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Minimum (floor) price  
Australian National Preventive Health Agency  
GPO Box 462  
Parliament House  
CANBERRA ACT 2601  
AUSTRALIA

By email: [minimumprice@anpha.gov.au](mailto:minimumprice@anpha.gov.au)

**Submission: Exploring the Public Interest Case for a Minimum (Floor) Price for Alcohol Issues Paper**

The McCusker Centre for Action on Alcohol and Youth (MCAAY) welcomes the opportunity to make a submission regarding the issues paper, *Exploring the Public Interest Case for a Minimum (Floor) Price for Alcohol*.

MCAAY is an independent organisation committed to reducing harms from alcohol among young people. The work of MCAAY is directed towards raising awareness of the magnitude of alcohol-related harms among young people, the approaches we know can work, other options and the need to act without delay.

MCAAY is a supporting organisation of the National Alliance for Action on Alcohol (NAAA) and as such, we support the position of the NAAA in regard to alcohol pricing and taxation as outlined in the NAAA submission to the ANPHA minimum floor price issues paper. In this submission we further detail the position of MCAAY in regard to alcohol pricing strategies, with a particular focus on alcohol and young people.

MCAAY supports a comprehensive approach to the prevention of harm from alcohol, including regulation of alcohol advertising and promotion, controls on the availability of and access to alcohol and alcohol pricing and taxation strategies.

Policy approaches in regard to the price of alcohol include reform to the alcohol taxation system to introduce a tiered volumetric tax and reforms to the Wine Equalisation Tax (WET), and the introduction of a minimum floor price on alcohol. Alcohol taxation, when used to increase the price of alcohol, is one of the most effective policy interventions to reduce the

level of alcohol consumption and related problems.<sup>1</sup> A minimum floor price on alcohol, as a tool to reducing the availability of very cheap alcohol, has the potential to make an important and unique contribution to pricing strategies to reduce harm from alcohol, particularly in the context of broader reforms to the alcohol taxation system.

### **Alcohol and young people: The harms**

There is significant concern among the Australian community about drinking patterns among young people and the resulting harms. Australian children and young people are drinking at earlier ages, and drinking to get drunk. Eighty percent of the alcohol consumed by young people aged 14-24 years is consumed at levels that put them or others at immediate risk, for example, from falls, assault injuries, road crashes and burns.<sup>2</sup> According to the 2008 Australian School Student Alcohol and Drug Survey, forty-three percent of 16-17 year old WA school students who consumed alcohol in the past week report that they drink to get drunk, and two-thirds believe that getting drunk is acceptable behaviour.<sup>3</sup> As the ANPHA issues paper notes [item 12], young people aged 18 to 29 years are more likely than the rest of the population to drink at levels that put them at risk of short-term harm, at least monthly.<sup>4</sup>

In addition to the concerning range of short term risks associated with excessive alcohol consumption, there is growing evidence that alcohol is implicated in a range of longer term consequences including harm to brain development. The brain continues to develop into the early 20s, and alcohol can irreparably damage young brains leading to problems with memory, planning and organisation, impulse control and mood regulation.<sup>5</sup>

The potential for harm extends beyond the drinker and young people do not need to consume alcohol to be at risk of harm. Young people are impacted by others' harmful alcohol use in a number of significant ways.

Alcohol use during pregnancy is a leading cause of preventable birth defects. Reducing alcohol use during pregnancy will reduce the prevalence and severity of Foetal Alcohol Spectrum Disorders (FASD). Preventing FASD will require a comprehensive approach, including both population-wide and targeted strategies to reduce alcohol use during pregnancy.

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<sup>1</sup> Anderson P, Chisholm D, Fuhr DC. Alcohol and Global Health 2: Effectiveness and cost-effectiveness of policies and programmes to reduce the harm caused by alcohol. *Lancet*. 2009; 373:2234 - 2246.

<sup>2</sup> Chikritzhs T, Catalano P, Stockwell T, Donath S, Ngo H, Young D, et al. Australian alcohol indicators, 1990-2001: Patterns of alcohol use and related harms for Australian states and territories. Perth: National Drug Research Institute and Turning Point Alcohol and Drug Centre Inc; 2003.

