work successfully.

CHAIR—But price is one aspect?

Ms Stockley—Price may have a small impact, but I think overall it will be a small impact.

CHAIR—Right. It is just that, as you would understand, in this group we have had a range of evidence from a group of people. They very rarely agree, but a number of the public health advocates have talked about price being a factor. No one agrees that it could ever be the only factor, but it is a factor.

Ms Stockley—Yes, I would agree, it is one factor and you are quite right, no one ever agrees on that and if you read the literature, which is voluminous on it—

CHAIR—Yes, and it is growing every day.

Ms Stockley—None of the literature agrees. One paper will counteract another paper, and so it goes on—and, as I said before, this has been going on for at least three decades now.

CHAIR—In terms of where we go forward, your paper is very much looking at the problems of concentrating on simple solutions. Has your institute come up with any evidence about what does work? The last three dot points talk about how you have to make someone feel, but what I cannot find—and I know it is only a very short submission—are the kinds of activities which will lead to those actions.

Ms Stockley—Yes, I can appreciate your comments there. It was a short submission. I think I was just trying to point out to the Senate that it is such a complex area and that simple solutions in themselves will not necessarily be effective.

CHAIR—Absolutely.

Ms Stockley—The issue of warning labels, for example, is huge. I know it has been in place since about 1988 in the states in various forms, but the impact of such simplistic labelling has been minimal. They have been looking at measures in the United States to actually increase the effectiveness of labelling—particularly at this youth group—and they have not found any statements that have had an impact on the youth. They might have more of an impact on the older generation that have got a lot more experience under their belt, but the youths, in particular, seem to be quite different in how they react to warning labels, for example. There has

been quite a lot of research on different education methods. For example, there has been a very nice study that was undertaken in Western Australia that was actually introducing a two-tiered process into a secondary school. And I know there have been a lot of different secondary school education measures, but they are trying to do it over the first year entry point into high school and then do a follow-up in the subsequent year. So it was actually a two-year process, compared to, often, the short six to 10 weeks that is conducted in schools now.

Their results are quite interesting, because some youths have already started to drink at that age, and the researchers found that the biggest impact of this education was on those students who had already had an experience with alcohol, which comes into the fact that, as I think I stated in my concluding statements, they must perhaps have already had some indication of the harm or personally experienced it to be able to take it on board.

CHAIR—Yes. The traditional things we have heard about are certainly labels, education programs, advertising and a range of methods with the advertising, all of which have their strengths and failures and all of which are designed to achieve the three dot points that you have in your submission. I am hoping that you will be able, in the range of community things that the government has put in place, to get information that you will be able to feed into those processes.

Ms Stockley—Yes, I am more than happy to do that.

CHAIR—Thank you very much. I think, looking around the senators, that we have accepted that clarification of your submission, so we appreciate your time.

Ms Stockley—My pleasure.

Proceedings suspended from 11.31 am to 11.45 am

MOTT, Mr Terry, Chief Executive Officer, Australian Liquor Stores Association

Evidence was taken via teleconference—

CHAIR—Welcome. Thank you for coming on early for us; we appreciate that. Have you given evidence to a parliamentary inquiry before?

Mr Mott—Yes, I have.

CHAIR—So you know the system. You have information on parliamentary privilege, the protection of witnesses and those sorts of things. We are very keen to have your evidence so, if you would like to start with a statement, we will then go to questions.

Mr Mott—First of all, the Australian Liquor Stores Association represents around 2,000 liquor store owners and operators across Australia, including independent operators, banner group stores and chain stores. Our primary goal is to create and promote a responsible, sustainable and diverse off-premise liquor sector across Australia. With this in mind, we take very seriously harm minimisation and responsible service of alcohol and encourage our members to support responsible service and consumption initiatives that are evidence based and provide real benefit to consumers and the community. ALSA appreciates having been invited to submit and speak to the inquiry and we look forward to contributing to a meaningful outcome in the process.

ALSA is 100 per cent supportive of meaningful measures to help curb underage drinking and we do not condone underage drinking or excessive consumption by any group. However, we do question the link that has been drawn between RTDs and alcohol abuse as a tenuous interpretation of the statistics, as they fail to compare what young people may have been consuming and mixing for themselves in earlier statistics. The new tax measure fails to allow for a regression of this practice—which we will talk more about in a few minutes—by distorting consumption back to individual pouring and mixing of drinks, in addition to switching to other forms of alcohol beverage. While many have questioned the statistics relating to the alleged increase in alcohol misuse by young people, it does seem a long bow to draw to suggest that, even if there were a significant trend in alcohol misuse, that it has been caused by a particular product or category.

It appears from evidence from the Australian Institute of Health and Welfare, the ABS and the New South Wales Department of Health's secondary schools survey that there does not appear to be a significant, growing problem with youth drinking, and that information does not seem to have been contested. ALSA does not for a minute shy away from the fact that there may be young people misusing alcohol, but it does not appear to be an endemic, growing problem. Even if there were an epidemic of teenage binge drinking, we are not of the belief that taxation, as a blunt instrument, will give any real solution to solve that sort of problem.

We have asked our members across Australia, large and small, to comment and identify any trends that they have noticed in the past few weeks since the RTD tax adjustment took place. I am happy to address the specific questions that have been posed by the inquiry, with a couple of

riders. In the short time frame since the tax hike was introduced, there have been the confounding factors of promotional cycles and seasonality, so in some cases it is hard to identify exactly what product areas it has gone into. Some trends are fairly clear and some at this stage are a little unclear. Would you like me to go to the specific questions?

CHAIR—I think that would be fine. Go ahead, Mr Mott. The ones we were talking about will need further discussion with the senators.

Mr Mott—I will answer the specific questions. In relation to the effectiveness of the changes to the regime in reducing the claims of excessive consumption of ready-to-drink beverages, we are unaware of any change or any reduction in the period since 26 or 27 April if there was excessive consumption of any alcoholic beverage in any age group. Due to the short period in question and the impacts of the seasonal and promotional cycles that I have mentioned, it is not yet possible to determine the long-term impact of this measure. However, from the data that is available to date it may well be that the net total consumption of alcohol has increased, but we are unaware of any evidence to suggest that there has been any change, up or down, in misuse or abuse of alcohol in that time frame.

On the consumption patterns of ready-to-drink alcohol, I also do not have any specific data on RTD consumption by sex and age group, but we refer to some previous submissions from people, such as the Distilled Spirits Industry Council of Australia, that have submitted some data on that based on some ABS data et cetera. So we really are not in a position to provide any further enlightenment on those questions that specifically relate to age and sex.

In relation to the patterns of full-strength spirit consumption since the changes, including any increased consumption of standard drinks of alcohol, at terms of reference (d), initial reports indicate that sales of full-strength bottled spirits have risen significantly. This has been consistently reported by large and small operators across the country, both metropolitan and in country areas. However, it varies significantly between region to region and with the demographic influences from area to area. We really do believe that the lift in full-strength bottle spirits and conversion into other products, such as wine, sweet wine and in some cases beer, is difficult to assess over this short time frame with those impacts that I mentioned before of seasonality and promotional cycles for alcohol and also some beers. It is leaning towards that there has probably not been any decrease in the overall number of standard drinks or total litres of pure alcohol consumed; in fact, it may well be leading to an increase. However, it is impossible for us to reinforce that with facts at this stage.

The claims of significant health benefits must be seriously questioned. Although the early reports fully indicate a drop in sales of RTDs, we are, as I have said, somewhat concerned at the lift in sales of full-strength bottled spirits and other forms of alcohol beverages. Our members have also noticed that, along with the increased sales of bottled spirits, sales of soft drink mixers have also risen, suggesting a practice that may not result in the stated benefits of the measure. It seems that the highly mobile 18 to 24 population are now buying full-strength spirits and mixing on the run. People in that age group do not necessarily carry measuring jiggers with them to mix. It seems highly unlikely that they will be accurately measuring the proportion of alcohol in the mixed drink, resulting in disturbing variable and potentially risky strengths of alcohol in their drinks. If they are mixing on the run, it is almost impossible for them to accurately calculate the amount of alcohol that is going into their drinks and the drinks of whoever they are sharing it

with. At least with prepackaged products it was a set amount of alcohol and it was clearly labelled with the number of standard drinks.

As I said, in some areas there seems to have been a lift in sales of beer, but it is hard to measure, and also increased sales of sweeter styles of wine. The beer would be, typically, four to five per cent alcohol and the wines, typically, six to 12 per cent ABV. So, while it is too early to tell if the net amount of alcohol consumed—or, more importantly, any alcohol misuse—has risen or declined, it does not appear that there has been any significant public health benefit from this measure; it is simply a further distortion in the nature of the beverages sold in the market place.

In regard to (f), applicability of incentives to encourage production and consumption of lower alcohol content beverages, there is little doubt that price will distort the market, but little real evidence that we are aware of that price alone has led to any reduction in overall alcohol consumption nor, more importantly, to a reduction in specific areas of alcohol misuse or abuse. It has simply shifted consumption to another form of alcohol.

In regard to (g), the modelling underpinning the government's revenue estimates of this measure, we are unclear of the exact nature of the assumptions used in the government's modelling. However, if they assume the RTD sector would continue to grow or remain at similar rates to those prior to the increase then, based on early indications, that modelling would not appear to be realised.

In relation to terms of reference (h), the effectiveness of excise increases as a tool in reducing the levels of alcohol related harm, ALSA does not support the notion that excise will reduce any alcohol related harm. We have a long track record of having worked with successive state and federal governments to assist with community education and harm minimisation programs and we are committed to cultural change through education and an understanding of the benefits of moderate alcohol consumption along with the downsides of excessive consumption. With this in mind, the Australian Liquor Stores Association has recently launched the ID 25 program to discourage underage attempts at service in licensed premises. Anybody who appears to be under the age of 25 years will be asked to produce identification—not only those who we think are borderline at 18. We believe that this, along with some secondary supply measures—that is, posters saying to parents or other adults that they should not be purchasing on behalf of minors—will go a long way towards helping to curb any underage drinking that occurs and where adults are buying on behalf of underage people. It is not always easy to detect when you have an adult standing behind the counter wanting to buy who is going to consume the alcohol. Sometimes it is not known.

The last items in the terms of reference are (i), the empirical evidence on which the government's decision to increase the excise on ready-to-drink alcohol beverages was based, and (j), the effect of alternative means of limiting excessive alcohol consumption and levels of alcohol related harm among young people. There does appear to have been a fundamental cultural shift over recent decades. Young people are often now in the spotlight far more than ever before, and they are out and about for prolonged hours in the evenings. One of the key issues recognised by successive governments has been the need for community education and an understanding of the expectations of behaviour on and around licensed premises. ALSA continues to support these measures by government. We also support the endeavours of the

DrinkWise organisation, on which we occupy a board seat. That, in a nutshell, summarises our position.

Senator HUMPHRIES—I want to clarify what you call mixers. These are the soft drinks that are traditionally mixed in with the spirits. Can you list the main mixers.

Mr Mott—Cola, lemonade and in some cases dry ginger, but cola and lemonade would be the predominant ones. They are sweet styles of mixers that are generally mixed with the full-strength bottled spirits.

Senator HUMPHRIES—With those mixers and with the spirits can you essentially recreate most of the most common ready-to-drink products available on the market at the moment?

Mr Mott—Correct.

Senator HUMPHRIES—You mentioned twice that there may well have been an increase in total liquor consumption, but that you cannot produce the evidence of that at this stage. You seem to be hinting at the fact that the fear is that people are taking these drinks away in the form of mixers separately to the spirits and using them at higher levels than they would if they were simply purchasing the ready-to-drink products.

Mr Mott—We believe that that certainly is a risk.

Senator HUMPHRIES—I suppose over time you would be able to measure accurately through your members the sort of trends there are in the purchase of these alternative products to the ready-to-drinks and provide that information to government if you are required to.

Mr Mott—Yes, we would hope so. Of course the market data that emerges over the next six to 12 months will give some clear trends. We are happy to provide the observations of our members in the meantime.

Senator HUMPHRIES—We have been told that the alcohol of preference for younger drinkers—in your case this would be people over the age of 18 because presumably you would not serve people under the age of 18—

Mr Mott—Correct.

Senator HUMPHRIES—is spirit based drinks or spirit drinks. Is that the experience that your members would have noticed?

Mr Mott—Yes, but again it varies somewhat by region and demographic.

Senator HUMPHRIES—What sorts of regional differences would we expect?

Mr Mott—In a country environment they are not necessarily as predominantly high a proportion of the market. It also depends on where the outlet is based as to how people actually buy their product—whether they buy a single or a sixpack or a fourpack or buy a case of product.

Senator HUMPHRIES—But the style of drink—spirits versus beer versus wine—would also be a matter of regional taste? Would you, for example, get more wine purchased across age groups in South Australia and more beer in the Northern Territory?

Mr Mott—I do not have enough detail to give you a definitive answer on that, I am sorry.

Senator HUMPHRIES—Finally, I think you mentioned that there had been no discussion with your organisation before the decision was announced. Does the Liquor Stores Association have any seats on any consultative bodies about issues like responsible service of alcohol or trading conditions or things like that through which you might be able to provide feedback to governments about policy in this area?

Mr Mott—It is disturbing and somewhat troubling for us as a responsible industry association representing a large chunk of the Australian alcohol retail sector that we have had some difficulty with consultation since the change in government. We understand that everybody has been very busy, but we have been trying to engage with government in a period that probably spans 18 months, and only recently have we managed to get some communication going. We would hope that, in the future, we will be able to work much more closely with them. In previous years, with governments of all persuasions, we have participated, and I personally have participated, in a number of consultative committees and government education program design committees—things such as the National Expert Advisory Committee on Alcohol, which I was on for many years. But, at this point in time, we have not been invited to participate in that formal way.

Senator COLBECK—You mentioned that it will take time to flush out some of the seasonal and promotional trends in the data that you have started collecting and that you can only give us trends at this point in time. What sort of time frame are you going to need to quantify that information more?

Mr Mott—Taking into account the seasonality issues, the economic cycle and the promotional cycles, it could well be a year down the track, because we really have to compare this year against last year at this time of year. We have to take into account seasonal differences and the fact that at different months of the year sales are up and down, along with reflecting on the overall promotional cycles of different product groups. These do vary enormously.

Senator COLBECK—Have you done any work at this point in time on this year versus last year over, say, the period immediately prior to and subsequent to the change, rather than making some comparisons on what happened in April versus May based on the fact that the change happened late in April?

Mr Mott—No, not at this stage.

Senator COLBECK—So you do not have any data on that.

Mr Mott—No.

Senator COLBECK—That will be something that you will be looking at doing, but down the track a little way?

Mr Mott—Yes.

Senator COLBECK—Can you give us a rough idea of your membership?

Mr Mott—Around 2,000 outlets around Australia.

Senator COLBECK—So you have a fairly broad membership to draw information from, obviously.

Mr Mott—Yes.

Senator COLBECK—Just going to the programs—the ID 25 and the secondary supply education process—can you give us a little bit more information on those and on the drivers behind them? I think I understand the ID 25 thing, but you might be able to give us some more detail on that and on what sort of initiatives are in the secondary supply education program.

Mr Mott—The ID 25 is a program that was actually developed and instigated by the Woolworths Liquor group in the latter stages of last year. As an association, we have gratefully received their assistance, along with that of Coles and the independent operators across Australia, to now produce materials which will take the form of a decal that will be on the front of the shop to clearly badge the fact that anybody entering that store who looks under 25 is likely to be asked for ID so that they should not be upset by that and should, in fact, expect to produce ID. This will help retailers, as it is often a challenge for staff to identify whether a young person is over 18 years old. It will also give us some better customer relations, because sometimes people do get upset if you query them and ask for a licence to identify them. Often, you do finish up in an embarrassing situation of having to refuse service if the staff member behind the counter suspects that the person is under 18 or if the person is unable to produce ID.

One of the areas where our staff members often face difficulty is when you have an adult with a younger person, whether they be a child or just another person who appears to be under 18. If you refuse service to that person on the grounds that they may be going to supply it, it is often a very tense situation, with the parent saying, ‘I know what’s best for my child.’ We have to point out that in some states not only is it illegal to sell or supply but also it is illegal to supply your own children with alcohol if they are under 18.

As a component of this we have developed the ‘Don’t Buy It for Them’ campaign. Based on the Woolworths initiative and assisted by Coles and the independent sector, it extends the range of posters on the theme of the ID 25. They are striking posters that highlight the penalties that exist in each state and territory and act as a reminder for the parent or other adult and for liquor store staff that there are penalties if they supply alcohol to anyone under the age of 18. Again, it is some consumer education on helping to identify that this is a practice (a) that we do not condone and (b) about which we are trying to encourage better understanding.

