

October 2002

Senate Economics Legislation Committee

Inquiry into Excise Tariff Amendment Bill (No 1) 2002 &

Customs Tariff Amendment Bill (No 2) 2002

### **Supplementary Remarks**

Senator Andrew Murray

These Bills offer the first opportunity to review the new alcohol tax regime that was ushered in by the Coalition's New Tax System, from both an economic and a health perspective.

In the absence of a full review of alcohol policy, this Inquiry could only dip its toe into the issues. It was nevertheless a productive exercise that in my view clearly drew out five main conclusions:

- The Government's new alcohol tax system is a considerable improvement on the former regime (an improvement furthered by this Bill);
- Further improvements to the alcohol tax regime could make a material contribution to improved health outcomes;
- The value-added Wine Equalisation Tax (WET) is a failure in two respects. It has created a low-price cheap-alcohol cask market that is at the centre of alcohol abuse, and it is punishing the premium and small business bottled wine sector;
- The Government's low-alcohol policy is poor, since it only focuses on beer, when there are clear opportunities for incentives to encourage low alcohol RTD's and wines; and
- There are significant continuing inequities and anomalies in excise taxation, among others in RTD's, Brandy, Cider, and mid strength beer.

Unfortunately the short time frame for the Inquiry worked against a fuller Committee report but some of the submissions and some of the Hansard evidence provide useful insights on these matters. Of the industry sectors - beer, wine and spirits - the Committee was considerably assisted by the depth and quality of DSICA's submission. Andrew Irwin's submission is another one worth noting.

The submissions from experts in alcohol health policy point to the absolute need for further reform. Such reform would profit from being preceded by a full Inquiry. An example of the argument for further reform was this statement:

3. *From a public health perspective, broader reform of alcohol taxation and excise in Australia offers a significant opportunity to reduce the annual toll of more than 3,200 alcohol related deaths, 400,000 hospital bed-days and an estimated \$4.5 billion associated with addressing alcohol related harm.*
4. *From a public health perspective, excise and taxation on alcohol should be based on alcohol content and strength of drinks rather than cost of manufacture or the method used to produce the alcohol.<sup>1</sup>*

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<sup>1</sup> Mr David Crosbie, Odyssey House Victoria: Submission No 2, Page 1.

Contrast that compelling public policy argument on an urgent current need with this statement, which, sadly, speaks for itself:

*We believe that the issue of alcohol tax reform has been extensively reviewed over the last decade at not inconsiderable cost to government, the industry and the community. We do not believe it is now appropriate to again commit resources to a further review of an issue that has been exhaustively debated.*

*A new review of alcohol tax is both untimely and costly.<sup>2</sup>*

With respect to DSICA's submission they make a credible case for a more equitable taxation of RTD's compared with beer. Their view that brandy should be taxed at the same rate as all other spirits has merit. Given that DSICA represent the spirits industry as a whole, (and we have seen no opposition in the spirits sector to that policy view), there can be no justification for the continuance of such discrimination. I am on the public record as supporting the volumetric taxation of wine as a means of raising the price of low priced full strength wines (such as cask wines), (which is desirable from a Health policy perspective), and lowering the price of high value wines (which is desirable from an economic perspective). Health experts in the alcohol area all support such an approach.

It is fairer and more rational from a tax policy perspective to tax each alcohol product on its alcohol content rather than on its value.

In the view of the Australian Democrats, the priority for government is to introduce excise taxation incentives for the low alcohol consumption of RTD's and wines. It is a policy that has worked well for beer, with demonstrably positive health consequences.

**Senator Andrew Murray**

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<sup>2</sup> Mr Gary Max, Adviser Australian Associated Brewers Inc: Hansard E6.