<sup>3</sup> Haynes R, Kalic R, Griffiths P, McGregor C, Gunnell A. Australian School Student Alcohol and Drug Survey: Alcohol Report 2008 - Western Australian results. Drug and Alcohol Office Surveillance Report: Number 2. Perth: Drug and Alcohol Office; 2010.

<sup>4</sup> Australian Institute of Health and Welfare. 2010 National Drug Strategy Household Survey report. Drug statistics series no. 25. Cat. no. PHE 145. Canberra: AIHW; 2011.

<sup>5</sup> Bava S, Tapert SF. Adolescent brain development and the risk for alcohol and other drug problems. *Neuropsychol Rev*. 2010; 20(4):398-413.

Recent research with Australian parents and carers showed that many young people (around twenty-two percent) had been affected because of another's drinking in the past year, with three percent reporting substantial harm.<sup>6</sup> Children were commonly exposed to heavy drinking by parents and others at social occasions, and this research suggests that the drinking of parents and other adults involved with children have consequences for children. It was most commonly reported that children were verbally abused because of others' drinking, and the problem extended across the social spectrum.

Young people are more likely to report being verbally abused, physically abused or put in fear by someone under the influence of alcohol than any other age group.<sup>7</sup> One in five Australians aged 18-19 years old have been a victim of physical abuse by someone under the influence of alcohol; for 20-29 year olds, more than one in seven have been a victim.<sup>8</sup>

A survey of 7200 undergraduate Australian university students identified that almost half (48 percent) of university students drink at harmful levels and that many students were affected by other students' drinking.<sup>9</sup> Students reported that as a result of others' drinking in the previous month, thirteen percent had been insulted or humiliated, nearly nine percent of male students reported being pushed, hit or otherwise assaulted by others who had been drinking, fourteen percent of female students had experienced an unwanted sexual advance, and one percent of students had been sexually assaulted.

### **A minimum floor price on alcohol: Potential impact on young people**

The economic availability of alcohol relates to the price: the cheaper it is, the higher its economic availability. There is a strong evidence base to support policies that regulate the economic availability of alcohol as a strategy to reduce alcohol-related harm.<sup>10</sup>

Young people are particularly price sensitive. Evidence on the impact of alcohol price on young drinkers consistently shows that changes in alcohol prices are related to changes in youth drinking.<sup>11</sup>

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<sup>6</sup> Laslett A-M, Ferris J, Dietze P, Room R. Social demography of alcohol-related harm to children in Australia. *Addiction*. 2012; 107:1082-89.

<sup>7</sup> Australian Institute of Health and Welfare. 2010 National Drug Strategy Household Survey report. Drug statistics series no. 25. Cat. no. PHE 145. Canberra: AIHW; 2011.

<sup>8</sup> Australian Institute of Health and Welfare. 2010 National Drug Strategy Household Survey report. Drug statistics series no. 25. Cat. no. PHE 145. Canberra: AIHW; 2011.

<sup>9</sup> Hallett J, Howat, P, Maycock, B, McManus, A, Kypri, K, Dhaliwal, S. Undergraduate student drinking and related harms at an Australian university: web-based survey of a large random sample. *BMC Public Health*. 2012; 12(37).

<sup>10</sup> Anderson P, Chisholm D, Fuhr DC. Alcohol and Global Health 2: Effectiveness and cost-effectiveness of policies and programmes to reduce the harm caused by alcohol. *Lancet*. 2009; 373:2234 - 2246.

<sup>11</sup> Purshouse RC, Meier PS, Brennan A, Taylor KB, Rafia R. Estimated effect of alcohol pricing policies on health and health economic outcomes in England: an epidemiological model. *Lancet*. 2010; 375(9723):1355-64.

Elder RW, Lawrence B, Ferguson A, Naimi TS, Brewer RD, Chattopadhyay SK, et al. The effectiveness of tax policy interventions for reducing excessive alcohol consumption and related harms. *Am J Prev Med*. 2010 38(2):217-29.