CHAIR—Early in your statement you talked about the fact that you have alerted your network of people to have a good look at what has been happening since the tax has come in, the impacts and so on.

Mr Mott—Correct.

CHAIR—Had you done a similar kind of exercise, to have a look at the spending and buying patterns of people in your stores, before?

Mr Mott—Because of the vast array and mix of operations across Australia, we do not have any definitive data to be able to do that. These are observations. As I said before, there is not specific data that we could compile in the short term that would be at all meaningful.

CHAIR—So is what you are doing now still an observation based exercise?

Mr Mott—The facts that are going to underpin this in the medium to long term will be the data that comes from ABS and others as they measure what is happening in the overall market.

CHAIR—The way you presented your arguments was certainly that it was on the basis of sales and what was going out, but what we have been trying to find out—and it is quite difficult—is exactly who is buying what. We are trying to find out who would keep that data. My understanding is that the data that your members keep is not broken down by age, location and gender.

Mr Mott—Correct.

CHAIR—So the kind of survey that you are encouraging your members to do now, post the imposition of the tax, would not have that degree of detail either?

Mr Mott—That is correct. It is an observation of sales of units and style of alcoholic beverage. The data that comes from the national household survey presumably would provide some of that feedback after the federal government have done another stage of that, so they could compare some things pre and post.

CHAIR—I am just interested in the way you presented your opening statement. You said you were doing this work and I wanted a sense of which way it was going to be presented. We asked the distillers earlier this morning about the data they had and were using in their public statements about the impact across the country, and they did not have definitive data either—that is, beyond general sales information.

Mr Mott—I think in my opening statement I did say that they were observations.

CHAIR—Yes. Really I just wanted to see whether those observations were based on previous observations and whether we could do a detailed comparison. But it will not be; it will be generalised.

Mr Mott—These are observations by experienced retailers in the marketplace who look at their own sales in their own outlet. It is almost impossible to compile that on a national basis.

CHAIR—I am really interested, though, in what they are telling you. What are you asking them to tell you?

Mr Mott—Questions were posed by the committee in the lead-up to the inquiry. Have we noticed an increase or decrease in sales of RTDs? The answer is yes. Has there been an increase or decrease in sales of other products? Yes. They are the observations we have been making.

CHAIR—So that is it? That is fine. Are you going to compile that in any kind of public way?

Mr Mott—We will be putting in a submission. We have had a technical hitch, which I explained to one of the staff earlier—but, yes, we will be putting in some information.

CHAIR—To whom?

Mr Mott—To the committee.

CHAIR—I do not want to be difficult, but I did not get the impression from your opening statement that the exercise that you are doing was specifically for us—it was actually a more general observation. So you are actually doing that work specifically as a result of our questions?

Mr Mott—What work?

CHAIR—Doing the survey of your members.

Mr Mott—The comments that I have made to date have been based on the feedback we have had from our members. The comments and input that we have are of a general nature and relate to their observations of their sales pre and post, related to whether there has been an increase or decrease in RTDs. There has been a decrease. Has there been an increase or decrease in full-strength bottled spirits? There has been an increase.

CHAIR—Did you ask those questions as a result of us asking you those questions or was it a general service you did just to see what was happening?

Mr Mott—It was in direct response to receiving an invitation to talk to this inquiry.

CHAIR—That was the link I was trying to make. Thank you very much. So you are doing it and when you get that information you will send it to us. That would be useful.

Mr Mott—Yes.

CHAIR—Over what period of time are you doing that work?

Mr Mott—We are getting input from our members on an ongoing basis, but, as I said, it will not be numerically informed. It is observational data.

CHAIR—Over what period?

Mr Mott—In the period since the tax changes occurred, which is only a few weeks.

CHAIR—That has been our point—that it has only been a couple of weeks. We do appreciate the effort that you are taking to get this information for us. You did mention in your statement the fact that there are promotional cycles and things like that. We are interested in whether it has led to changes in promotion in any of your member organisations.

Mr Mott—The promotional cycles change every week across the land, across the banner group or the independent outlet. There are in the order of 8,000 to 10,000 outlets around the country that would all in some way, make, shape or form be undertaking some promotional activity, and in some cases these cause big spikes and troughs in the volume of sales that occur from time to time. In the space of a few weeks we cannot possibly smooth out the impact of those things. That will only be felt after a period of time when we look back on it.

CHAIR—I understand that and I understand that you have your preset markets and preset programs. What I am interested in, though, is whether any of your member organisations have set particular promotions as a result of the change in the tax, perhaps promotions around the availability and cost of spirits. At local places I regularly see advertised ‘two for the price of one’ and things like that and also promotions on the sale of other forms of alcohol, such as special promotions on VB. Are any of those particularly linked with the change in the tax? I would have thought that through your organisation would be a way of asking those questions.

Mr Mott—Senator, I am unaware of that and none of our members have reported that, and certainly, as CEO of an organisation, I have not seen a specific trend in that direction. We are unaware of anybody specifically going out of their way to say that you can now buy spirits in any form or in any promotional format other than what has been the case over many years. Those two-for deals et cetera that you have referred to have been around for a very long time. They are not, in our view, a response to this tax change.

CHAIR—Mr Mott, how would I find out whether any of the organisations selling alcohol have done special promotions saying things along the lines of, ‘We won’t pass on the increased tax to you; we will keep the price of the alcopops the same’?

Mr Mott—I am not aware that that has happened in any case. The significance of that tax increase was such that no retailer could afford to absorb that.

CHAIR—We had evidence yesterday that that was occurring.

Mr Mott—Do you have an example for me?

CHAIR—No, but I will be able to find out for you because it was given in evidence yesterday at a regional centre. They did not give the name of the organisation here but we can get that easily. Mr Mott, one more thing: can we get a list of your organisation’s members?

Mr Mott—We can give you a list of the state liquor stores associations that comprise our membership.

CHAIR—That would be useful, thank you. As there are no further questions, we deeply appreciate your submission and your evidence, as well as the efforts you have made to get information for our committee. We thank you for your time.

Mr Mott—Thank you and thank you for the opportunity.

[12.22 pm]

McKAY, Mr Douglas Alexander, Executive Chairman, Independent Distillers Australia

CHAIR—Welcome, Mr McKay. The process is that you have protection of evidence, and there is information you can have on that. At the end of the process you can get a full copy of the *Hansard*. We have your submission today; thank you very much. I invite you to make an opening statement, then we can go to questions from the senators.

Mr McKay—Independent Distillers Australia thanks the committee for the opportunity to participate in the inquiry into ready-to-drink beverages. If I could, I would like to talk firstly about myself, by way of a bit of background. I have a history of 30 years in the fast-moving consumer goods area. In the five years before taking on my current role I was chief executive of the largest seafood organisation in Australasia and before that was chief operating officer and a board director of Goodman Fielder. I just wanted you to know that, the relevance of it being that, in my 30-year involvement in these types of food and beverage products, I have a very good history of good product stewardship.

I have three sons: 26, 23 and 20 years old. Having listened to a lot of the evidence yesterday I can say that my wife and I are parents who in the last 10 years have brought three young men through this very age group that we are talking about, so I feel like I have some real hands-on experience to pass on.

The company, Independent Distillers, started in New Zealand in 1987 as Independent Liquor. The company founder was an entrepreneur, Michael Erceg. Tragically, he died a couple of years ago in a helicopter accident and his estate put this business up for sale. The company started in Australia in 2001 and, from a standing start, grew to become variously the No. 2 or No. 3 player in the RTD market, by offering our trade customers in particular and our consumers some unique and different ways of doing business. We acquired the company in January 2007. By ‘we’ I mean: two private equity funds; the estate of Michael Erceg, which retained a share in the company; and a group of seven or eight of the executive management, including me, who have put their own money in to own a share of the company.

Having said that in terms of background, no amount of alcohol abuse is acceptable and, as one of the nation’s largest manufacturers of RTDs, Independent Distillers accepts it has an important role to play in contributing to a reduction in alcohol abuse. But Independent Distillers is disappointed that, in making the decision to increase the tax on RTDs, the federal government gave such limited consideration to the impact on the alcohol sector in total and undertook little consultation with economic, health and law enforcement authorities. This tax increase is not an important first step in my view. It is a step backwards given the virtual consensus view of all commentators, except the wine industry, in terms of where we need to go with a volumetric approach, which we would support. This is a poor health policy and a poor revenue policy in the making. This excise increase in RTDs should be abandoned in favour of targeted, cost effective and practical interventions. The merits of a volumetric tax should then be evaluated as part of the government’s taxation system review announced in the budget, which we fully support.

RTDs have been part of the national alcohol landscape for 40 years in Australia. Unarguably, the convenience and other benefits of RTDs have helped augment their popularity. But this increasing popularity does not necessarily mean increasing alcohol abuse and the two things seem confused in much of this debate. RTDs are a minority part of the liquor industry and there is no compelling evidence linking them to an increase in alcohol abuse. Levels of risky drinking remain largely unchanged or slightly down according to the most comprehensive and long-running research by the AIHW. The early evidence is indicating that the overall consumption of alcohol will not be affected by this tax, as RTD consumers merely substitute RTDs for other forms of mostly higher strength and/or cheaper alcohol.

There is no single solution to the problem of binge drinking. It is a very complex issue. It is about our culture, our society and our history. It is about how and why we drink, not what we drink. Our Australian community needs a comprehensive approach to the issue emanating from a more analytical understanding of drinking behaviour. Public education and improved enforcement are crucial. The government needs to work with the Department of Health and Ageing, the Australian Institute of Health and Welfare, other NGOs, the alcohol industry and law enforcement agencies to build a better understanding of the role RTDs and other products play in drinking behaviour. This information could be used to frame and develop targeted preventative health initiatives.

Independent Distillers acknowledges the RTD sector has a definite role to play. Independent believes the following initiatives could be adopted by RTD manufacturers as part of their obligations towards responsible consumption of alcohol: a maximum of two standard drinks per pack; changes to the advertising, media and sponsorship standards; improved labelling including alcoholic content and nutrition; a maximum alcohol content; no internet or viral marketing; no case or carton promotion advertising; in-store promotion only; targeted education programs aimed at 14- to 17-year-olds and their parents; and a levy on all alcohol products—a health tax if you like—to support health initiatives.

Independent is committed to working with all parties to encourage the responsible use of alcohol. We would urge the government to develop a more comprehensive approach to alcohol related issues giving greater consideration to industry stakeholders, non-government organisations, law enforcement and licensing agencies, local communities, parents and the young people themselves. Thank you.

CHAIR—Thank you, Mr McKay.

Senator HUMPHRIES—Thank you for quite a comprehensive submission. I just want to tease out some of the things in your submission to make clear what it is that you are saying to us, particularly about the transference between RTDs and other kinds of drinks as a result of these tax changes. You have cited in your submission the estimates that were made by the health minister of the reduced number of litres of RTDs that would be likely to be purchased as a result of these changes. You note that in 2008-09 a reduction of 42.7 million bottles of RTDs represents just four per cent of the total RTD sales in Australia. Do you think that the estimates that the minister has provided are too conservative or are they exaggerated?

Mr McKay—They are too conservative. The decline in RTDs will be higher than four per cent. We are financially planning for a much higher reduction. The early indications that we have

all heard over the last few hours this morning are that the trade sales of RTDs are slowing at a significantly higher rate than four per cent.

Senator HUMPHRIES—That is certainly supported by those figures in annexure 1 to your submission. You say that there is clear evidence through retail sales data that there will be almost a direct substitution to beer, cider, wine and spirits as a result of the RTD tax decision. The figures you have quoted in annexure 1 certainly support the argument that there is a move to those other drinks, particularly to spirits. You say at the bottom of that table though that, over that period when you were comparing the same month in 2007 and 2008, there was a net reduction in sales of about 1,600 nine-litre cases, representing about \$38,000 in product. This dovetails with what more than one witness told us yesterday, which was that with the new tax on RTDs they would expect that there will be some migration to other sorts of drinks, but there will be some people, particularly young people, who will be dissuaded by the tax increase from purchasing alcohol altogether—that they will not be purchasing. Is it possible that that is confirmed by the figure of 1,648 fewer cases over those two months?

Mr McKay—It is very possible. I do not have the demographic data to break it down. As the committee has been hearing this morning, I am in the same situation in that we only have the raw sales data to deal with at this stage. This is the nine-litre case equivalent data; it is not the pure alcohol conversion. A case of RTDs down at five per cent is not an equivalent trade-off for a case of spirits up at 37 per cent alcohol. We have not done that calculation yet.

Senator HUMPHRIES—Is it possible to do that calculation?

Mr McKay—It is.

Senator HUMPHRIES—That is a critical question, isn't it?

Senator IAN MACDONALD—Yes.

Senator HUMPHRIES—If they are purchasing different products with higher alcoholic content then the health benefit of the transition away from RTDs is negated.

Mr McKay—It is definitely possible to do that. It is a matter of converting the raw sales data into standard drink equivalents.

Senator HUMPHRIES—We have to report quite soon, so the quicker you can get that information to us the better it would be.

Mr McKay—Okay.

Senator HUMPHRIES—You have taken this data from Chambers Cellars outlets in Sydney. How many outlets are we talking bout?

Mr McKay—Around 20 outlets.

Senator HUMPHRIES—Are they distributed all over the city?

Mr McKay—Yes. We have shareholders and other interested parties who could tell us just how this tax is affecting business, so I was keen to have the discussion based on as much evidence as we could. Given the speed with which the tax hit us, we had to go to some of our customers to see if they would share their data. This data comes straight out of the cash registers, off their scan, so it is very accurate as to what is happening in their stores, but I do not pretend to be able to explain all of the reasons behind what is happening.

Senator HUMPHRIES—Sure. Thank you.

Senator COLBECK—I just want to reinforce something in my mind. The data in annexure 1 needs to be modified to actually bring it back to the measure of a standard drink?

Mr McKay—It does.

Senator COLBECK—So it cannot be read just on the pure numbers that are shown there to equate across the process.

Mr McKay—No.

Senator COLBECK—Your submission seems to me to be saying, effectively, that this measure is not going to empirically impact on overall alcohol consumption; people will just switch to other products. Which product is not necessarily known yet and it will take us a bit of time to work that out, but it will effectively just result in transference rather than a reduction in consumption.

Mr McKay—Yes. I have the same evidence that DSICA talked about this morning—the German studies and so on—so the international experience suggests that would be the case if Australia were to follow suit. Certainly the sales data that we have from various parts of the industry all seem to be at about the same level of change when you triangulate by the key alcohol categories.

Senator COLBECK—What specifically do you mean by triangulating?

Mr McKay—If I compare all the information I am getting from wholesalers, directly from retailers and from other manufacturers that I am talking to, the numbers are reasonably consistent at the levels that I have indicated from the Chamber Cellars' data.

Senator COLBECK—Without the data having been completely analysed yet, there seems to be a consistency to the messages that are coming out of the various sources with respect to the impact of the changes in taxation.

Mr McKay—Yes.

Senator COLBECK—And that is effectively what is reflected in your submission. You mentioned the volumetric tax, and I think that has been pretty much promoted across the board, apart from the wine industry. But what that would do, if you take the case of a 4.8 per cent RTD and a 4.8 per cent beer, is return us to where we were before 26 April. That would effectively be the outcome of that process if we went to a volumetric tax.

Mr McKay—Yes, in broad terms, it would. The term ‘volumetric tax’ has been quoted a lot over the last couple of days. I am not 100 per cent sure that everybody means exactly the same thing.

CHAIR—I think you are right that they do not.

Senator COLBECK—You are right about that.

Mr McKay—I would concur with the DSICA view that a banded way to approach it would give us the outcome that I think we are all looking for in terms of appropriate incentives and, if you like, disincentives on alcohol levels. I do not believe there needs to be any change to the lower level of beer excise. The 2.8 per cent low-alcohol beer should stay the same, so that should be anchored and locked in. There would be no reason to change what has been a very successful initiative in the industry. At the same time, I do not hear the spirit industry asking for a reduction at the top end for full-strength spirit excise, so I would tend to leave that where it is as well and work with the bands in the middle, as Mr Ryan from DSICA outlined.

Senator COLBECK—You would support the concept of providing a similar tax treatment for a low-strength RTD to encourage those into the market?

Mr McKay—Yes. I heard some evidence yesterday about low- and mid-strength beers—that is, below 3.5 per cent—where one of the doctors said that they are 25 per cent of the market. I went to check that statistic last night; they are 21 per cent, a very significant part. The same number for the RTD industry is eight per cent, and that is because the incentives do not exist (1) for manufacturers to drive hard into the low-alcohol segment of RTDs and (2) for consumers by way of a pricing mechanism through excise. So there is the potential there—

Senator COLBECK—There are low-alcohol RTDs in the market—

Mr McKay—Yes, there are some.

