



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

**CUSTOMS TARIFF
AMENDMENT (2009 MEASURES**

**EXCISE TARIFF AMENDMENT
(2009 MEASURES**

Second Reading

SPEECH

Monday, 16 March 2009

BY AUTHORITY OF THE SENATE

SPEECH

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Speaker Xenophon, Sen Nick

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Senator XENOPHON (South Australia) (7.40 pm)—The Customs Tariff Amendment (2009 Measures No. 1) Bill 2009 and the Excise Tariff Amendment (2009 Measures No. 1) Bill 2009 are commonly known as the alcopops bills and they increase the excise rate and the customs duty rates applying to alcoholic beverages that do not exceed 10 per cent by volume of alcohol but include the mixing of spirits in their production. The stated purpose of these bills is to reduce youth problem drinking. This is based on the premise that young people, particularly young women, prefer ready-to-drink beverages, otherwise known as RTDs or alcopops. Research shows that the more we can delay the start of youth drinking and the extent of unsupervised drinking the more likely we are to curb problem drinking in adulthood.

When introducing these bills, the Minister for Health and Ageing claimed:

... the increase in the rate applying to alcopops reflects the government's concern at the growth in alcopop consumption, alongside their appeal to young and underage drinkers—and the role that they play in encouraging binge drinking.

She also claimed that the 'alcopops measure is not the only measure the government is introducing to tackle alcohol abuse'. Clearly, the minister believes that the purpose of the alcopops tax is to target youth binge drinking, including underage binge drinking, because of the sweetness of these particular beverages. It is an idea that I fully support.

In my home state, Drug and Alcohol Services South Australia reports that in excess of 85 per cent of South Australian children over the age of 14 consume alcohol and 85 per cent of South Australian school students aged 12 to 17 have tried alcohol. Further, in South Australia statistics show that almost 65 per cent of the alcohol consumed is done so in a risky or excessive manner. It worries me deeply that so many young people in my home state, and indeed nationally, are putting their health and their futures at risk through unsafe drinking. When considered with the growing rate of binge drinking amongst our youth, it makes this a paramount issue of concern.

Before discussing these bills further I think I should declare an interest in these bills—namely, that I have a teenage son. I know that this sort of declaration may be unconventional, but he is the most important interest that I have. As a parent I am acutely aware of the influences of peer pressure, alcohol advertising and social modelling on young people like my son and his peers. I believe all parents share these fears, and in most Australian families one does not have to look too hard to find a relative who has had a problem with drinking.

Neither does one have to look too far to see the devastating impact of problem drinking on their partner, their children and their lives. I drink rarely, but I am no wowser. I believe that people should be able to enjoy a drink, particularly South Australian fine wine. But I believe that as adults we must drink responsibly, not only for our health but also for the sake of those who are silently watching our every action. With this in mind I want to commend the current DrinkWise campaign and the advertisement that is currently on television that highlights the role of parents in modelling responsible drinking.

So when the government announced a tax to target youth binge drinking, and specifically alcopops, I was hopeful. I was hopeful that all the revenue raised from the tax would go into health and education measures to address problem drinking; hopeful that the trial of the tax would result in a decline in overall alcohol consumption in Australia; hopeful that evidence would show that the tax also reduced binge drinking amongst our youth. Perhaps, as is my way, I was too hopeful.

When I looked at the initial alcopops package more closely I became concerned that it looked like the government was using a health issue to obscure what was primarily a revenue-raising tax. The alcopops initiative was not tied specifically to increased funding to reduce binge drinking. The initiative was not targeted beyond a claim that young girls, young people, liked RTDs. The initiative was not attuned to the possible substitution of other alcohol beverages or harder drugs.

But despite all this—to paraphrase *The X-Files*—I still wanted to believe that the truth was out there somewhere. I wanted to believe that this initiative would contribute to more people drinking less and fewer

people drinking to excess. Consequently, over the last six weeks, I have repeatedly asked the minister's office to provide evidence for the success of the alcopops tax. I have also asked my office to conduct a thorough review of all related research. This is because I believe the best way to distil the substance from the spin with these bills is to separate out each possible purpose of the tax and look at what the evidence says.

So my first question is simple: have these bills worked as a new tax? Clearly, the answer is yes. These bills will raise \$1.6 billion in tax revenue for the government in the first five years, although it is significantly less than the amount first estimated.