Research commissioned by the Drug and Alcohol Office in WA found that price, in terms of cheap liquor availability, influences increases in the frequency and quantity of alcohol purchased, and the frequency and quantity of alcohol consumed.<sup>12</sup> The availability of cheap alcohol appeared to have the greatest impact on purchasing and consumption behaviours of young people aged 18 to 29 years.

The Australian experience in regard to the ‘alcopops’ tax represents a price-based approach to preventing harm from alcohol that achieved an overall reduction in alcohol sold in Australia over the initial period when it might have been expected to have such an impact.<sup>13</sup> This experience also represents a case in point that in planning interventions there is a real need for alcohol policymakers to anticipate the response of industry and drinkers, for example, substitution practices. A minimum floor price on alcohol creates a level playing field among the alcohol market which limits the ability of drinkers (and those promoting alcohol) to substitute with low cost products.

Certain types of alcohol are regularly advertised and sold at extremely low cost, in particular cask wine and ‘cleanskin’ wine. Surveys of drink preferences show that young people are likely to consume this type of wine.<sup>14</sup> Low cost alcohol products, such as cask wine, have been found to be associated with alcohol-related harms including night-time assaults and acute alcohol-related morbidity.<sup>15</sup> Examples of print advertisements for low cost wine are provided in Appendix A. Example One promoted three Berri Estates 5 litre casks (a total of 129 standard drinks) for \$30.00, which equates to \$2.00 per litre or just over \$0.23 per standard drink. Example Two promoted a multi-buy special of 750ml bottles of wine for the equivalent of \$2.00 each, or around \$0.27 per standard drink (one 750ml bottle contains about 7.5 standard drinks, although the volume of alcohol can vary). While these examples are from Western Australian print media, they represent national retailers with many stores around Australia and can be expected to advertise in a similar manner in other states. These examples are in no way unique; many similar examples could be provided.

Alcohol is not only available to buy at very low cost, but low cost alcohol is also heavily advertised. A VicHealth study of alcohol advertising in Victorian daily newspapers over a 20 year period (1989-2009) found that alcohol advertising in newspapers is now dominated by large scale liquor retailers, or ‘liquor barns’, and greater prominence in advertising is given to the

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<sup>12</sup> Drug and Alcohol Office and TNS Social Research. Cheap Drinks report. March 2011.

<sup>13</sup> Skov SJ, Chikritzhs TN, Kypri K, Miller PG, Hall WD, Daube MM, et al. Is the “alcopops” tax working? Probably yes but there is a bigger picture. *Med J Aust.* 2011; 195:84–86.

<sup>14</sup> Jones SC, Barrie L. RTDs in Australia: expensive designer drinks or cheap rocket fuel? *Drug Alcohol Rev.* 2011; 30(1):4-11.

Srivastava P, Zhao X. What do the bingers drink? Micro-unit evidence on negative externalities and drinker characteristics of alcohol consumption by beverage types. *Economic Papers.* 2010; 29(2):229–250. Australian Institute of Health and Welfare. 2010 National Drug Strategy Household Survey report. Drug statistics series no. 25. Cat. no. PHE 145. Canberra: AIHW; 2011.

<sup>15</sup> Stockwell, T., Masters, L., Philips, M., Daly, A., Gahegan, M., Midford, R. and Philp, A. (1998), Consumption of different alcoholic beverages as predictors of local rates of night-time assault and acute alcohol-related morbidity. *Australian and New Zealand Journal of Public Health*, 22: 237–242.

price of products through the promotion of special offers and bulk-buy discounts.<sup>16</sup> Price-focused alcohol advertising related to ‘liquor barns’ can also be seen through online, outdoor and other forms of promotion.

Levies on the advertising of unhealthy products have been proposed by a number of groups.<sup>17</sup> A levy on advertising and promotional expenditure for alcoholic products would create a pool of funds which could be allocated to public education programs to provide health information to prevent harm from alcohol and approaches to replacing alcohol sponsorships.