Senator COLBECK—but they comprise only eight per cent of the RTD market?

Mr McKay—Yes—those with 3½ per cent and under of alcohol content make up about eight per cent of the market on the figures I have got. That is only a third of what low-alcohol beer is of the beer market.

Senator COLBECK—Some other evidence that we had yesterday was that one of the mitigating factors for alcohol intake is providing other fluid with it—that that provides associated benefits. If you are reducing the alcohol content per volume of other fluid, it actually provides, I suppose, the effect of drinking a lot of full-strength beer to get your alcohol fix.

Mr McKay—Yes.

Senator COLBECK—You listed a number of possible measures that Independent Distillers might be interested in participating with government in. What level of interaction have you had with government over the period of this process?

Mr McKay—We have had very limited interaction with government. We have been preoccupied in the first 12 months of ownership of the company with coming to grips with what we have bought, running the business, understanding where we want to take the business and putting new people in place. We have been extremely focused on getting the commercial end of the business right. We are progressively putting in processes and systems and are starting to work across different dimensions now that the commercial imperatives have been looked after and are settled down. The tax has been a big change to all of that, of course. I have been preoccupied in the last four or five weeks with managing my organisation and my shareholders through that change. In the course of that I have significantly upped the level of engagement with the industry and with government, potentially, as we go forward from here.

Senator COLBECK—But you have not effectively had any interaction?

Mr McKay—No.

Senator COLBECK—At this point in time, is your business actually engaging any of the measures that you have mentioned?

Mr McKay—Yes, we are. We have not launched a product over two standard drinks since we bought the company. Two standard drinks is the DSICA standard. We are trying to align as quickly as we can on those industry standards that we can align on, but I think there is the opportunity to go further. We also have a different business model. Independent does not use mainstream advertising or sponsorship activities in the sense of the major liquor companies. Our promotional and marketing support is 90 to 95 per cent focused instore, working with our customers, on things like display promotions and things like that.

Senator COLBECK—You mentioned that you have not introduced any products over two standard drinks. Have you withdrawn any that were in that category?

Mr McKay—We have amended some. Where our customers require us to deliver a two-standard-drink offering, we have changed our products to do that. Recently with Woolworths and Coles we have reformulated a product to deliver a two-standard-drink bourbon product for them.

Senator COLBECK—There has been some concern expressed around particular products—the chair has one of the products that is causing us a little excitement: Pulse. I do not really need it; you can keep it, Senator Moore! We are interested in exploring some of the issues around those particular products. Apart from the individual issues relating to young women in respect of some of the more colourful drinks, the high-energy type drinks are ones that have also stood out from the pack in respect of the masking impact that the high caffeine levels can have associated with alcohol. Is there any specific direction you are heading in in respect of those drinks?

Mr McKay—No. We are a commercial organisation and we are looking for marketing opportunities for products. We have not led the market into these new drinks; we tend to be a follower. Our benefits really are the benefits you associate with RTD products—convenience, a premeasured serving of alcohol, clear labelling, and a safe and secure pack. In respect of energy products, non-alcohol energy products have been the fastest-growing segment in the soft drink industry—if I could call it that—over the last three or four years.

Senator COLBECK—Sorry; did you say ‘non-alcohol energy products’?

Mr McKay—Yes. Brands that you may know are Red Bull and V, which are two of the leading products. These energy products have now established a very secure footing in the non-alcohol segment of soft drinks. At the same time, over the last four or five years as these products have grown, combining them with full-strength spirits has become a very significant part of the on-trade business in bars. In bars today, an energy mixer with a full-strength spirit—with vodka, for example—is the third most popular mixer. So this is an established consumer drinking trend that has been built on mixing non-alcohol energy products with alcohol. We saw an opportunity to provide an RTD format into this market.

Having said that, I point out that it is a very niche part of the industry. Energy products are 1.2 per cent of the market by volume; they are 1.7 per cent by value. They are declining at this point in time. They are priced at 40 to 50 per cent higher than regular RTDs, they are served in a slimline can, which has tended to be the standard for energy products, and they are sold in fourpacks—they do not get sold in cases. The drinking occasion tends to be around activities such as nightclubs, dance parties and things like that.

Senator COLBECK—You have said that you were a follower into the market; that is fair enough. What has been the driver for the introduction of these particular products? Was it the energy drink suppliers? I am just trying to get an understanding of what has been the driver of the introduction of this product into the bar market. It sounds as though it has a fairly strong place established in that particular market.

Mr McKay—Yes, it does. The driver has been a consumer led mixing of vodka products with these non-alcohol energy products. The Red Bull brand, for example, has established a number of exclusive distribution arrangements in the on-premise, has run promotions and drives the business in the bars across Australia. The energy additives are caffeine based, essentially. I would make the point that we market these products within the rules and regulations that apply to them. If those rules and regulations were to change or if government were to move them in some way, of course we would not hesitate to comply.

Senator COLBECK—Are there any circumstances where you might place additional things on the labelling on the product that might be in the scope of one part of a piece but are not necessarily covered by the combination of the products?

Mr McKay—Yes, there are. DSICA mentioned this today. I still need to be more across the detail here. Our products are governed by the regulations that apply to alcohol products, but there is another set of standards under the food regulations. My early view is that they would be more appropriate, and a higher standard of disclosure, for the type of product that we market.

Senator COLBECK—It might be something that you can come back to us on if you can spend some more time on that.

Senator CAROL BROWN—What alcohol volume is in two standard drinks?

Mr McKay—I think one standard drink is 12.5 millilitres of alcohol. But each package or each bottle varies in terms of the number of standard drinks in it, depending on the alcohol

strength and the size of the bottle. So the Cruiser product you have there has 1.1 standard drinks, for example.

Senator COLBECK—Where does it show that on the bottle?

Mr McKay—It is on the side label. We have not been able to put it in the tombstone that we would like to use, given the space constraints on the label. So we still have to solve that on some of the products.

Senator CAROL BROWN—I was coming to that question. In a container like the one I have here, if this is a 1.1 what would the alcohol volume be? Would it be seven per cent or nine per cent?

Mr McKay—That is a five per cent product.

Senator CAROL BROWN—I know, but if there were two standard drinks in this bottle?

Mr McKay—I see. It would be just a touch over nine—if it was two. That is five per cent at 1.1, so it is virtually double.

Senator CAROL BROWN—I was interested in your comment that you will limit RTD products to nine per cent alcohol content. Do you have any RTDs that are marketed in Australia that are higher than nine per cent?

Mr McKay—No.

Senator CAROL BROWN—How many RTD products do you market in Australia?

Mr McKay—I could not answer that question off the top of my head. In terms of brands, I would say 30 or 40 brands.

Senator CAROL BROWN—We have been talking about light RTDs. What percentage alcohol would that be? I think we have been talking about it being 3.5.

Mr McKay—Yes, 3.5.

Senator CAROL BROWN—When I hear light, I think about beer and I think about 2.8. Are there any RTDs at that level?

Mr McKay—Your understanding is actually better expressed than mine. The low alcohol is, I think, 2.5 in beer, is it not?

Senator CAROL BROWN—It is 2.7.

Mr McKay—It is 2.5 to 2.8. Mid-strength is the 3.5 level. Off the top of my head, I am not aware of low-strength RTD products but I am aware of a number of mid-strength RTD products.

Senator CAROL BROWN—I have not seen any that I would call ‘light’ even though, in your jargon, light actually refers to the colour of the spirit.

Mr McKay—That is true.

Senator CAROL BROWN—I was also interested in the comment you made about being a follower in the industry. In DSICA’s submission, they congratulate a number of manufacturers on withdrawing products with energy ingredients or high-alcohol volume—apparently Diaggio, Fosters, Lion Nathan and Pernod Ricard. Do you have any intention of withdrawing RTDs over seven per cent?

Mr McKay—No, not at this stage.

Senator CAROL BROWN—Has there been any discussion with your members about the decision by the other manufacturers to withdraw products over seven per cent?

Mr McKay—I am having dialogue with a number of different players in the industry at the moment about the alcohol strength and the two standard drinks and where we think the right level for that to be.

Senator CAROL BROWN—If you do not want to answer this question, that is fine: what initiated those discussions?

Mr McKay—Two standard drinks is something that we have been working to since we bought the company. We wanted to align ourselves with the industry standard there. Lion Nathan has not made a decision to sit below a certain alcohol level as far as I am aware. They have made a decision to run with two standard drinks. So you can in theory get higher alcohol at two standard drinks in smaller containers. But it is very difficult in any containers currently available on the market to be above eight or nine per cent.

Senator CAROL BROWN—The other issue I wanted to talk about was the labelling. Some labelling stands out quite well—this label has a glass and the approximate standard drink but it took us quite a long time to find the information. Are you doing some work on how you can make that information stand out so it is more visible?

Mr McKay—Yes, we have to redesign that label to be able to fit the tombstone design that we like, which has the two standard drink labelling on it. I could have shown you a number of our products that have it very boldly on the front.

Senator CAROL BROWN—Do some of your other products have that glass display?

Mr McKay—We call it a tombstone, which is the industry—

Senator COLBECK—Is there a move for this to become an industry standard?

Mr McKay—We are now approaching 80 per cent compliance on all of our product range with the two standard drinks. We are progressively changing as we—

Senator COLBECK—And that will be flowing through all of your products?

Mr McKay—Yes.

Senator CAROL BROWN—Does your group spend money on education programs in Australia?

Mr McKay—No, we do not at this stage. We have supported other industry players with programs they run but we have not put money directly into something we participate in ourselves. What I am reading and hearing over the last couple of days is that where alcohol abuse is a problem in the community, we have identified that it seems to be a minority—we know a lot about who these people are. The problem with an excise approach that we have got is that it penalises the majority of drinkers—75 to 90 per cent; I am not sure—who handle products responsibly and who enjoy the products in the way that you would like to see your products enjoyed. They are paying the price for the need to fix an alcohol abuse problem with a smaller sample of the population. I feel that is a problem that is better addressed with targeted initiatives and a much fuller understanding of what the issues are with that group.

Senator CAROL BROWN—We have received evidence from various health groups that regulate, and they believe pricing is the most effective way of combating binge drinking. We have had contrary evidence as well. One of the other things I want to ask about is in an article that I read in the *Sydney Morning Herald*. It was about the marketing of the Vodka Cruiser. Have you seen that article?

Mr McKay—I am sure I know what you are referring to and I can explain that if you would like.

Senator CAROL BROWN—I would.

Mr McKay—I am extremely embarrassed to have to sit in front of a Senate committee and deal with this problem. I need to provide a bit of context. For those who do not know, we ran a promotion in southern New South Wales—a condom given away free with the sale of a cruiser product. It was a promotion that ran in less than 20 outlets. It was initiated by two of our sales representatives—we have 100 sales representatives in Australia. To put it in context, this company has a history of entrepreneurship and innovation. The salespeople are remunerated differently from the rest of the industry. There is a strong sense of their own territory and their own franchise in the way their businesses runs, and a large percentage of their income is commission based. They tend to be out there, doing it and looking for opportunities. One thing we observed when we bought the company was that the controls around some of this activity were not as good as they should have been. So we have put controls in place.

We had a situation here that slipped through the net. Two reps in the same part of the country got excited about a promotional opportunity. It was an in-store promotion only. It was exposed to 18-year-olds and over, in theory, who were buying product in the store. But, no matter whatever other explanation, it was totally inappropriate, as far as we were concerned. As soon as I found out about it, we shut down the promotion. Since we bought the company we have installed marketing codes of practice. We have approval processes in place now. We are transitioning an organisation from one business model to another. It is very unfortunate that this one was able to

slip through the cracks. We have learnt from it and we have put further controls in place as a result.

Senator CAROL BROWN—So in future any marketing ideas will go through your association?

Mr McKay—A sales rep cannot now implement a marketing program without approval from head office. A trade marketing manager at the least has to give approval. All of our front-line sales and marketing staff have been trained in our new marketing code and have been reminded what the responsibilities of that are.

Senator CAROL BROWN—Did Independent Distillers originate in New Zealand?

Mr McKay—It originated in New Zealand, yes.

Senator CAROL BROWN—What strength do RTDs go up to over there?

Mr McKay—There are a couple of products at 12 per cent in New Zealand. That is the highest strength products there.

Senator CAROL BROWN—And you are not looking at introducing 12 per cent RTDs in Australia?

Mr McKay—No, definitely not.

CHAIR—Are they dark spirits?

Mr McKay—Yes, they are. They are bourbon products.

CHAIR—Thank you very much for your submission and your evidence. If there is anything further, we will be in contact with your office.

Proceedings suspended from 1.02 pm to 1.54 pm

ALLSOP, Professor Steve, Director, National Drug Research Institute, Curtin University of Technology

CHIKRITZHS, Dr Tanya, Senior Research Fellow, National Drug Research Institute, Curtin University of Technology

CHAIR—Have either of you given a submission or evidence to a committee before?

Prof. Allsop—Yes, we both did at the recent inquiry in relation to alcohol promotions.

CHAIR—Thank you; so you know the system. I invite you to make an opening statement.

Prof. Allsop—We welcome the current focus on alcohol related harm in our community and we note, as we have done in other inquiries, that alcohol problems are not restricted to a simple minority of alcohol dependent people. A large proportion of people who drink alcohol, at least occasionally, drink alcohol in ways that put themselves and others at risk, and in fact a large proportion of the Australian community is affected either by their own drinking on occasion or by other people's drinking.

As we have said elsewhere, in relation to young people, morbidity and mortality also are not restricted to a few alcohol dependants. We argue that the current costs of alcohol related harm are intolerable to the Australian community. Previous research by our institute indicates that on average 50 young people under the age of 18 die each year due to alcohol, and if we look at 15- to 24-year-olds this figure increases to 250 people on average dying each year and approximately 10,000 hospitalised each year.

As we have stated in the previous inquiry into alcohol promotion, the evidence indicates that no single factor contributes to alcohol problems. Therefore no single isolated strategy is likely to be effective. There is a need for combined, evidence based approaches. However, having said that, the evidence from Australia and international evidence consistently indicates that availability is a key predictor of alcohol use and harm. Alcohol availability of course can be influenced particularly by price and, by inference, tax. It can be influenced by hours of sale, the number of and the density of outlets in a community and of course the age at which people get access to alcohol.

It is not a surprise therefore that the relatively recent rapid increase in the market share of RTDs coincided with advantageous tax changes. It is probable, based on other evidence, that the recent increase in tax for RTDs will place downward pressure on consumption. My colleague, Tanya Chikritzhs, can talk about the impact of price increases in the Northern Territory, where a longstanding small increase in tax on drinks over three per cent alcohol resulted in a decrease in consumption and a significant decrease in problems for the whole community.

We also note that there have been some recent claims about the recent tax change and the likely impacts of the recent tax change on RTDs. There has been the claim that some young people will turn to other, cheaper versions of alcohol such as wine based sweet drinks. This is possible and should be monitored and addressed. But there is no direct evidence to date that this

has so far occurred. There has also been the inference by some that young people will now purchase spirits and mixers and mix their own drinks. We would like to point out that, before the recent increase in tax, this was an option that was available to young people as it was still a lower cost option than purchased ready-mixed drinks. While there have been claims that this has actually occurred since the tax change, there is no evidence that we are aware of that supports this claim.

There have also been some recent claims that because of the tax change young people are now purchasing alcohol based cooking products. For a very small proportion of young people, this was a concern before the change in tax. There is no evidence to link it directly to recent tax changes. We do encourage governments, retailers and parents to take action to address this occasional phenomenon and we also urge media outlets to desist from reporting the phenomenon in a way that may alert young people to the option and inadvertently contribute to risky behaviour.

To conclude our opening comments, when it comes to alcohol use and related problems, tax, price and cost matter. In this context, we support recent changes but we also support a broad review of the taxation system for alcohol. We support a volumetric tax system and, in addition, consideration of taxation systems that target particular products associated with high-risk drinking. We acknowledge that in addition to tax and price levers, we should also address other factors to ensure an evidence based combined approach.

CHAIR—Thank you. Doctor, did you want to add anything at this stage?

Dr Chikritzhs—I would like to talk about the evidence that comes directly from the Northern Territory, on which we published a number of papers in relation to what happens when tax changes and price increases occur. To give you some background, the Northern Territory introduced the Living with Alcohol Program back in 1992. To fund that program, they introduced a small levy on all alcoholic beverages containing three per cent alcohol by volume, or greater—so it excluded those with low alcohol content. That levy added about 5 cents per standard drink to the retail cost of beverages. It had a measurably small impact on a standard drink, but was more noticeable on more voluminous products like five-litre cask wine and so on.