However, my second question is a little more difficult: has this tax been used to support better health policy that targets unsafe drinking? It would seem that the answer to this is both yes and no. In response to a question I put to the government in February this year, Senator Ludwig explained that \$872 million of new money from the alcopops tax will go to the National Partnership Agreement on Preventative Health with the states and territories. So, yes, this tax will support health and education initiatives. But the majority of this money will go into obesity, healthy activity and tobacco measures, all of which are worthy things. So the money raised under the guise of a youth targeted RTD tax is not being targeted to address youth binge drinking. Admittedly, the government has invested \$53.5 million in the National Binge Drinking Strategy, but this was set aside anyway and is not tied to the new money from these bills. Further, \$53.5 million for targeting problem drinking is nothing compared with the \$1.6 billion to be raised by this tax or indeed the \$6.75 billion, or thereabouts, in revenue that the government raises in alcohol excise each year.

While the government asserts that this is new money, how many of these projects are new and how many would have been funded in any event in the absence of this particular tax? That is an important question and I am still not satisfied with the extent of the answers I have received with respect to that. Despite my repeated requests for information, the government has not been able to be forthcoming about how much of the new alcopops money will go into new programs. Some would say the government is a bit elusive. In other words, the government is giving past initiatives or ones very much like them new names and new money so they can free up \$872 million elsewhere in the budget. That is a question that needs to be asked. I look forward to answers from the government in relation to these questions.

My third question is the most complex of the three: has this tax had a direct health policy outcome by changing unsafe drinking behaviour amongst adolescents? As yet, I do not know. Let us consider if there is enough evidence to conclusively respond to this third question. Firstly, has the tax changed overall alcohol consumption?

Earlier this year, Senator Ludwig informed the Senate that the consumption of full-strength spirits had increased by 19 per cent between May and September 2008. Macquarie Research data suggests beer volume consumption was up 1.1 per cent for the November 2008 quarter against the same 2007 quarter. Curtin University reported recently in the *Medical Journal of Australia* that consumption of alcohol in April to June 2008 dropped by 2.7 per cent on same period of 2007. Meanwhile, Roy Morgan Research reported recently in its longitudinal, non-commissioned study of alcohol consumption that there was no change in consumption over the years 2007-08.

In short, overall alcohol consumption has continued the trend of recent years where there has been a slight decline, with fewer Australians drinking greater amounts. That is one assertion. In this, the alcopops tax may well have had a negligible effect, which leads to a second question: what has the alcopops tax done for RTD consumption? Treasury figures estimate that the fall in RTDs will result in a 10.5 per cent tax increase over the period 2008-09 and an increase of 15.8 per cent over 2009-10. This is largely due to a substitution to full-strength spirits.

Minister Roxon claimed in February this year that the alcopops tax has worked because tax figures say sales have fallen by 35 per cent in the last nine months compared to the previous year. Further, the ATO found a 54 per cent decrease in RTDs and a seven per cent increase in spirits in the period April to June 2008. Meanwhile, ACNielsen research has found that in May to November 2008 RTD consumed volume was down by around 27.6 per cent and the number of standard drinks down by around 31 million standard drinks. Over the same period, spirits consumption went up by around 12.6 per cent volume and 12.6 million drinks. That said, overall spirit consumption was down by about 10 per cent. ACNielsen also found that from May 2008 onwards RTD consumption was down significantly while spirits consumption was up, beer consumption was up slightly and wine consumption was down. Compare this with Roy Morgan Research, which found that RTDs as a part of total consumption declined from 7.9 per cent in 2007 to 7.2 per cent in 2008.

When focusing on the period since the introduction of alcopops, there has been a decrease from 7.9 per cent to 6.4 per cent in RTDs, but beer and spirits have increased. Morgan also found that total alcohol volume declined by 16 per cent for RTDs with an associated six per cent increase in beer and a seven per cent increase for spirits.

Curtin University research has found that consumption of RTDs in April to June 2008 dropped by 26.1 per cent from the same period in 2007. It found that there had been a shift to beer, which was up 1.5 per cent, and spirits, which were up by 11.2 per cent. This is only half the decline in RTDs. Roy Morgan Research, interestingly, conducted research which showed that 18- to 24-year-olds buy according to brand rather than price. This questions the very premise of the alcopops measure in the first place.

So what do all these statistics tell us? Unfortunately, not a lot conclusively, but it would seem that while RTD consumption is down there has been a substitution effect into beer and spirits. However, the evidence is not available to know to what extent.

My third and most important question is: has the alcopops tax reduced adolescent binge drinking? For this question we have virtually no data. We know that the 2007 National Health Survey found that high-risk youth drinkers prefer beer if they are male and spirits if they are female. This study suggests that high-risk youth drinkers do not prefer RTDs, which casts doubt on the targeting of the alcopops measure.

But, beyond that, my office has not been able to find any evidence and the government, as yet, has not been able to provide me with such evidence to address the issue of the effect of the alcopops tax on youth binge drinking. Rather, there has been government and departmental criticism of research that does not concur with the government's position, a matter with which I do not wish to engage.