It is well recognised that there is a substantial difference between the price of packaged liquor (e.g. take-away alcohol sold from bottle shops for consumption off-premise) and on-premise alcohol (e.g. alcohol sold at hotels and bars for consumption on site). Concerns have been expressed that this price differential has contributed to harmful drinking patterns.<sup>18</sup> ‘Pre-drinking’ or ‘pre-loading’, the practice of consuming alcohol prior to going out, often in substantial quantities and at a rapid pace, has emerged as a common practice among young people. Apparent motivations for this behaviour include avoidance of paying for high priced drinks at venues.<sup>19</sup> Concerns have been raised that pre-drinking may be linked to very high levels of alcohol consumption and a range of harms including alcohol-related violence.<sup>20</sup> A minimum price on alcohol, which would be expected to have a greater impact on the price of packaged liquor than on-premise liquor prices, may be effective in reducing the price differential between the two forms of alcohol sales and thereby reduce the financial incentive for ‘pre-loading’.

### **A minimum floor price on alcohol: An important part of a comprehensive approach to preventing harm from alcohol**

There is a need for population level approaches to preventing harm from alcohol. A concerning proportion of the Australian population consume alcohol above the National Health and Medical Research Council guidelines to reduce health risks from drinking alcohol. The 2010 National Drug Strategy Household Survey identified that one in five people (20.1 percent) aged

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<sup>16</sup> VicHealth 2012. *A historical analysis of alcohol advertising in print media 1989–2009*.

<sup>17</sup> Harper TA, Mooney G. Prevention before profits: a levy on food and alcohol advertising. *Med J Aust*. 2010; 192:400–402.

Tobin CL, Fitzgerald JL, Livingstone C, Thomson L, Harper T. Support for breaking the nexus between alcohol and community sports settings: Findings from the VicHealth Community Attitudes Survey in Australia. *Drug Alcohol Rev*. 2012; 31(4):413-21.

Brown B. Greens announce junk food and alcohol advertising levy [homepage on the Internet]. 2010 [updated 2010 Jul 21; cited 2012 Aug 2]. Available from: <http://greensmps.org.au/content/media-releases/greens-announce-junk-food-and-alcohol-advertising-levy>.

<sup>18</sup> O’Connell R. Cheap grog is key reason for violence, says top cop. *The West Australian*. 2011 Jun 2; 10.

<sup>19</sup> Wells S, Graham K, Purcell J. Policy implications of the widespread practice of ‘pre-drinking’ or ‘pre-gaming’ before going to public drinking establishments—are current prevention strategies backfiring? *Addiction*. 2009; 104:4–9.

<sup>20</sup> Wells S, Graham K, Purcell J. Policy implications of the widespread practice of ‘pre-drinking’ or ‘pre-gaming’ before going to public drinking establishments—are current prevention strategies backfiring? *Addiction*. 2009; 104:4–9.

14 years or older consumed alcohol at a level that put them at risk of harm from alcohol-related disease or injury over their lifetime.<sup>21</sup> Further, two in five (39.7 percent) people aged 14 years or older drank, at least once in the last 12 months, in a pattern that placed them at risk of an alcohol-related injury from a single drinking occasion. Drinking at risky levels is therefore clearly not a minority problem in Australia; rather, it is a whole-of-population issue which requires a comprehensive suite of population level approaches to effectively prevent harm.

Approaches to alcohol pricing reform and their impact should be considered collectively, as each approach – including the introduction of a tiered volumetric tax system, removal of the WET and a minimum floor price – has a unique contribution to make to address the economic availability of alcohol. No single approach can be expected to address the full range of issues in regard to the current approaches to pricing and taxation of alcohol in Australia. In this context, a minimum floor price should be considered alongside a tiered volumetric tax and the abolishment of the WET.

MCAAY supports the position of the NAAA in regard to the ANPHA minimum price issues paper. In summary, the NAAA position is as follows:

Substantial reform of the way in which alcohol is taxed is required, namely reforming the WET and adopting a differentiated volumetric model of alcohol taxation. NAAA supports the principle of setting a minimum (floor) price for alcohol to prevent harms from low-cost alcohol.