As a direct result of a High Court ruling that occurred some years later, the Living with Alcohol levy was removed in 1997. This enabled us to run a nicely designed test on what the contribution of that short-term tax was to levels of morbidity and mortality caused by alcohol in the Northern Territory. We were also able to determine what the relative contribution was not only of the tax but also of the prevention services that were introduced and funded by that tax. It was, essentially, a hypothecated tax.

We found that the Living with Alcohol levy, which resulted in that small increase in retail price, saved the Northern Territory about \$124 million in the first few years and was directly responsible for what appeared to be measurably immediate declines in acute levels of alcohol-attributable mortalities—that is, deaths—across the entire Northern Territory population. It was not restricted to certain populations; it was among Indigenous and non-Indigenous persons. We also found there was some evidence to support an impact on chronic levels of harm but, because that appeared late in our study period, it was difficult for us to attribute it either to the tax directly or to the services that were funded by that tax. So there was an obvious and clearly

defined reduction in acute alcohol related harm across the population, and potential evidence of reductions in chronic harm.

Senator HUMPHRIES—You have cited the experience of the Northern Territory Living with Alcohol program and, indeed, the evidence of benefit from that is fairly clear. There is, of course, a very important difference between that experiment and the increase in excise on ready-to-drink products that has recently been imposed by the Commonwealth government—and that is the Northern Territory tax increase took effect across all alcoholic products. You have commented on that by saying you are not aware of any direct evidence so far that people will migrate to other alcoholic products. There has been some evidence presented to the committee today about that occurring based on sales of alcohol in retail outlets in Sydney. I might invite you to have a look at that evidence and see if you can find anything about it that is either convincing or should be disputed, and perhaps give us some response to that.

We are told that young people for many years, even before the rise of popularity of ready-to-drink products, had an attraction towards spirits—it was the drink of preference of many young people—and that there is a serious danger that most of the present drinkers under the age of, say, 18 of ready-to-drink products will in fact migrate to using spirits and make their own mixes, if necessary, with sweeter products to get the same effect as the ready-to-drinks. The question is: if that occurs—and most of the evidence suggests that to some extent it will—what is the extent to which young people confronted with the choice of doing that, not consuming alcohol or consuming alcohol at lower rates will take the options to not consume or to consume at lower rates? Is there any evidence you can point to to suggest that they will do that as opposed to simply switching to drinks which potentially could be used in a more harmful way, given that you cannot measure the number of standard drinks in each session in the same way you can with a ready-to drink product?

Dr Chikritzhs—I will take your last question first and take the substitution one second. On the issue of spirits being a drink of choice for young people, I am not sure that that is entirely true. It is quite different depending on whether you are a young male or female. For young females, in fact, traditionally wine was the drink of preference, particularly mixing a wine based drink. It was not until around the time of the tax change in 2000 that young women's preferences seemed to change dramatically from wine based products to ready-mixed products. That would be the basis on which I would be drawing conclusions about how tax changes influence young people's consumption. I think what we have witnessed—but we have not been able to prove directly—is the changing of preferences because of the loophole that existed.

Prof. Allsop—I addressed the issue of people substituting in my opening comments—young people changing to buying their own bottle of spirits and their own bottle of mixer. I am not aware of any evidence that that has happened, and it would be far too soon to make a judgement about that. Certainly a judgement of what has happened in one or two retail outlets is not what I would consider sound evidence. Again, I would point out that this was an option that was available to young people prior to this increase in taxation. Even before the increase in taxation, it was cheaper to buy a bottle of spirits and to buy your own mixer. So it was not a widespread practice then; there is no evidence that it will become a widespread practice subsequently. Having said that, lack of evidence does not mean that it is not occurring; it simply means that there is a lack of evidence. I think that means that we would need to monitor this. Again, in broader terms I would argue that that is an argument for why we need to revise the whole of the

taxation system. I would also like to add that, whilst this is a taxation on a particular product, it of course results in a—very small—net overall increase in price. Again, I think that we would want to argue that that, in and of itself, needs to be part of a broader review of the taxation system and part of a broader strategy to address harmful drinking in the community.

Dr Chikritzhs—I would also add that—as in our statement—NDRI was involved in a very substantial review of the impact of all Australian restrictions that we could find. Essentially, substitution effects are to some degree inevitable. They occur in all sorts of ways, in all sorts of places and in relation to all different types of restrictions—whether that is increase in price or reductions in availability. But the overall finding for all of the studies that we have been able to review is that the substitution effects are minimal compared to the overall benefits that are brought about by the restrictions. So substitution is to some extent inevitable and predictable. In this case, we could probably recognise what might occur and minimise the fallout from that. But overall the outcome is largely positive.

Senator HUMPHRIES—It does depend on what the substitution is, though, doesn't it? If people are substituting for ready-to-drink products, where there is a label and a defined number of standard drinks in each container, and instead using products where it is harder to measure that, such as, for example, cask wine or bottles of spirits and mixes, in some cases you have the potential for an increase in total alcohol intake on the basis that that means the measurement goes out the door.

Dr Chikritzhs—I guess the assumption is that people are measuring their standard drinks and that that is a consideration for them in reducing their consumption. It has come to my attention that there have in fact been RTDs that have been marketed in such a way as to promote the amount of standard drinks that they contain on the basis that young people will choose them on the grounds that they offer the biggest bang for buck in terms of reaching intoxication as quickly and as cheaply as possible.

Senator HUMPHRIES—You say that you support a volumetric approach towards liquor taxation, and that is a sentiment echoed by a number of witnesses we have heard already over these hearings. It has been pointed out to us by the Alcohol Education and Rehabilitation Foundation that, if you were to take a volumetric approach to alcohol sales and if you were to assume that the net total tax take from alcohol sales did not change, you would find that, for the original price before this increase, the original tax take on those ready-to-drink products is actually closer to a uniform volumetric system than the new price of about \$1.25 per RTD product—that is, we have actually put the price of RTDs in terms of taxation well above a volumetric approach. If you come back at some point—for example, as a result of this Henry review into taxation—and you impose a purely volumetric approach, you will have to go back and reduce the price of these RTDs to reflect that approach.

Dr Chikritzhs—In this argument probably the most important point is being missed. Even though the basis we recommend is a volumetric tax, the important point is that the cost of alcohol per standard drink is set at such a level that it becomes a commodity which, compared to disposable income, is not as easy to access. The important point is that the price of alcohol outstrips what has become increasing levels of disposable income, particularly for young people. It is about starting from a basis that is volumetrically controlled but increasing the price—and

the overall tax system take—to such a point that alcohol is not as economically accessible as it currently is.

Senator HUMPHRIES—So you are arguing for an increase in the total tax take on alcohol in order to make any form of alcohol less price-attractive, to young people in particular?

Dr Chikritzhs—Overall, that is exactly right.

Prof. Allsop—In terms of the population, in particular, it does not necessarily have to be at a prohibitive level, as indicated by the Northern Territory experience. A 5c per standard drink increase in price had a demonstrable economic and positive human impact on the whole community. So, yes, there is the issue of a volumetric tax, and then I think there is an argument about what point you set that tax at. We would then argue that any increase in tax take would be appropriately directed to prevention and treatment efforts, including both law enforcement and health services, so that it was not something that directly flowed into the broad coffers of government.

We recognise the challenge that that sometimes poses, particularly for Finance and Treasury, but this is something that, in fact, the community support as well. If you ask the community about an increase in tax, there is obviously much less support. But if you say to the community this small increase in tax will be directed to providing better prevention and better treatment and at the end of the day an overall reduction in the tax impact, they will support it. One of the forgotten things in this debate about tax is that the community are already heavily taxed on alcohol. We all pay an increased indirect tax in terms of the increased cost of our car insurance because of drink drivers. A large proportion of police time is devoted to dealing with alcohol problems. Twenty-five or more per cent of hospital admissions, particularly at weekends, are alcohol related. So the community do support that small increase in tax, particularly if it is directed to providing better prevention and treatment strategies.

Senator HUMPHRIES—You quote the National Drug Research Institute's review of alcohol restrictions—and it is, of course, your own publication—and in terms of this question of substitution you say:

A minority of drinkers, retailers and producers will always seek to find a way around restrictions, but it is nonetheless possible to anticipate how and where substitution practices may occur and to implement strategies to limit their impact.

You say that it is possible—I am talking here particularly about drinkers—to anticipate where substitution might occur, and to put in place strategies to do what you say. Firstly, however, there is no indication at all on the part of the federal government as to what strategies it is employing to, in fact, head off and prevent that substitution occurring and, secondly, there is no indication from your remarks in this submission as to what those strategies might be. Firstly, can you comment on whether you think there are any strategies in place, or that are likely to occur, to deal with that issue? Secondly, if there are not, what should be the strategies to head off substitution?

Dr Chikritzhs—Given what we have seen has occurred—particularly for young females—in the change of preference from wine based drinks to premixed drinks over the late 1990s to the early 2000s, it is quite possible that there will, to some degree, be some young women who will

now move back to wine or younger cohorts who will rediscover, if you like, wine based products. The reason for this is that, because of the wine equalisation tax, cask wine and other cheap varieties of wine are now providing a bigger bang for buck, and so it is possible to anticipate that there will be some substitution there. I am not aware of any moves, or plans, by the government to address the subject of wine equalisation tax and its impact on the price of cheap wine and, in particular, cask wine. It might be time, however, for a review of the wine equalisation tax and its impact on wine based products and price.

Prof. Allsop—We would also add that changes such as this need to be coupled with other issues that are not so much to do with tax but to do with enforcement. I appreciate these are not necessarily the focus of the inquiry, but enforcement of liquor licensing laws that we currently have about not serving alcohol to drunk people and not serving alcohol to underage people need to be a component of any broad-based strategy.

Senator HUMPHRIES—Okay, thank you.

Senator COLBECK—I just want to take up from where Senator Humphries left off. I have to say I am having real difficulty reconciling your evidence with almost everyone else's we have had, particularly with respect to substitution. We have asked almost everyone that has been in front of us about substitution, and no-one has been game, or been prepared, to make the prediction that you made, in the comment that Senator Humphries read out, about it being possible to anticipate how and where substitution practices might occur. In fact, the majority of evidence that we have had would indicate that we are going to have to wait and see what happens.

There is very little doubt amongst most parties that there will be substitution based on this narrowly focused provision, but even evidence from the industry representatives themselves indicates that there are differing effects based on differing cultural practices in different countries. We have some evidence from the Distilled Spirits Industry Council of Australia that indicates what happened in—I think—Germany, for example, but they were not prepared to indicate that that could be anywhere near what might happen in Australia.

Dr Chikritzhs—I guess we are privileged in some ways because we recently finished, as I mentioned before, a major review of the impact of all Australian restrictions. In that review, we have a section dealing specifically with issues of substitution, and this involves looking at communities where restrictions have been put on, particularly, access to cask wine and so on or on trading hours and those kinds of things. It has a lot to do with particular types of access to particular types of beverages. What we found there is that most of the time substitution effects do occur, and we have been able to demonstrate that by looking directly at sales records of those communities compared to the periods before and after the restrictions were in place and compared to other control areas. So we are able to say with a pretty good degree of confidence that substitution, to some degree, is likely to occur. We qualify that, though, by saying that the degree of substitution, in our understanding from our review, has never outweighed the overall positive impact that the programs and restrictions themselves have. I was asked before to identify, given what we know, where some of the likely substitution effects would occur, and I talked about the substitution with wine. That is based on what we know about beverage preferences of young females in the past.

Prof. Allsop—I would want to stress that we have not said that substitution would not occur; we have said that some of the claims that are currently being made, we think, are made without any strong evidence to support them and that the various claims may predict what will actually happen but there is not, so far, an evidence base on which to claim that this or that is happening in response to the recent changes.

Senator COLBECK—I think that, in that context, what is being written in the press as to what is and is not occurring in a definitive sense is very different from the evidence that we have had, because in the evidence that we have had over the last couple of days people have been very cautious to stress that the information that they have is limited and needs to be studied in the context of a whole range of things, including marketing and seasonal trends. So I suppose we are on a similar path in respect of that. We are agreeing that there will be substitutions, but I am a little interested in your belief that there is capacity to anticipate, because what the changes might be in each individual circumstance would very much depend on that particular circumstance and the points in the market where it applies certain pressures.

Prof. Allsop—Yes. I guess our prediction, and the prediction that Dr Chikritzhs was making, was in relation to previous Australian experience—it is relatively recent—about preferences for particular forms of beverage, which were to some extent about taste, to some extent about culture and to a large extent about price, which was influenced strongly by the very low tax base on some of those products.

Senator COLBECK—I just wanted to go on to that; you have given me a beautiful segue. When we were talking about the substitution of spirits for RTDs, you indicated that it was previously cheaper to use full-strength spirits and mix your own than it was to drink RTDs. My recollection is—and I am sure you will correct me if I am verballing you; I am not trying to do that—that that was already an option that was available to people, so why weren't they going down that track? Then we had some discussion about moving to wine and other products. I think that this, perhaps, is where your discussion about taste comes into it. Those products were already cheaper.

The other point that I would like to make is that we heard evidence this morning that, rather than a small increase in price—which you were suggesting as part of your evidence—there has been an increase of 25 to 28 per cent in the price, which I am not sure I would regard as a small increase in price, on RTDs because of the various rates of tax and multiples of tax that are applied. The RTDs have actually broken through a price point of \$20 for a sixpack, which is one of the motivating factors in the overall process which is driving the perception of substitution.

Prof. Allsop—I am not sure what the question would be. In relation to the small—

Senator COLBECK—You indicated that you thought there was a small increase in price. The industry is saying to us today—

Prof. Allsop—No, we were referring to the small increase in price in the Northern Territory. What we were saying was that, even in the Northern Territory where there was a relatively small increase in taxation, that had a significant impact. What we were referring to is: even small increases in tax can result in downward pressure on consumption. I was not making a relative comment about whether it is a large or a small increase at the moment.

Senator COLBECK—I might invite you to go back and look at the *Hansard*, because I did make some notes as you were making the point that pricked my attention. It was in the context that you may not have been aware of the level of the price increase—

Prof. Allsop—We are aware of the level of the price. If that is what I have communicated then that is not what was intended. We were indicating that a small increase in price in the Northern Territory still had a significant effect. I was not intending to reflect on whether this was a relatively large or small increase in price—that is, the recent RTD increase.

Senator COLBECK—I understand. I certainly understand the point you are making with respect to the LWA program. Moving on from that, how do you reconcile the rise in sales of RTDs since, according to industry figures, the mid- to late-nineties, which is when they started to show up on the data, with an effectively static rate of consumption?

Dr Chikritzhs—I am not exactly certain about whether the evidence shows a static rate of consumption. There are a number of problems. First of all, we know that amongst young people—who have largely been the focus to date in relation to RTDs; it is not just young people who drink RTDs but I guess they are ones we are most worried about at this point; we are talking about underage drinkers aged 12 to 17—when you look at the secondary school surveys, consumption has not been stable. The proportion of young people who drink overall has gone down somewhat, but—and this often gets misquoted in the media—the proportion of young people who are underage and drink at risky and high-risk levels for an adult, which is more than four and six standard drinks, is greater than it has been since the mid-1980s. This is based on national secondary school surveys. So, again, the proportion of young people drinking at risky and high-risk levels is greater than it has been since it began to be measured, and I think that is something we need to keep in mind. What that survey also showed is that young people's drinking preferences, particularly young women's, have shifted markedly from wine to premixed drinks, and that coincides quite well with the other. What I am saying is that the increased preference for premixed drinks coincides quite well with the increase in the proportion of young people who are drinking at risky and high-risk levels.

I will add that there has been a very recent study, published in the *Australian and New Zealand Journal of Public Health*, by Michael Livingstone and colleagues, which showed that what we have to be very careful about is that our survey instruments can and do fail to pick up the people who drink the heaviest and who are most problematic. What his recent study has found is that, even though surveys are not showing among young people that risky and high-risk drinking has increased markedly, in Victoria they are showing that emergency room presentations of young people are higher than they have been for young females in a very long time and, also, that more young people than ever are drinking enough to make them sick the next day, but this kind of information does not show up on typical national surveys, partly because of the limitations we have in getting this kind of information from surveys.

Senator SIEWERT—How do you pick up the information on those that you say are being sick the next day?

Dr Chikritzhs—I was not involved directly in the study, but I believe they were surveying emergency room presentations supplemented with some other surveys. I guess what I am saying is that the information we typically rely on comes from the ABS or the National Drugs Strategy

Household Survey, which has extremely low response rates. When you have a response rate of about 42 per cent it means that you are probably missing a very large proportion of the people we should be most worried about, who are the heaviest drinkers of all.