So what we have is a situation where the government and the distillers are trying to slug it out when neither has the ability to deliver the knockout punch in terms of conclusive evidence. The important question remains: is this tax having a direct impact on youth binge drinking? Of the evidence presented to me so far, not only do I lack enough independent research supporting the government's claims, I also lack virtually any evidence that any changes have been caused by the alcopops tax. Even if I give the government the benefit of the doubt and accept that the available research results point to change, this change is at best correlated; it is not causal.

Put simply, drinking patterns may have changed, but we do not know that the alcopops tax did it. Other influences on changing drinking patterns over the last year include broader social attitudes to drinking, media coverage of changes, drink promotions, the influence of the Christmas period, cash handouts, end of school and Schoolies Week and changing attitudes due to the global financial crisis. Anecdotal evidence from people I have spoken to in the industry and in correspondence with my office would seem to suggest that many young people have just shifted to another drink. And when we view alcohol consumption in the context of an Australian culture that views drinking as a sign of celebration, a badge of masculinity or a rite of passage, the matter becomes even more complex.

I am yet to see the evidence that convinces me that this tax is meeting its claimed health policy objectives. My adviser working on our review of this research was previously a research fellow on an Australian Research Council project and an academic who has assessed dozens of postgraduate applications for project approval. He informs me that if one of his PhD students came to him with this collection of research as evidence to substantiate the alcopops tax, he would send them out of his office and tell them to try again. This is not because each of the individual research projects is of a poor standard; rather it is because none collect the correct data to answer the specific question. There is no hard data to tell us if the alcopops tax has reduced youth binge drinking. So, if one cannot decide on the evidence, one must look at other arguments.

I must admit I have been swayed by the calls of the AMA and other health organisation to support these bills because they, on anecdotal or other grounds, believe they will help. And, like most Australians, I am more inclined to trust my doctor than a distiller. So, on balance, I am inclined to support these bills, but there still remain a number of reassurances that I need from the government.

I would like to be reassured that more of the revenue gained from this tax will be invested into new projects that specifically target binge drinking in Australian society. It is interesting to note that a media release of the Minister for Health and Ageing of 17 November 2008 titled 'National Binge Drinking Strategy' referred to the approval of 19 community projects to tackle binge drinking, totalling about \$3½ million—for example, Newcastle City Council for a project to manage environments in the Newcastle late night inner city to reduce the level of harm associated with binge drinking; the Broken Hill Community Drug Action Team for the Drink Safe Community

Initiative; and the Lutheran Church of Australia for the On Friday Night in Kilburn Project. All these seem like good initiatives for the local communities involved, enabling them to give alcohol-free alternatives to young people. But this is \$3½ million. It is a paltry amount. There were over 300 applications; if you assume that many of those applications were worthy then what the government is putting into this is inadequate.

I would like to hear from the government what it is doing to address any possible substitution to other alcoholic beverages or harder drugs due to the introduction of the alcopops tax. I would also like a commitment from the government that it will commission independent research about alcohol consumption patterns and specifically problem drinking. With this information we will not find ourselves again trying to make such important decisions with such limited evidence.

Finally, I would like a detailed commitment from the government about any plans to address the important issue of the proper regulation of alcohol advertising. I thoroughly endorse the comments made by my crossbench colleagues Senator Siewert for the Greens and Senator Fielding on behalf of Family First. These are important issues, especially when you consider the impact of advertising. I refer to a University of Connecticut study published in the *Archives of Pediatrics & Adolescent Medicine*. This research found that for each extra alcohol advertisement experienced per month, young people consumed one per cent more drinks. I would expect that when it comes to sponsorship—and Senator Siewert referred to the VB sponsorship of some of our major sporting codes—it is even more pernicious and insidious in its impact on young people. These are issues that need to be tackled. The government, while it has made some commitments in relation to this, needs to go further and stand up to the alcohol industry and tackle these issues head on.

In summary, I want to believe that this tax will be responsible for a reduction in binge drinking in our community. But my question to the government is this: apart from my respect for the health and medical groups that have called for the continuation of this tax, why should I believe? The evidence appears inadequate, the existence of new programs is under question and the proposed health and education measures are not tied to this tax. The level of funding for these programs is quite paltry—quite inadequate in the scheme of things. It is inadequate in the context of the \$1.6 billion this tax will raise over the next few years. It is woefully inadequate in the context of \$6.7 billion that the Commonwealth raises from alcohol revenue each year.

My hope for the committee stage is that the government can provide the evidence and reassurances that I have requested so that my final decision can be made on concrete commitments rather than just hope and faith. I indicate my support for the second reading of these bills but reserve my position in relation to the third reading. I look forward to further discussions with the government in relation to this in the very near future.