Differentiated volumetric alcohol taxation, adjusted regularly in line with inflation, can reduce consumption and related harm. Meanwhile, a minimum floor price, whether introduced alongside a differentiated volumetric tax or as a stand-alone measure, would eliminate some of the major inconsistencies in the current alcohol taxation framework, in particular, the deleterious effect of the WET.

Alcohol taxation, when used to increase the price of alcohol, is one of the most effective policy interventions to reduce the level of alcohol consumption and related problems.<sup>22</sup> Significant flaws have been identified in Australia's current alcohol taxation regime<sup>23</sup>; products are not consistently taxed according to the volume of alcohol they contain, and there exist incentives for the production and consumption of cheap alcohol.<sup>24</sup> We strongly believe there should be a volumetric approach to alcohol taxation, whereby products with higher alcohol volumes attract a higher rate of taxation, with regular increases to the real price of alcohol.

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<sup>21</sup> Australian Institute of Health and Welfare. 2010 National Drug Strategy Household Survey report. Drug statistics series no. 25. Cat. no. PHE 145. Canberra: AIHW; 2011.

<sup>22</sup> Anderson P, Chisholm D, Fuhr DC. Alcohol and Global Health 2: Effectiveness and cost-effectiveness of policies and programmes to reduce the harm caused by alcohol. *Lancet*. 2009; 373:2234 - 2246.

<sup>23</sup> Australia's future tax system (AFTS). Report to the Treasurer. Canberra: The Treasury, Commonwealth of Australia. 2010.

<sup>24</sup> The Allen Consulting Group, Alcohol Education & Rehabilitation Foundation. Alcohol Taxation Reform: Starting With The Wine Equalisation Tax. 2011.

There is substantial opportunity for the regulation of a minimum floor price to complement a volumetric tax on alcohol. A minimum floor price is an important part of a comprehensive approach to addressing the price of alcohol, and has the potential to make a unique and important contribution to pricing strategies. A minimum floor price would raise the prices of only the very cheapest alcohol products, and would prevent the sale of alcohol at below cost (i.e. as a 'loss leader') and reduce the ability of the alcohol industry to promote cheaper alternatives.<sup>25</sup>

A minimum floor price on alcohol has the potential to impact on Australia's 'drink to get drunk' culture that young people are exposed to and influenced by. The ease of availability of alcohol at very low prices, along with masses of price-based alcohol promotion, is contributing to the normalisation of alcohol as an ordinary commodity. In reality, alcohol carries inherent risk and is associated with a wide range of short and long term harms. A comprehensive approach to addressing the economic availability of alcohol (i.e. pricing and taxation), as part of broader alcohol policy approaches which include restrictions on the promotion of alcohol and limitations on the physical availability of alcohol, is needed to ensure that alcohol is understood to be no ordinary commodity.

#### **A minimum floor price on alcohol: Potential to address concerning industry practices**

A minimum floor price on alcohol has the potential to address some alcohol industry practices which are of serious concern to groups working to prevent harm from alcohol. Concerning practices include heavy discounting of alcohol products, competition between liquor retailers focused on price, price-focused alcohol advertising and promotion, and the sale and promotion of large volume, very cheap alcohol products such as cask wine. Further to this, we have identified significant growth in the number of large-scale discount packaged liquor outlets ('liquor barns') in WA, which are themselves accompanied by masses of price-based promotion.<sup>26</sup> The increased availability of cheap liquor associated with the growth of liquor barns is of considerable concern to groups seeking to prevent harm from alcohol.

As noted above, a minimum floor price would prevent heavy discounting of alcohol, including the sale of alcohol at below cost (i.e. as a 'loss leader'), and reduce the ability of the alcohol industry to encourage substitution by promoting cheaper alternatives. We believe that a minimum price strategy has the potential to address some of these concerning practices of the alcohol industry. It should also be noted that in addition to the broader population rationales, there may well be good local or regional reasons (as in the Northern Territory) for action on a minimum floor price.