Prof. Allsop—When you have a non-response rate in these kinds of surveys it is highly likely that it is the heavy drinkers—the at-risk people—who are the ones excluded. We would want to stress that the household surveys and the school surveys in Australia are second to none—they are excellent—but we do need to supplement that with these more direct, targeted strategies targeting young at-risk people who might not normally get captured in the household surveys or school approaches.

Senator COLBECK—I would like you to expand on the comments that you made with respect to the review and monitoring around any particular changes or processes that might come into place and what you see as requirements in respect of those.

Prof. Allsop—As we have said, whilst there is no evidence, no evidence is not necessarily an argument that something will not happen. Any action, particularly in this area, has potential benefits and potential adverse outcomes. Of course, we accept that it will be important to monitor any adverse outcomes that can come from this. It means that we need to enhance our intelligence systems around alcohol. We need to have better data that allows us to identify actual consumption down to relatively local levels. We have moderately good systems but there are enormous flaws in those systems. As we have just said, they are not sensitive to at-risk people or at-risk young people. We need to monitor, as people have suggested, any changes to particular substitution, any particular risks that may be associated with that substitution, and any particular changes in patterns of consumption. We need to have good data about high-risk groups of young people, hospital admissions in relation to alcohol and police responses to alcohol problems. There are some moves to do that at the moment, but we need a system in Australia whereby we can say, ‘This is the annual alcohol consumption down to a fairly local level. These are the alcohol related hospital admissions, particularly ED hospital admissions, and this is the police assessment of alcohol contribution to their involvement.’ Having that readily available would give us a much better way of identifying harm as it arises, targeting our responses and answering these questions much more accurately than if we relied on anecdotal reports.

CHAIR—I know you will get a chance to have a look at the evidence we have received today when the *Hansard* comes out, but commonly in this inquiry we have been inundated with figures and surveys, with everyone using their own survey to justify their own position. It is very difficult to trawl through the amount of data that we have been given and come up with agreed results. You would strike this all the time in a research institute. The data that we had from a number of the people in the industry indicated that there was little belief that we did have a problem with drinking in Australia. In fact, a number of the submissions have stated very clearly that people do not believe there is a problem with drinking in Australia amongst young people. It is stated in a number of them. What is your response to that?

Prof. Allsop—Firstly, it goes back to the answer to the previous question: we do need to improve the data we have. For example, the national drug household survey at the moment categorises young people in the group of 14- to 19-year-olds. There are all sorts of reasons to say that it is a ridiculous categorisation. It includes people who drink legally with people who are

under-age drinkers. There is a big difference between 14- and 15-year-olds who are drinking and 16-, 17-, 18- and 19-year-olds who are drinking.

CHAIR—Is that the Australian Institute of Health and Welfare survey?

Prof. Allsop—That is the one.

CHAIR—The data that we have goes 14 to 16 and then 17 to 18.

Prof. Allsop—Again, this is not a criticism of the household survey; it is about the limitation of the methodologies. Yes, they do break down those groups, but then you start looking at the very, very small sample sizes that I pointed out earlier.

CHAIR—That is the 700?

Prof. Allsop—They have a low response rate; therefore, there is a bias. They miss out the people most at risk. But to go to the crux of your question: estimates vary, depending on the methodologies used, but a number of police forces themselves will estimate that well over half of their time is spent responding to alcohol problems. On average 50 young people under the age of 18 die every year as a consequence of alcohol related harm. Ten thousand people under the age of 25 are hospitalised each year as a consequence of alcohol use. Compared to other countries, there is no doubt we are somewhere in the middle, but the levels of harm that we have in our community from alcohol are far too high and are preventable. The current levels of harm, irrespective of comparison with other countries, are unacceptable, and we can reduce that level of harm, as demonstrated in the Northern Territory.

Dr Chikritzhs—I have another few figures to add to Professor Allsop's comments. The National Alcohol Indicators Project estimated that for the whole population—that is, all drinkers and all ages—over 60 per cent of all the alcohol consumed by the drinking population is consumed in such a way that it puts the drinker at risk or high risk of short-term harm. When you look at young people in particular, people under the age of 25, the proportion of all the alcohol that is consumed in a risky or high-risk way is 80 per cent.

Prof. Allsop—It is not about the small number of people who are severely alcohol dependent. Of course we need to have effective responses to them, but quite a lot of the harm in the community occurs from people who occasionally drink too much. They might not consider themselves heavy drinkers but, if you look, young people are highly over-represented in drink-driving accidents and mortality rates. You would not, by any definition, categorise them as regular, heavy, alcoholic drinkers, but occasionally very heavy drinking creates substantial harm for themselves and for the broader community. As I said, current levels of harm should be unacceptable to the broader community. It is a cost for all of us.

CHAIR—Thank you very much for your submission and evidence. If there is anything you think we should have as a follow-up to what you have told us this afternoon please send it to us. We appreciate your input. That is the end of this witness session.

[2.39 pm]

HEALEY, Mr William John, CEO, Australian Hotels Association

CHAIR—Welcome, Mr Healey. I know you have information on parliamentary privilege and the protection of witnesses and those things. We have your association's submission. Would you like to make an opening statement, and then we will go to questions. You have been listening to the evidence?

Mr Healey—I have been. Before I go to our submission I would like to say that Tanya and I have been on TV. If you talk to people in the Northern Territory about the success of that program, it was not the tax increase that was important; it was the use of funds to have diversionary and interventionary strategies.

CHAIR—The two together? You cannot have one without the other.

Mr Healey—No. It was the diversionary strategies that made the difference; it was not the tax. The tax just funded it. You will not hear that from them, so I will make the point.

CHAIR—I take it you have had this discussion a bit?

Mr Healey—I did, with Jeff McMullen. It was Jeff McMullen's TV program. I also had a discussion with Tanya in which she confirmed through the national student survey that the overwhelming amount of alcohol today provided to young people is provided by their parents or another closely related adult. Something like less than 45 per cent comes directly from a retail outlet.

CHAIR—When you say 'young'—

Mr Healey—I am saying 'under age'.

CHAIR—Under 18.

Mr Healey—When we get into this and we talk about young females, are we talking about under-age females or are we talking about 18- to 24-year-olds? To kick off, I will paraphrase some of the things in our submission. We represent Australian general hotels, some restaurants and we also represent four- and five-star properties. We provide alcohol on the premises through our bars, restaurants and functions and we also provide off-premises consumption—although, since the deregulation of alcohol in certain precincts, there has been a shift towards liquor stores and supermarkets.

I think one of the things that the committee should be conscious of is that over the last 30 years there has been a significant shift in the sale of alcohol. In excess of 70 per cent of alcohol today is sold as packaged alcohol, the majority of which is consumed away from licensed premises, be they clubs, restaurants or hotels. That is a significant issue because a lot of the focus in interventions is related to on-premises sales. We, and many of the other areas I deal with

such as industrial relations, training and the environment, were quite excited with the new government's commitment to be evidence based. In the majority of cases, notwithstanding the demands of producing responses to committees and inquiries, we feel that is a sincere commitment. In many ways we were shocked by this announcement because it came totally out of the blue. For that reason, we would have thought that, given its significance, there would have been consultation. There was no consultation with our association; there was certainly no consultation with my colleagues in the industry generally whom we meet with.

Our Western Australian branch also provided a submission, and I am happy to answer questions on that. In making your assessment I think there are two issues. One is: what is the extent of the problem of risky levels of the drinking of alcohol in our community? Secondly, what is the best way to address the problem and what is it going to cost? Unlike some other people, I do think that we have a problem with certain areas of alcohol consumption in this country. I question whether the problem is an alcohol problem or more a problem of what I call the 'write-off culture', where it is acceptable to lose control and to take substances, be they alcohol or whatever, to write yourself off, to relax but then to push forward into an area where you lose control and engage in antisocial behaviour.

I want to refer to two issues from this week. Firstly, I assume you saw the *Four Corners* program on Monday night. I think that reflected elements of the cultural problem we are dealing with. Those young people in Surfers Paradise got in a cab after consuming a hell of a lot of alcohol and went into a precinct that we are criticised for not managing properly. I have to say that I did not think those kids were that bad. The real act of violence that appeared on that show was when a big guy hit a couple of people. I have been known to have a drink, and you do not hit people like that if you are drunk. You might if you are on steroids or another substance but you do not have that level of balance when drunk.

The other point—and I do not want to just drag up tragic events—is that there was a tragic event in Sydney last Friday night when a 21-year-old fellow had a confrontation with another person. That person drove a car at a group and killed him. The headline today was, 'Police paint picture of a drunk driver who'd had enough', describing this 35-year-old woman who drove a car into the group and killed this young man. If you look at her consumption, which occurred in a flat away from licensed premises, you will see that she had apparently consumed two bottles of wine, four valiums, two cones of marijuana and also an ecstasy pill. If we talk about the cultural issues that we are dealing with—and I will come to the point in a minute—this is what I call a write-off culture; it is not a binge-drinking culture. I think if you look at the House of Representatives report into the illicit use of drugs in our community, the problems we are seeing are when people turn up to our venues on a cocktail of different things and we do not know what is affecting them. So the question of substitution, which I know was raised, is not a substitution of spirits with wine or beer; it is a substitution with ecstasy, methamphetamines and so on. There are problems; we do not deny that. Some of the strategies we have proposed in our submission are because we believe that we have to be part of the solution. We do not think knee-jerk reactions like this are necessarily the solution.

The second thing I want to point out, which is a very clever way of pointing out the cost of alcohol to our community, is that we would argue that it is not about the cost of alcohol to our community; it is the cost of the irresponsible use of alcohol to the community. The most recent National Drug Strategy Household Survey on the cost of tobacco, alcohol and illicit drugs

attributes about \$15 billion as the cost of alcohol to the community. When you strip that back, there is probably less than half a billion dollars that comes from direct, physical impact on people's bodies—liver damage, brain damage and so on. The predominant costs come from assaults, road accidents—no doubt that young death of last week will be attributed to alcohol—lost productivity and a whole host of issues. The presentations in hospitals that you so often hear about are the consequences of people not consuming alcohol responsibly. It sounds self-serving on our part, but in reality alcohol is a drug. It is a highly regulated drug. We are subjected to quite significant regulations and penalties if we fail to abide by our obligations, and that is justified given the consequences. The real issue is: how do we create a culture which gets people to drink responsibly?

I am not sure if anybody has raised this, but we do have a national alcohol strategy which we were involved in. We think is a very solid document. It talks about creating a drinking culture. We went off and produced it and, to be honest, we have not heard much from the state and Commonwealth governments on how they are going to implement this strategy. We do hear knee-jerk reactions from police commissioners complaining about their time in certain areas. However, they ignore the fact that in certain precincts where we work collaboratively with the police we minimise antisocial behaviour. We believe that that is a very solid document and we are disappointed that the recommendations in it were not adhered to.

The other thing I will mention is that there have been some questions about tax rates. My understanding—and it predates my appointment to this position—is that the decision to price RTDs at a lower level than other spirits and, with the introduction of the GST, to price draught beers at a lower level than packaged beers was in actual fact in recognition that there should be an incentive for those things because they encourage responsible drinking. An RTD is a measured level of alcohol. We have volumetric tax on beer and spirits at different rates and that was the logic behind it. There was a feeling—and I will stand to be corrected on this—that draught beer was drunk in a regulated environment under the responsible service obligations of licensed premises, whereas packaged alcohol was consumed away from it, and the same with RTDs. It was not a loophole; it was a conscious decision, from my understanding, to price this product differently because it provided a more controlled drinking environment.

That leads me back to what we are hearing. I was interested to hear that you are not getting a lot of evidence about the transference of purchasing from one product to another. I am a father of four kids aged 18 to 26—and one has had a 21st birthday since the decision—and I have also spoken to our members, and there has been a significant drop in sales of RTDs, remembering that 75 per cent of those are generally dark-spirit RTDs and are generally consumed by males over the age of 25 who, because of cost factors, may have returned to beer. But, if you talk to our larger members, the wholesalers and the independent area, the drop in the volume of sales of RTDs is comparable to the sale of full-spirit bottles. I grew up in the seventies and still have bottles of Blackberry Nip, Brandavino and a whole lot of other substances on my parents' shelf, and to deny that an RTD is not a safer version of consumption of alcohol in a measured way than buying a spirit and a bottle of Coke or other soft drink to me beggars belief. It is happening. I think that if you talk to anyone who knows young people, they are seeing a shift.

In terms of a responsible drinking culture, we are very keen to work with the government on strategies. We are aware of the five references from the COAG group. We are looking at a unified approach to responsible service around the country. We think we can do better there. As

we know, it is not easy when you work in a licensed premise when people have had a few drinks and they are confronted in an environment where they do not want to listen and do what they are asked to do—that can lead to rather dramatic circumstances for all parties. And it is not easy when you have young people working on your premises and they have to tell older people, particularly if they have power, that they have to do something they do not want to do. So we are looking at skilling people up in terms of responsible service, but generally we think the answer lies in creating a better understanding amongst young people of just how much they can drink and practices that stop them—for example, we have had some circumstances where we close off the bar for half an hour and give them water. They do not understand what a standard drink is and they do not understand how long alcohol takes to influence their body. The other thing we have to do—and we have had some preliminary discussions on this—is work with parents, particularly parents of teenagers, on saying no to their kids and not facilitating a culture where they feel compelled to having parties and letting their kids have alcohol at underage parties. Secondary purchase is an issue.

Another area is that we are in the process of developing a charter for patrons. We have certain obligations to our patrons and we expect our patrons to operate in an effective way. Many of the assaults you are hearing about from the police quite often result because of the failure of intoxicated people to get into our premises and then they roam around the streets, or they have been asked to leave and our powers of keeping them on the premises are limited. The final area is that we think we have to strengthen the ability of the police to fine people who engage in antisocial behaviour resulting from alcohol or other substances. The final word from our members is that we are seeing a large number of people who are seemingly affected by other substances and quite often, particularly with methamphetamine et cetera, that leads to quite violent behaviour.

Do we have a problem? I think we do have a problem. I think that problem perhaps in some ways is no bigger or no worse than what has happened in the past, although that does not make it right. Do we have to work collaboratively with government and the community to solve it? Yes, we do, and we are doing that already through out liquor accords and strategies, but we can do better. Will this tax increase contribute to solving the problem? We do not believe that it will. We think it was a very strange decision. If you look at it from a health perspective or a financial perspective, it is very sound. We think that, if the government is sincere—and I have raised this with the health minister—that this is a health rather than a budget measure, give us the money to help implement this document. Those are my opening comments.

Senator HUMPHRIES—We are focusing on the drinking practices of young people. You, hopefully, cannot tell us anything about what young people below the age of 18 are doing, through the experience of your members. We can use your members' experience with the next cohort up—say, 18- to 25-year-olds—to give us some indication of how younger drinkers might be responding to the increase in the RTD tax. Have you surveyed your members, either systematically or anecdotally, at this point to be able to give any indication of what younger drinkers are doing in response to the RTD tax?

Mr Healey—Obviously this is anecdotal, but I suppose it is qualitative research: I spoke to one of our major wholesalers two weeks ago and he indicated there had been a decline of RTDs of about 20 per cent of their sales volumes out to the liquor stores, but there had been a complementary increase in 750-millilitre bottles of spirits and soft drinks. The government has

even acknowledged that there has been a drop of a million standard drinks, but that fails to take account of the fact that 70 per cent of these products are consumed by males and the substitute is not another spirit; it is probably beer or wine. That is where the erosion of the market over the last four or five years has been—at that dark spirit end. Certainly the tax has had an impact. Young people cannot afford to pay an extra dollar a bottle; they do not have the disposable income. There is the differential and the convenience of a sixpack. Despite people saying that they are a problem, they are seven, eight or nine standard drinks as opposed to a bottle of scotch, which is 23 standard drinks. When you take a bottle, you do tend to drink it. You do not take it home.

Senator HUMPHRIES—What are they doing? Are those young people who are finding it too expensive to buy the RTDs purchasing RTDs but purchasing fewer of them? Are they actually purchasing other products?

Mr Healey—I think it varies. For young people—which, from my understanding, is about 20 per cent of the market, probably less—I would think that they are doing one of three things. Firstly, they are purchasing full spirits and a bottle of soft drink. Therefore, the standard drink component of each drink is higher. Secondly, I am aware that they have gone back to consuming wine and cask wine. Thirdly, I am aware that they are drinking cheap Passion Pop champagne. But their level of consumption has not changed.

Senator HUMPHRIES—Your members are not reporting a drop in overall sales?

Mr Healey—Not the ones I have spoken to. Primarily, the member I am confident of talking about is a major wholesaler who has passed that information on to me. Our members are saying the same thing generally—and, by the way, this is off premise. Where there was a consumption of RTDs on premise there has been a shift to back to glass, which is a nip and a postmix. We make more money out of that, so we are not all that disappointed about that. Does that have to go on *Hansard*!

Senator HUMPHRIES—It would be useful—perhaps not in the context of this inquiry, because we have a short turnaround for our report—to see a fairly accurate survey of your members about what has happened to their sales since the tax increase. A number of outlets have been surveyed by independent distillers to see what has happened and they have actually measured it among 20 retailers in Sydney. It would be quite useful if you gave us a broader base to make some assessment on (a) are sales holding up across the board and (b) where are they going to, if not to RTDs? You also mentioned illicit drugs. Obviously you cannot present us with any hard data about that, but it has been suggested that, for a hit or a high, people may transfer to those sorts of substances. I hope your organisation cannot provide us with information about that, but do you have any other evidence you might suggest we look at to follow up that suggestion?

Mr Healey—As a society, we have got to identify what the problem is. We do not represent nightclubs. A lot of these late night venues are not our members, and it is up to them. But, if you go to a number of rave parties, if you go to a number of dance clubs around Australia, you will find that the predominant drink that is sold is either water or an energy drink and people dance all night. So they are either very fit, very happy or using some other substance.

We do not want to shift the blame and say, 'It's their fault; it's not our fault.' I think the problem in this country is this presumption that it is acceptable to write yourself off and, if you do write yourself off, ignoring general standards of normal behaviour is acceptable. Fortunately, my kids are older, but I have got a 12-year-old niece. How does she develop a balanced set of views when the supposed role models for her are Britney Spears, Paris Hilton and Lindsay Lohan? As you see, with all those people, it is not just alcohol. It is a cocktail of substances and the primary thing is a culture that is accepting and in some ways promoting the acceptability of writing yourself off—Amy Winehouse, the latest rock star, for example.

We certainly think that much of the violence in late night premises is the result of non-alcohol-related intoxication, for want of a word. At a lot of these venues, a lot of the people who are involved in the violence do not drink. But it is a honey pot for those people. That is our concern. That does not mean that we do not believe that we have got a major issue in making people understand what a standard drink is and manage their drinking to a point where they do not lose control. At the moment, if you talk to many of the health experts, they attribute too many of the problems to the drink rather than the irresponsible consumption of the product. They also place all of the responsibility external to the individual. If you look at most successful social programs in any form, the individual has to take responsibility for their problems.

Senator COLBECK—I can relate to your nip and a postmix experience because that happened to me last Saturday night when I bought an RTD can and thought, 'Gee, that's expensive and I'll have to reconsider my choices.' As we heard earlier, there has been a significant rise in the cost of those particular products. I think I had three of those during the night—which was 4½ standard drinks for the evening—but, had I had a similar volume of fluid based on a nip and a postmix, I probably would have had about six or seven standard drinks as my evening's entertainment if I had decided to keep on going back to the bar.

Senator Humphries has covered a lot of the stuff that I wanted to quite well. The essence of your evidence is that this is obviously not an evidence based decision from your perspective, and a much broader range of measures, potentially those included in the strategy, are really what is required to start dealing with this problem, rather than just one individual and isolated measure.

Mr Healey—Yes, it is. I think it is important that we highlight what the ramifications are and what the real problem is. I find it interesting that the previous speakers raised the issue of young people and drink driving. Anyone under 25 pays a higher insurance premium and it is not just because they drink. In fact, my understanding, which is as much anecdotal as anything, is that one of the great success stories in this community has been the way that young people have accepted that they should not drink and drive through the designated driver scheme. Unfortunately, that has meant that the other four kids in the car tend to become designated drunks quite often. That scheme shows that we can change culture and we can change behaviour as long as it is deemed to be acceptable. A one-off thing, apart from destroying a degree of trust amongst our members, who believed that this government would be evidence based and would not run to political quick fixes—and we have got several regulatory areas that we are concerned about—fails to point the finger at the real problem. It just avoids facing up to the reality that individuals have to learn to drink responsibly.

Senator COLBECK—We have had a couple of discussions about the shift in sales, and the evidence that you have provided matches the anecdotal evidence that has come from others. The

qualification that has been applied to the other information that we have had is that there need to be seasonal and marketing overlays placed on that information. Do you have a similar—

Mr Healey—As I said, apart from it being common sense—

Senator COLBECK—You think it is much more definitive than that?

Mr Healey—Yes, there is no doubt. If it is a dollar a bottle, it is \$6 or \$7 a sixpack. You can buy a bottle of cheap vodka for 20 bucks. The sixpack has now gone up to \$25.

Senator COLBECK—You are breaking that \$20 threshold, which changes the dynamics.

Mr Healey—As I said, I am a parent of four kids and I have seen it. Forgetting about why the decision is flawed in many cases, the other issue is that the real trend will be what 25-year-old men and above are doing and whether they have shifted from the dark spirits back to beer, which I would suggest is a major issue. It is not a move from RTDs to spirits; you have got to look at the total consumption patterns. We do not deny that from time to time young people who are under age get into our venues. As I said, I have four kids and I know the first three had false IDs before I took this job, but the last one did not, for obvious reasons. A lot of parents know that their kids are going out on a Saturday night, going into our venues and placing our people at enormous risk. The liquor stores—and I am not sure whether you have seen Terry Mott yet—have actually launched a campaign to tell parents not to buy things on secondary purchase. The number of problems we have when parents come in to buy drink and we say we cannot do it has been quite surprising.

I want to make the observation that anyone over 18 is at the legal age to drink; if they choose to drink sugary drinks—just the same as choosing to drink port—it is really an issue of choice. It is the way these products have been portrayed. In my view, as long as the person is of legal age, why should one product be penalised rather than another? I am confused as to what the problem is. We keep talking about young people, but are we talking about people who are under age? If they are under age and we know that those young people are getting their drink from parents, the solution is not a tax issue, because the parents will keep buying it. If it is people who are over 18 then it is an issue of consumer choice.

Senator COLBECK—There certainly has been a significant focus through a lot of the evidence we have had on young women and the change in their drinking patterns. I suppose, from my perspective, the underlying reason for the decision in the first place appears to be to target that area. I suppose that is a personal commentary rather than anything else. I think your comment is right that we need to look at the broader perspective of the RTD market, given that 90 per cent of them are dark liquor products and the vast majority of them are consumed outside of that supposed target market.

Mr Healey—In making my observations about over 18s, I do think—and we make this observation—that there has been a shift in acceptance of consumption of alcohol, particularly the public consumption of alcohol, amongst young females up to 25 to 30. That is probably the same in a whole host of areas. But I am confused as to whether the government's focus was the drinking patterns of underage females or females between the ages of 18 and 25. I think, as a father of a young female, that there are a number of things that young females do today that

perhaps they did not do 20 years ago. One of the arguments that have been put is that because both groups go out now and drink, rather than the male tending to be the predominant drinker, that that exacerbates some of the problems. As I said, because there was no discussion or rationale put forward, I am still confused as to what age group of young females this particular initiative is targeted at.

Senator SIEWERT—Going back to the comments you made right at the beginning of the session about the Northern Territory issues, I am interested to know on what basis you made the statement that it was about the diversionary programs.

Mr Healey—I am a member of a group called the National Alcohol Beverage Industries Council, which is made up of us, the liquor stores, the spirits producers, the brewers and the Winemakers Federation of Australia. We had a meeting last November, I think, or about 18 months ago, where the person responsible for that program from the Northern Territory came down and addressed us and made that observation. There is no doubt that the money helped, and it funded it, but what was significant about his advice at that meeting was that it was the education and intervention strategies that created the difference, rather than the marginal pricing.

Senator SIEWERT—You were talking about evidence based, and I would like actually to see the written evidence and the statistics that demonstrate that it was the diversionary programs alone. All the evidence that we have received has talked about the need for a comprehensive approach and about one measure alone not being able to do it—that there has to be a range of measures.

Mr Healey—I think that is what I am saying. Rather than just the tax increase alone, my response was that we totally believe in the need for a comprehensive approach. What I have heard—and perhaps I came in late—is that in other forums it has been put that it was the tax increase that led to the change.

Senator SIEWERT—All the evidence we have received, I think it is fair to say, has said that there needs to be a comprehensive approach.

Mr Healey—Yes, and that would certainly be our view.

Senator SIEWERT—Maybe I have misunderstood your argument, and you are not saying there should not be tax increases. What you are saying is that it needs to be part of a comprehensive approach?

Mr Healey—One of the things we did when we advised on this was to talk about price mechanisms. The tax increase in relation to the Northern Territory was a revenue raising issue to fund the programs, and the success of that program has been used to justify certain groups' belief that price increases and/or reducing outlets are the two things—Robin Room has probably been here and said this—that work. I do not want to argue with those guys. What I am saying to you is that if you have a write-off culture then the substitution from one substance to another will occur. You have only got to look at Indigenous cultures. If you put a restriction on alcohol, they sniff petrol. If people want to write themselves off, they will find a substance to do it with.

We agree you need a comprehensive strategy. I think we are too quick to rush to price. Our preferred view would be to reduce the price—and we make the point on pricing mechanisms in our submission—on substances or products that you believe will encourage the behaviour that you want. So you would have a reduction in price on low-strength or mid-strength beer. The reduction is far more effective than the increase. I am not sure whether the brewers mentioned this, but mid-strength beer is probably one of the biggest growth segments that we are seeing. The second- or third-largest selling beer in the country now is XXXX Gold. Price signals can work but, if you can buy an ecstasy pill for \$20, that will just shift them off elsewhere—and I think the evidence is pretty powerful about that.

Senator SIEWERT—The switch between drugs and alcohol?

Mr Healey—Yes, if your incentive is to write yourself off. If you watched the *Four Corners* program the other night, they were not drinking alcohol. If there has been a shift in the last 20 years—once again, anecdotally—it has probably been a drinking to get drunk philosophy, although the six o'clock swill probably suggests it has been around a lot longer than the last 20 years. The price issue, unless it is part of a comprehensive strategy, I think just leads to substitution.

Senator SIEWERT—Thanks.

Senator CAROL BROWN—I read in the *Sunday Telegraph* last month about a hotel in New South Wales. It might not be a member of yours, but I am sure you are aware of it.

Mr Healey—The Steyne?

Senator CAROL BROWN—Yes, exactly.

Mr Healey—It is a member.

Senator CAROL BROWN—Going only on what I have read in the paper, I understand it has voluntarily decided to stop selling prepackaged and premixed drinks. Why would it do that if it did not feel that that would have some sort of effect on behaviour in the hotel?

Mr Healey—I only know this third-hand, but we were concerned and we raised that decision with them. In our view, it is the practice of service rather than the particular product that is a problem.

Senator CAROL BROWN—Sorry, I did not quite catch that.

Mr Healey—It would not matter whether it is an RTD or excessive alcohol. We have had, for example, certain products pulled off. There is a tendency now for some people to use energy drinks in alcohol. Certain spirits have been identified with an energy drink and people are saying, 'We're banning those,' but then they just move to an energy drink and another level of spirit. My advice has been that that precinct has had an awful lot of problems. There have been threats of lockouts and interventions by police. Some senior police indicated that certain strategies may mean that they would not consider things like lockouts. Leading into winter, as I mentioned, you make a lot more money out of a nip and a postmix than what you do out of an

RTD over the bar. So there is probably a combination of reasons. Our view was that, at the end of the day, products like that should be treated equally.

I have to say there has been some concern—and the industry has responded to this—about the escalation of the potency of RTDs over the last two years. When they first started, they were around 1½ standard drinks, and we have seen a push up closer to the tax threshold of 10 per cent. It is regrettable that the self-regulation that we were starting to see has actually been overtaken by this tax increase, because in consultation we have encouraged the spirit providers to get them back down to two standard drinks and below, and we were confident that the industry would get to that point. As I said, it was an interesting decision at the Steyne. Our view is, at the end of the day, individual hotels have to make their own decisions—local solutions to local problems. It is not something that we would endorse as a universal approach.

Senator CAROL BROWN—Is that a late-night venue?

Mr Healey—It is one of them, yes. Manly is a late-night precinct. It is on the Corso at Manly, and that is a precinct that has had a lot of problems, or perceived problems, with police. Around some of these late-night venues, police are starting to look at different options. Sometimes changing what you serve is an option. We recently had a court decision in Newcastle where, in order to stay open after a certain period, there were certain restrictions on what you could sell, when you could serve and those sorts of things.

Senator CAROL BROWN—It is quite significant to me that a venue obviously at the coalface has decided to stop selling premixed drinks. Are they the only ones that you are aware of?

Mr Healey—We probably have 4½ thousand members. The point is that they have not stopped selling spirits.

Senator CAROL BROWN—No, they have stopped selling prepackaged, premixed drinks.

Mr Healey—They are still selling a nip, which is one or two standard drinks, so it is not the case that they have withdrawn from the spirit market; they have chosen not to sell RTDs. From my understanding of RTDs, most of the RTDs are under five per cent alcohol, so in many cases they would be the same as or less than a normal, standard spirit drink. It was a one-off. It was a decision they made. They have got that right. We think that there were local circumstances that led them to do that, but it would be interesting to see whether the consumption of spirits overall has dropped since they made that decision and whether their margin has increased.

Senator CAROL BROWN—It would be interesting to see if there is any link between their decision to stop selling RTDs and the level of bad behaviour.

Mr Healey—Yes, but once again there is a series of things in that precinct. Look at local area management plans. We are a big believer in liquor accords. Just yesterday in that precinct there was a voluntary agreement to a lockout at two o'clock, whereas Kings Cross in Sydney has committed to fund additional police on the beat, while other people have agreed to stop serving alcohol for an hour or half an hour from 11.30. So there are a number of initiatives out there on licensed premises that are being implemented to reduce the level of risky drinking. But, in terms

of this particular issue, that still only constitutes roughly 30 per cent of consumption. Seventy per cent is occurring away from our venues. When I say 'our venues', I am talking about clubs, restaurants, nightclubs et cetera. It was an initiative. We actually, through our New South Wales branch, did raise concerns in that we thought that it was a knee-jerk reaction.

Senator CAROL BROWN—Another one! You raised the issue of the strength of RTDs. I think—I might not be right here—that you can get RTDs of up to 12 per cent alcohol in Australia.

Mr Healey—I do not think you can get them up to 12 per cent. There are some as high as nine per cent alcohol.

Senator CAROL BROWN—It was nine per cent; I am sorry.

CHAIR—Nine per cent; the others are in New Zealand.

Senator CAROL BROWN—You have some concerns about that level?

Mr Healey—We are of the view that the initial idea was that they be broadly equivalent to a beer. We have been in discussions with the major spirits groups to try and reduce the level to below two standard drinks. That has occurred in a number of cases. Diaggio took a lead on that. I think our discussions on self-regulation were leading to some changes. Whether that will now change because, at the end of the day, the tax has gone up is another question; I am not sure how that throws that view out. But I can certainly say that as a parent I feel a lot more comfortable with a person going out with six RTDs at 1½ to two standard drinks than with a bottle of bourbon and a can of Coke.

Senator CAROL BROWN—That was my next question: what are the reasons behind your concern?

Mr Healey—There is evidence—and our Western Australian submission says this—that the longer you go on the night changes your ability to measure a nip, but an RTD is a regulated amount of drink. One of our frustrations is that there has been insufficient marketing of what a standard drink is. For example, we are working hard, in a commercial environment, to have a glass of wine seen as 1½ standard drinks so that people can monitor it. I think you tend to run out of Coke or soft drink earlier than you do the spirit, and you do not take the spirit home. I would suggest that, a lot of the time where there have been really severe cases of alcoholic poisoning among young people, it is because of the consumption of straight spirits.

CHAIR—It always has been, Mr Healey.

Mr Healey—Yes, I know. When you analyse the experiences of some of your colleagues, it is amazing what we have survived.

CHAIR—We are having our own surveys all the time, Mr Healey! Thank you very much for your evidence and also your time. We will see you again.

Mr Healey—Thank you for the opportunity. Could I just go back—I would hate you to think I was suggesting that a comprehensive approach was not required in the Northern Territory study. We certainly believe that. It was more the view that the tax was not the saviour.

CHAIR—Thanks.

Proceedings suspended from 3.26 pm to 3.39 pm

BRYANT, Ms Jennifer, First Assistant Secretary, Population Health Division, Department of Health and Ageing

HART, Ms Virginia, Assistant Secretary, Drug Strategy Branch, Department of Health and Ageing

KALISCH, Mr David, Deputy Secretary, Department of Health and Ageing

CURRIE, Professor Jon, Chair of the Revision of the Australian Alcohol Guidelines Working Committee, National Health and Medical Research Council

CHAIR—For the record, information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. As public servants, you will not be asked issues of policy or opinion. You are just to provide the information that you can. We have submissions today from both the NHMRC and the department. I invite any or all of you to make an opening statement, and then we will go to questions.