To be effective in reducing harm from alcohol, a minimum floor price would need to be set at a level expected to make an impact on levels of consumption based on the best available

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<sup>25</sup> Skov SJ, Chikritzhs TN, Kypri K, Miller PG, Hall WD, Daube MM, et al. Is the "alcopops" tax working? Probably yes but there is a bigger picture. *Med J Aust.* 2011; 195:84–86.

<sup>26</sup> O'Leary C. Booze superstores spark alarm. *The West Australian.* 2011 Jul 22; page 3.

evidence and independent modelling studies. The alcohol industry, which has a history of opposing effective approaches to preventing harm from alcohol, should not be involved in setting a minimum floor price for alcohol. Preventing harm to the community must take precedence over the interests of the alcohol industry.

### **Conclusion**

We urge that a minimum floor price on alcohol be considered in the context of a comprehensive, whole-of-government approach to preventing harm from alcohol which addresses Australia's 'incoherent' alcohol taxation system<sup>27</sup> and other issues as recommended by the report of the National Preventative Health Taskforce, including alcohol promotion and availability.<sup>28</sup>

We further urge that ANPHA convene an alcohol and pricing summit with experts in health, economics and finance (excluding alcohol industry participants), with the aim to progress the best approach to a minimum floor price on alcohol.

Yours sincerely,

Professor Mike Daube  
DIRECTOR, MCCUSKER CENTRE FOR ACTION ON ALCOHOL AND YOUTH

Ms Julia Stafford  
EXECUTIVE OFFICER, MCCUSKER CENTRE FOR ACTION ON ALCOHOL AND YOUTH

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<sup>27</sup> Henry K, Australia's Future Tax System Review Panel. Australia's future tax system: report to the Treasurer. Canberra: The Treasury; 2010.

<sup>28</sup> National Preventative Health Taskforce. Australia: The Healthiest Country by 2020 – National Preventative Health Strategy – the roadmap for action. Canberra: Commonwealth of Australia; 2009.

## APPENDIX A

### Example One: Three Berri Estates 5 litre casks for \$30.00

As seen in the Woolworths online catalogue, 26 March 2012.

Woolworths Weekly Specials

the hunt is on! WIN a share of 100 x \$25 Woolworths Gift Cards!

liquor woolworths

2 FOR \$85

3 FOR \$30

the hunt is on! WIN a share of 100 x \$25 Woolworths Gift Cards!

Award winning chips, as voted by you.

2 FOR \$5 SAVE 98c

Woolworths Select - the real difference is the price.

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### Example Two: 750ml bottles of cleanskin wine for \$2.00 each, as part of a six pack.

As seen in The West Australian digital edition, 14 October 2011.

We're Celebrating Our **BWS** 10<sup>th</sup> BIRTHDAY

2 CASES \$70 SAVE \$24

WIN A JIM BEAM COOLER!

6 bottle pack Semillon Sauvignon Blanc EC6 750ml \$12

TOP BUY 6

For your local bottleshop visit [bws.com.au](http://bws.com.au) or call 1300 138 297. SMS your postcode or suburb to 0438 138 297.

BWS supports the responsible service of alcohol. It is illegal to purchase alcohol for people under 18. Advertised line available in WA stores only from Friday 14th October until Tuesday 15th October 2011 unless asked out price. Trade not supplied. Limit rights reserved. Savings are based on BWS standard selling prices. No further discounts apply. Not all varieties available at all stores. \*Standard local call and SMS charges apply. BWS reminds you not to drink and drive. Offers not available in Broome. †Purchase any 2 cases of Toohys Extra Dry bottles 24x345ml and receive a bonus pair of headphones. Limit one per person per day. While stocks last. ‡Competition opens 5/10/11 and closes 1/11/11. One cooler to be won in every store, purchase any Jim Beam product to enter. See in-store for full details. Authorized under permit numbers NSW LTP8/11/07669, SA T11/1707 and ACT TP11/02320. EPIC 1011W&B

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