Mr Kalisch—The Department of Health and Ageing welcomes the opportunity to appear before the committee today. To begin with, I would like to apologise to the committee for the late dispatch of the submission, but hopefully you have had a few moments to go through it. Of course, we are willing and able to answer any questions you would like to ask us.

CHAIR—That is fine.

Prof. Currie—Similarly, I am happy to just answer questions, particularly in relation to the draft and the new alcohol guidelines.

CHAIR—We will go to questions then.

Senator COLBECK—We covered this pretty well last week, so I do not have too many more questions. Now that we are effectively suffering from statistical overload, I want to try and reconcile a difference in some of the figures that have been quoted and, to a certain extent, find out the source of some of the numbers. In your introduction, you quoted the National Drug Strategy Household Survey, which talks about consumption levels. They are quoted through your report. It notes a fairly stable level of consumption or preference. I think it is important that we note the difference in the terminology. The preference noted for RTDs by young women in a range of age groups, while high, is relatively stable across the 2000-2007 figures. Later in your introduction you quoted another set of figures from a different report which notes that:

In 2000, about 14% of female drinkers aged 15-17 reported drinking RTD at their last drinking occasion.

That is drinking at their ‘last occasion’ as opposed to their ‘preference’—I recognise the difference.

By 2004, this has increased to 60%.

I am trying to reconcile what appears to be a difference in those two sets of numbers, while recognising one is talking about a preference as opposed to a last event. The preference figures indicate a fairly static preference over that period of time, but the last event figures say something different. My first question is: where do the last event figures come from? How do we reconcile the two, given the depth to which we have been bombarded by all this data?

Ms Bryant—I think you will find we have footnoted the reference to the ‘last occasion’ in footnote 5. It comes from a report by King, Taylor and Carroll, *Alcohol consumption patterns among Australian 15 to 17 year olds from 2000-04*. In each case, hopefully, we have fairly well footnoted all of our source documents.

Senator COLBECK—It does not help me reconcile the difference in the statistics.

Ms Bryant—Sorry, I thought your question was about the source.

Senator COLBECK—It was both. So you got the first part right, and thank you for that. Again, there are a lot of figures that indicate consumption levels have been fairly static. We know there has been a rise in RTDs. The industry figures show us that, starting from 1995-96, there was an increase in those coming into the market, and then obviously that there was a change in the trajectory of those numbers from about 2000-2001. I am just trying to reconcile the difference between the numbers that are in this report. I suppose it might be difficult without going to them.

Ms Hart—We would probably need to look at the exact wording of the questions asked to tease it out for you. We can do that, but we may need to take it on notice if we do not have the survey instrument with us—I do not think we do. ‘Last drinking occasion’ is probably more clear-cut. The point about preference—and the question I have here that was asked was: ‘What type of alcohol do you usually drink?’—is that respondents could select one or more categories as their usual drink. So, without too much more speculation, we would need to look at the exact wording in the questionnaire and see what the difference in figures aligns with in terms of response categories.

Senator COLBECK—They are pretty pivotal numbers in the context of this entire debate.

Ms Hart—Yes.

Senator COLBECK—Both of those sets of numbers are being used by different sources for various purposes. If you can come back to us on that as quickly as possible—

Ms Hart—We will.

Mr Kalisch—I think that is important. The other thing I would note is that survey questions that more generally ask for preferences are often much more speculative and not necessarily seen to be as quite as reliable as questions that ask about a particular event or a particular action. I think that is the quandary that you are dealing with here.

Senator COLBECK—I cannot argue with that.

Mr Kalisch—As well as the aspect that Ms Hart quite rightly pointed out.

Senator COLBECK—Without having read the footnote and having the time to go through the document, I assumed that it came from the schools survey because that is the other set of data that has been tossed at us most often. Now you present a further quandary to me because the school data provided me with something slightly different again. That gives us as a committee something further to consider as part of the overall process.

Ms Hart—Maybe we can assist by giving you the exact question so you can see the dimensions of what is asked and what the response level is.

Senator COLBECK—Have we got that King, Taylor and Carroll survey? If we do not, it might be something else that we can add to our war chest.

CHAIR—We have inches of data, but I do not recognise King, Taylor and Carroll.

Ms Hart—I have just been handed by my colleague a copy of the report and it appears to have the survey instrument as an appendix.

Senator COLBECK—If we could have a copy of that, that would give us an opportunity to explore that a little bit more.

CHAIR—It says that this was done by the Australian government Department of Health and Ageing—obviously by consultants. Can we get some information from you about why the department gets such research and the basis of it? We always have the AIHW—and we exhausted them again yesterday as well. A number of studies have actually been done by the department. Can you or someone from the department give us an idea about what stimulates that, why, where it goes and that kind of stuff?

Ms Hart—I can talk in my field about this type of research. Generally we try to form views about what the data is showing by looking at quantitative and qualitative research. The principal quantitative sources, as the committee would know, are the household survey, the secondary schools survey, the ABS apparent consumption data and some others. We appreciate that population surveys have some methodological issues. Particularly when you are reporting what could be seen as an undesirable level of behaviour, such as excessive drinking, there may be issues with underreporting or inaccuracy of data. So that is the quantitative side.

The other very important side of this whole equation, as I know the committee would be aware, is the cultural and attitudinal factors that are responsible for youth drinking, binge drinking. We try to look at qualitative surveys that provide information, I suppose, on what some people might consider the softer data—the attitudes and cultural drivers of drinking behaviour. We do a fair bit of research in those areas. Certainly in preparation for any social marketing campaign and ultimately any advertising campaign, it is important that any information that goes out about drinking is informed by the views of young people—what they think and feel about the issue at hand. Certainly asking young people about their views on what they drink, the settings and the ways in which they drink is seen as part and parcel of that suite of information that informs policy.

CHAIR—And that is a stimulant to the department to then seek further consultancies?

Ms Bryant—We would commission particular pieces of work, often in response to a particular situation. The King, Taylor and Carroll report was a piece of research commissioned in the context of preparing for a social marketing exercise, so there was a particular driver for it. In other contexts it appears to be an emerging issue. The Ministerial Council on Drug Strategy works jointly with the states and territories. We often identify issues and commission particular pieces of research in response to issues raised in forums of that sort. There is a variety of drivers for it and it would just depend on the particular context.

Mr Kalisch—Perhaps I could add a little bit more. Perhaps what it does indicate is that the department has been interested in these issues for some time. This has not just come up in the last month or two. As was alluded to, the AIHW has a particular strength in terms of quantitative data collection, but there are other aspects that we often want to know about in terms of preferences, qualitative dimensions, and consumer and community attitudes, as well as wanting to tap into the expertise that other particular academics or professionals have in these fields. We will often look to them to provide us with expert opinion in other areas.

Senator COLBECK—I would be interested to know what the driver was for the King report. If you could find that out for us, that would be helpful.

Ms Bryant—It was in preparation for social marketing, I believe.

Ms Hart—That is correct. It was undertaken to inform directions for a social marketing campaign around alcohol.

Senator COLBECK—Is it being used in the preparation of the current marketing campaign that is being prepared by the government at the moment?

Ms Bryant—It would be one of a range of data taken into account. That particular document was from 2005—

Senator COLBECK—I understand that.

Ms Bryant—so we would also update the research and so on in the present context, but that would obviously form part of the backdrop information that would also be available to inform the development of a campaign.

Senator COLBECK—So you would be doing work at the moment to inform you of perhaps more current trends and issues in relation to the plan that is being put together at the moment?

Ms Bryant—We will be doing more research as we lead up to—

Senator COLBECK—I think we actually talked about that last week.

Ms Bryant—Yes, we possibly did.

Senator COLBECK—We heard from the AHA about the alcohol strategy. The document goes to 2006-09. What is the process for the update of that?

Ms Hart—That is one of our suite of strategies that is currently being considered by the intergovernmental committee on drugs, which sits under the Ministerial Council on Drug Strategy, and we are yet to determine a process for updating it. But, as part of the preparation for having a look at how successful it has been and making an evaluation of the strategy, the Ministerial Council on Drug Strategy—which met on 23 May, I think—considered a progress report against the strategy, which we do from time to time. I would imagine that, in line with the tobacco strategy, which is a little further advanced in its revision process, we would put together a group at officer level—people from all jurisdictions—who would have a look at the evidence on the success of the strategy and, in consultation with the ministerial council, would look at future priorities for the next iteration of the strategy.

Senator COLBECK—I am probably getting into the territory of questions you will have to take on notice now, but I am prepared to venture there. I am interested to know what was actually considered at the ministerial council. I understand that you might not be able to tell us. Two or three times in the deliberations of this committee, we have come across things that are occurring within that process, but nobody ever gets to see what is actually happening. I do not recall hearing anything on that in the communique from that last meeting. Is it possible for the committee to get some advice on what the progress was in the implementation of the report and how that lines up against its objectives?

Ms Bryant—We do have with us a copy of the communique from that meeting which we could make available. Are you saying that you have not seen it at all or that it does not contain enough detail?

Senator COLBECK—I have had a quick look at it and my mind is fogged by other alcohol issues at the moment!

Senator HUMPHRIES—Fogged by alcohol!

Senator COLBECK—I stress that it is fogged by issues, not by alcohol. I cannot recall exactly what was in it. I would be interested to know where we are at. If there is something in the report that can give that indication, that is fine. If there is not, I am still interested to know.

Ms Bryant—The committee met on 23 May, as Ms Hart indicated. They did issue a communique which indicated that they would be preparing an interim report for the July meeting of COAG and a further report for the COAG meeting later in the year. The report would be seeking to develop a national approach to reduce the incidence of alcohol related violence and the impact of alcohol abuse on individuals, the community and the health system. It would build on work already done by all governments and police commissioners.

Senator COLBECK—That is more a report of the intention of the committee going forward. I am interested in the implementation of the strategy that is currently in place and what has been achieved against the goals that were set in the strategy. That is a slightly different thing and that is what I am interested in getting hold of if I can. I think it might actually inform the committee if we can get that information. I understand there may be a process you have to go through.

Ms Bryant—We may need to consult our state colleagues in terms of the information. The nature of the progress reports made to the ministerial council on the occasions when it considers this issue is such that all jurisdictions put in the current range of activities that they have in this arena, and New South Wales, Victoria or Tasmania all report state-specific achievements against the goals in the strategy. So we would need to consult them in terms of releasing the information to the committee, but we are happy to do that.

Senator COLBECK—Okay.

CHAIR—Senator Brown has to catch a plane, so before she dashes away I thought we would get her question out of the way.

Senator CAROL BROWN—I just want to get a comment on part of the submission from the AHA. The first sentence on page 3 of their submission is:

The AHA does not believe there is a “binge drinking crisis” in Australia.

Would you like to comment on that statement?

Ms Hart—I am happy to make some comments on that. The definition of ‘binge drinking’, which you have probably heard a lot about, is described in terms of what happens on a single day or in a single drinking episode. I understand that, for males, seven to 10 drinks per day is considered a risky level of consumption. For adult females, five to six per day is considered a risky level of consumption. We know—and I am referring to the AIHW results in our submission—that about one in five girls in the 14- to 19-year-old age group drink at a risky or high-risk level for short-term harm at least monthly.

I am aware there has been lots of debate over what constitutes a binge and whether or not there is really an increase, given that aggregate trends show stable levels of consumption. But I guess the important part of some of the data is the fact that really quite young people—12- to 15-year-olds and 14- to 19-year-olds, the really young end of under-age drinking and then those close to the under-age drinking limit—are drinking at harmful levels at a time when it is likely to have maximum impact on their physiology and brain development, not to mention the social and emotional consequences. So I think the raw count of what constitutes a binge, the consequences of that sort of level of consumption in quite young people, what we know from very recently released studies about the level of injury and accident that people incur after a risky or high-risk level of drinks and what presents at emergency departments for treatment probably all add to a picture of a risky and harmful level of consumption.

Ms Bryant—I might add that the data on drinking levels is only one window on the problem. There is a body of other research about cultural factors that are an important part of young people’s drinking—the way they drink, what they drink and how the drink continues to put them at risk of harm. There is a body of research—which I do not think we included in the submission, because it did not directly relate to the specific questions and the terms of reference—on factors such as the increased availability of alcohol through more outlets, longer opening hours and availability in supermarkets as well as changing drinking modalities, such as drinking directly from bottles and standing up, where people drink quickly and drinking is not relaxed, leisurely, slow and so on. These factors are all having a bearing on patterns of drinking.

There is certainly research that we could provide to the committee that gives some background about those cultural windows on drinking as a problem. There have been a number of comments, as you would all be aware. One that we would cite is *Young people and alcohol: the role of cultural influences*, which is a research study by the National Research Centre on AOD Workforce Development, NCETA, by Anne Roche et al. There are a number of other research studies that are also relevant. I think the committee would be aware of comments in the media by a number of state and territory police commissioners about the extent of drinking problems that they encounter in the law enforcement context. So I think there are a number of windows on this—not just the data about aggregate consumption levels—that indicate it is a problem.

Ms Hart—I would add to Ms Bryant's answer that in that report there is information on the motivations of young drinkers. One of the most commonly cited motivations is the desire to get drunk, to drink to the point of getting drunk quite rapidly. So, whilst there is a technical definition of what would constitute risky or high-risk drinking, I think the motivational aspect that that speaks to suggests that it is not about having a few drinks in a social environment; it is about getting drunk, and as quickly as possible. That also ties into the question of whether or not binge drinking is occurring.

Senator HUMPHRIES—I have not read your submission yet, so I am not sure if you have answered some of these questions in the submission itself, but are there any international cases where someone else has done what the Australian government is doing here, targeting a tax increase on RTDs, that has produced the sort of outcome that you believe is desirable or have said publicly would be the outcome of this measure?

Ms Hart—Yes. There is quite a good body of evidence—and I am just finding the relevant term of reference in our submission—that we have tried to cover. The body of evidence looks at the effect of price increases on consumption and has generally found, particularly for price-sensitive groups like young people—it is covered on page 5 of our submission, I think—that an increase in the price of an alcoholic product will lead to a decrease in consumption. The studies also acknowledge that there is a degree of substitution—that, once the price of the preferred product goes up, some groups will switch to a different brand or type of product that is cheaper. But the general conclusion from the evidence seems to indicate that overall, taking into account substitution, consumption levels are lower than the sort of baseline data. Starting, I think, from the bottom of page 5, the international literature is briefly reviewed, and there has been an attempt to look at different countries that have introduced price and tax increases. So there are some US studies, some Swiss, some New Zealand. I am also aware that there is quite a large body of European—

Senator HUMPHRIES—Okay, but I am looking for one where you can say that the experience you are seeking has been exactly replicated. You mentioned the Living with Alcohol tax increase in the Northern Territory, for example, but that is not very comparable because there was a flat tax increase on all alcoholic products in the Northern Territory as part of that program. You could not go anywhere to substitute in those circumstances. You admit, for example, that in the case of Switzerland 'a decrease in the price on foreign spirits' in turn led to 'an increase in consumption of spirits'. So, which of those cases have involved targeting RTDs with a price increase which has led to a decrease in either consumption overall or harmful behaviour, particularly with respect to young people?

Ms Hart—I am not sure that we have direct evidence that looks at a price increase on RTDs. The growth in the market and the recognition of the problem of RTDs as part of youth drinking has been reasonably recent. I understand that there may be some limited literature on it, but we were not able to find it for our submission. We would be happy to look for some cases that more closely replicate the Australian initiative.

Mr Kalisch—Senator, I would refer you to what is on page 6 of the submission, which I think goes into a few more of the international experiences that are probably more directly comparable—for example, the experience of New Zealand with the beer and wine switch, where they changed the price of beer and then wine consumption changed, but overall there was a change in aggregate consumption. There are also three studies footnoted in the next paragraph that talk about a broader range of reviews of the international literature. They say:

Potential high-risk groups, such as heavy drinkers and young people, appear to be price sensitive—

so that, even in the case of substitution, overall consumption is lowered.

Senator HUMPHRIES—When we are talking about consumption there, are we talking about volume of alcoholic products or volume of alcohol?

Ms Hart—My understanding, without checking all the original sources, is it is normally a calculation done on litres of alcohol.

Senator HUMPHRIES—We have heard evidence today from some of the retailers that they have noticed a considerable drop in the sales of RTDs but, conversely, a rise in the sales of other products including spirits and some of the mixers, which is suggesting that in some cases people are mixing them themselves. It would be an interesting thing to monitor the amount of alcohol that is consumed in those circumstances as opposed to the amount of the raw sales of the alternative products. Going back to that study by King, Taylor and Carroll, has that been released publicly? I do not think we have heard it talked about before your submission was tabled .

Ms Hart—Apparently it is on the departmental website.

Senator HUMPHRIES—I am not sure it is a very widely viewed source for people looking at these things.

Ms Hart—I am not sure what that means about penetration.

Senator HUMPHRIES—Do you know if it has been reported? Do you know if it has been the subject of commentary or reporting in the media or elsewhere?

Mr Kalisch—Perhaps the authors keep track of that, rather than us.

Ms Hart—I am not sure whether there has been much coverage of it or citations of it.

Senator HUMPHRIES—I do not recall any of the other submissions today, for example, citing this report yet it is three years old, so I am surprised as to why it has not received much attention. But as far as you know it has been out in research circles for some time?

Ms Hart—That is correct. Maybe that means we need to lift the profile of our website a lot more.

Senator HUMPHRIES—Perhaps. A number of the public health organisations which have made submissions and given evidence to us, particularly today and yesterday, have given the tax increase a tick on the basis that it is the first step towards other measures. They have said most commonly that it should be a first step towards a volumetric approach towards alcohol taxation so that we end up with the situation where there would be no great potential for people to substitute other less expensive alcoholic products for the ones that they were previously drinking. Obviously, you cannot tell me whether that will be the ultimate position that the government will reach, because there is a review being conducted by Ken Henry which is presumably going to answer that question. But do you accept the submission made by the Alcohol Education and Rehabilitation Foundation that if you were to take a volumetric approach towards taxation then the increase in RTD taxation levels would put them well above the level at which you would otherwise tax them to achieve a uniform volumetric approach?

Mr Kalisch—I do not think that is an issue that we can really comment on. You probably need to ask the Treasury portfolio people about that very matter of revenue.

Senator HUMPHRIES—I would think that if you take that approach you are not taking it to achieve a particular revenue outcome; you are taking it to achieve a health outcome. The point that all of these submissions have been making is that the idea of a volumetric approach is to prevent people from migrating from one product to another to escape the effects of policy that is affected by a taxation change but which is driven by health outcomes.

Mr Kalisch—I understand the question that you are raising with us. Certainly, if we were in a different circumstance we might want to debate the public policy of different taxation approaches, but I think in this forum it would be inappropriate for us to talk about potential policy changes.

Ms Bryant—What our submission does say, if I can draw your attention to page 6 of it, is it has been reported that some people will adapt to price increases by substituting something cheaper so as to maintain their alcohol intake. But the international evidence is that obviously the more wide ranging a price increase the less potential there is for substitution, but even in the face of a degree of substitution overall consumption is still lowered. We have referenced the sources for that.

Senator HUMPHRIES—I go back to the philosophy behind this decision. As I understand it, the expected increase in tax take from the RTD increase is about \$3 billion over four years. Have I got that right?

Ms Bryant—My memory of that is it is right, but on page 23 of the submission we have included the excise calculations from the budget papers, for your ease of reference.

Senator HUMPHRIES—So total revenue—

Ms Hart—The total revenue over the forward estimates period is \$3.1 billion.

Senator HUMPHRIES—Yes—I have added it up and it looks like about \$3 billion. Many of the submitters emphasised that to make the tax change effective you need to follow up with other measures. It was a question not just of tax, but of public education, labelling and all sorts of other measures. Am I correct in saying that the additional measures aimed at risky alcohol behaviour in the budget amount to about \$50 million?

Ms Hart—That is correct. There are two areas of measures. The Prime Minister's National Binge Drinking Strategy, which is \$53 million, has a range of measures including community based initiatives, an early diversion initiative and a social marketing campaign. They will work in concert with the agreement from COAG and the Ministerial Council on Drugs Strategy, which is looking at a range of other policy levers, from the issue of secondary supply of alcohol to minors through to responsible service of alcohol training policies, and a range of other initiatives that will support tackling adolescent binge drinking.

Mr Kalisch—Certainly other areas of public health policy have demonstrated that a comprehensive approach towards tackling major difficulties is the most effective way to go about it.

Senator HUMPHRIES—Sorry, what is the most effective way?

Mr Kalisch—Having a more comprehensive approach, as Ms Hart just explained. The one thing I would caution against is just looking at measures that are implemented at a particular point in time. As we have seen with, say, actions against smoking, measures have taken place in an almost stepped fashion. There are price increases through taxation and excise, there are public awareness campaigns, there are other regulations and controls that take place at different times—and, overall, they take the form of a very comprehensive package. But you would not say that they were necessarily all introduced at one particular point in time—they have been building over time.

Senator HUMPHRIES—Yes, but what else is specifically being done by the government to reduce overall consumption of drinks, particularly RTDs, at risky levels? You are raising \$3,000 million, but the measure that is in this budget amounts to less than two per cent of that net gain in revenue. So what else should I add on to that figure to make it look more like you are serious about using the opportunity to reduce risky behaviour?

Ms Bryant—I think the excise has not yet been raised. It is budget funding in terms of the Binge Drinking Strategy—the funds are currently available.

Senator HUMPHRIES—Sorry, I did not understand that point. You say it has not yet been raised?

Ms Bryant—The revenue is beginning to flow, but there is not \$3.1 billion sitting in a pot.

Senator HUMPHRIES—But in this financial year there will be \$79 million and in the next one there will be over—what was the figure? There is plenty of money there if you want to start putting things in place.

Ms Bryant—Minister Roxon has stated on the public record that the government will be looking to direct a substantive proportion of the funds raised through the excise measure to preventative health activities. Exactly what those activities will be is still a matter for decision by government—but that has been stated on the public record.

Senator HUMPHRIES—Yes. I just would have thought that, if you are going to demonstrate that the government is actually serious about using a tax increase to leverage change in behaviour, you would put on the table at the same time some more extensive measures to drive that opportunity than the \$50 million measure that you have put in place in this budget.

Ms Bryant—I think that the government has put in train an extensive range of measures to identify priorities for additional preventive health expenditure. It has appointed the preventive health task force. One of its early priorities is to provide advice on the best areas for investment in terms of alcohol, tobacco and obesity, but alcohol is one of its initial key priorities.

Senator SIEWERT—When is the report on that being released?

Ms Bryant—The task force is due to provide the government with a preventive health strategy by July 2009. It has also set in train—I remind you of the work through the Ministerial Council on Drug Strategy and COAG—moves to look in detail at issues like secondary supply of alcohol, liquor outlets and opening hours, training in responsible service of alcohol, alcohol advertising and so on. So that range of activities is currently being examined with a view to identifying the priorities and key areas for further action.

Senator HUMPHRIES—It is a debate for the political arena as to whether the government is serious about actually driving some change if it is collecting the money first and then thinking about how it is going to outlay some money by 2009 or later to actually drive some other education based changes. I will ask you about evaluation of this measure. You say that you expect a reduction in alcohol consumption as a result of the measure. You accept that there will be some switching to other products, but you expect that there will be an overall reduction in alcohol consumption. How is that being measured, exactly?

Ms Hart—I will answer that, Senator. It is obviously quite early days since the excise was introduced on 26 April, but you will have seen reports of data from the ACNielsen ScanTrack information that is available on retail sales. I suppose, to build on Ms Bryant's point, the RTD excise increase is only one lever being used to tackle adolescent binge drinking. We are in the process now of trying to devise an evaluation to look at how all the initiatives that we have set out will contribute to tackling binge drinking. So we will want to collect data on reduction in RTD consumption and, of course, to look at the contrast between that and any growth there may be in the increase in spirits.

Senator HUMPHRIES—So you are saying that you have not got the evaluation instrument worked out yet.

Ms Hart—We are in the process of working out a whole-of-package evaluation for the binge-drinking strategy, of which the RTD excise patterns will be one component.

Mr Kalisch—That is quite a usual approach, Senator: measures are announced and implemented, and then the department or agency with implementation responsibility will develop, in full, the evaluation strategy within the first six to 12 months.

Senator HUMPHRIES—It is also consistent with an approach where the government says, ‘We need lots of money in a hurry; let’s do this and think about the public policy justifications and dressing that go on it afterwards to make it look a little bit more as if it’s really about public health rather than about simply collecting extra money.’

CHAIR—You know the officers cannot comment on that.

Mr Kalisch—I think it is quite consistent with the complexity of the evaluation strategy that Ms Hart was outlining.

Senator HUMPHRIES—We have had figures from the Institute of Health and Welfare about levels of risky drinking, about what sort of drinks young people are drinking and about the extent to which, they allege, there has not been a significant uptake in RTDs in the last six years—between 2001 and 2007. Even that data, which seems to be, perhaps with the school data, the best and most comprehensive data available, does not tell us what changes are taking place in the drinking habits of young people with respect to particular drinks in circumstances where we can track whether those who are using RTDs for risky drinking behaviour are actually changing that risky behaviour in response to this measure. What I am trying to say is: how are you going to get baseline data to assess that? You may well see that the overall sales figures—you mentioned the ACNielsen figures, Ms Hart—for RTDs drop. That does not tell you whether young people are drinking less of the RTDs. It does not tell you whether young people who are using RTDs for risky behaviour are using less of them for that purpose. What baseline data are you going to use in order to be able to assess the impact of this measure on young people’s use of RTDs for risky behaviour?

Ms Hart—That is obviously quite a complex question, as you would appreciate, and a single cause and effect demonstration between one particular policy lever and a complex behaviour like binge drinking is often hard to establish, as it is in a lot of population health problems. We do the secondary school survey every three years and the household survey every three years, so we will have a time series that provides some information about preferences and use of RTDs. We have recently completed a report that looks at the harm caused by consumption of alcohol for different age groups—that is overall harm, and it does not relate it back to the consumption of a particular alcoholic product like an RTD. Also, in terms of market research, one of the components of the National Binge Drinking Strategy is a marketing campaign. We would do further research to inform that that would pick up on drinking patterns and provide some information about RTDs. I think it is a very difficult issue to link a particular product and a general level of harmful behaviour in a straightforward, strictly cause and effect way.

Ms Bryant—That is right, and it is also difficult if you have a multipronged set of actions happening, in terms of social marketing campaigns, the excise measure, the Good Sports initiative or whatever else is in the space—the other existing prevention and early intervention strategies under the National Alcohol Strategy. It is then very difficult, in an evaluation sense, to attribute any particular outcome to a single cause.

Senator HUMPHRIES—I appreciate that. It is possible at the end of the day that those other measures could bring down the level of risky youth behaviour with alcohol quite independently of what has happened with the excise increase, and I accept we cannot unbundle those things. You have put in place a very major measure which is, might I say, going to affect more older consumers than young consumers because they are the main consumers of these products. Young people consume them at quite high rates, but the majority of users are actually older users. This measure has a lot of direct impact on a lot of people. I want get an idea of how, at the end of the day, you are going to measure the whole package of changes to see whether they actually reduce alcohol consumption, particularly risky use of alcohol, in Australia.

Ms Bryant—That is why some considerable thought is going into the design of an evaluation strategy. We were asked earlier what the drivers were for us to commission a particular piece of research. We fund a number of drug and alcohol research institutes on an ongoing basis. We commission pieces of work for them as part of the work they do for us in this field, and for any measure we set in place an evaluation strategy so that we have a mechanism. We do pre-and post-market testing in terms of social marketing. We have data that the Good Sports Foundation, for example, will be collecting about its initiative—that they indeed already collect for, given they were operating on a smaller scale. To the extent that we need additional data, clearly the work that we commissioned from the existing research institutes and from other consultants, other academics and so on, will take into account the need for us to have a thoroughgoing look at these issues and to maximise the quality of both our baseline and tracking data.

Mr Kalisch—I would expect that we would look at some of the secondary sources of information, particularly around other information via the health system—for example, of emergency department usage, and potentially through other sources, such as the police.

Senator HUMPHRIES—Can you tell me when the evaluation instrument will be determined?

Ms Hart—I cannot, at this stage. We are designing the evaluation, and it has a number of components to make sure we pick up the most information about the effectiveness of various interventions. As we have said, that is quite a complex exercise and I do not have a particular target date by which that will be completed. We are very keen to do that over the coming months to make sure that we get the maximum amount of information on the effectiveness of the initiatives.

Ms Bryant—I should say, too, that it is not a single instrument per se and that, for a number of the component parts, we are already some distance down the track, whilst for others we are less advanced and are considering what additional data we will need to commission. So it is a bit of a mixed picture and it is not a single product where we can say, ‘Well, that three-page piece of paper will be available then.’

CHAIR—Professor Currie, your submission says that the new enhanced guidelines will be available sometime around the middle of June. Is that time frame still being met?

Prof. Currie—It is the middle of July.

CHAIR—So are you still on track?

Prof. Currie—We are on track at the moment, yes. In a sense, these run like a giant river. We are looking at issues here of youth and small parts of it, but underneath this is the fact that probably in Australia there is a culture which has its drinking levels set too high. The new guidelines are bringing that down. All of this applies and that then becomes a factor in the outcome assessments. Does this whole guideline system—the new guidelines—change what we do? More importantly, do all these initiatives which are coming up emphasise that we need to change? So we would see the guidelines as fitting underneath all of this as a much bigger picture for the health of the country.

CHAIR—Your submission also talks about the process for dissemination. It seems to me to be a critical element what your process is going to be.

Prof. Currie—And it is very much dovetailed. The NHMRC produces the bedrock, which is the evidence—here are the facts, here are the health risks, here is the damage—and then the department, as part of its process, produces all of the marketing strategy that we have been talking about, which fits really hand in glove with this.

CHAIR—Simplistically—and it is a very simplistic analysis—the two days of evidence tend to have had public health people with a range of statistics and issues on one side and industry people with a range of statistics and issues on another side. The public health people consistently talk about the dangerous levels, and what they consider to be at-risk elements, of our culture of drinking. The industry people as one, whilst saying that they want to be part of what is going to happen, deny that there is an issue of crisis drinking in this country. When we looked at the submissions we saw that all the way through, so in that context your guidelines are quite critical.

Prof. Currie—If you drink more than four drinks on a six-hour occasion, then your risks of ending up in hospital with accident injury are increased fourfold. Those are the kinds of things which are incontrovertible facts. The risk of drinking more than two drinks a day is actually from two drinks to three drinks to four drinks, so the rate increases of your risk of death or injury. And these are the things which underline, in a sense, the health issues, and then it is not so much ‘is there a crisis?’ it is, ‘here are a set of facts; how do we change what we do to make us safer?’ That is the basis, really.

CHAIR—The factual basis is the other issue that we have been discussing backwards and forwards, in terms of the known data and the difference of opinion in interpretation of the data as to whether people are reaching the level of at-risk behaviour. Where does the NHMRC take its data from?

Prof. Currie—We take our data from all the published data sets. I guess you have been inundated with data sets.

CHAIR—Yes.

Prof. Currie—One of the things is that included in the data sets are Australian data and international data on an absolute range of things. This is long-term outcomes—cancer, heart disease, brain disease, liver damage; and short-term—death from accident, injury, motor vehicle accidents, trauma, falls, fights, brawls, things like that.

CHAIR—Do your guidelines look at violence? There is the issue of car accidents and those kinds of things, but there is also the perception of an increased level of violence, that people are fighting more.

Prof. Currie—We do not look at the feeling of being at risk or social harm. Certainly we do not look in depth at family disruption and so on. That is, in a sense, in addition to what are hard-core health things: ending up in an emergency room with injuries; ending up dead, which is a negative and very definitive outcome; having cancer or liver disease—those kinds of things. So we are really looking at very core outcomes.

The costs over and above that—the kinds of social costs, which are incredibly large—are beyond even the reach of this set of guidelines. While a number of people may say the guidelines seem very harsh, others from the social capital group would say, ‘You are lenient.’ We steer a course which is very much one of: here are the facts; we have looked at them; we have analysed them in as many ways as we can. I think it is interesting that what constantly comes up is the figure that above two drinks the risks escalate—not just for accident and injury but also for death. So there are biological mechanisms all coming together.

We present this and then say, ‘Okay, it is not a culture which has to change dramatically.’ I know a lot of the negativity has been: ‘Oh, my goodness, nobody could ever accept this,’ but probably 75 per cent of the population recognises already that these are levels within which they can move. It is that 25 per cent, which everyone has been presenting to you about for the last two days, where the main cultural change needs to come because that is where most of the harm actually arises.

CHAIR—Thank you very much. I thank the officers of the department and the NHMRC for your submissions and your time. Thank you also to Hansard and the secretariat.

Committee adjourned at 4.38 pm