

# Alcohol taxation policy in Australia: public health imperatives for action

## A statement by the Royal Australasian College of Physicians

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The Australian Government's "alcopops" tax legislation will soon be voted on by the Senate. This is the first time in memory that an alcohol taxation measure has been informed principally by public health concerns, even though it has not been universally seen as such. Regardless of the outcome of the Senate vote, the Royal Australasian College of Physicians (RACP) argues that a broader review of alcohol taxation policy is needed as part of a comprehensive approach to alcohol-related problems in Australia.

### Alcohol harm is at an unacceptable level

The absolute levels of harm due to alcohol in Australia today are unacceptable, particularly among young people:

- An estimated 3494 Australians died in the 2004–05 financial year because of their alcohol consumption.<sup>1</sup>
- The estimated cost to Australian society of alcohol-related health harms, lost productivity, and crime in 2004–05 was \$15.3 billion.<sup>1</sup>
- In 2003, an estimated 3.2% of the total burden of disease and injury in Australia was attributable to alcohol.<sup>2</sup>
- In 2007, 37.4% of males and 41.2% of females aged 14–19 years reported consuming alcohol at a level that placed them at risk of short-term harm (eg, being involved in a fight or a car crash, or engaging in risky sexual behaviour) in the past year. Just under one in 10 in this age group (8.8% of males, 9.4% of females) did so *every week*.<sup>3</sup>
- In the 10 years to 2002, an estimated five people aged 15–24 years died and 216 were admitted to hospital *every week* as a result of drinking alcohol.<sup>4</sup> People of this age account for about 52% of all alcohol-related serious road injuries.<sup>5</sup>

Reducing this level of harm should be a major focus of research and policy.

### Price is the most effective measure to control consumption and harm in a population

There is an indisputably strong link between price, consumption of alcohol, and harms.<sup>6</sup> Price is an effective measure in controlling consumption and consequent harms. A recent review of alcohol policy measures found that:

An increase in the price of alcohol reduces alcohol consumption, hazardous and harmful alcohol consumption, alcohol dependence, the harm done by alcohol, and the harm done by alcohol to others than the drinker... There is very strong evidence for the effectiveness of alcohol taxes in targeting young people and the harms done by alcohol.<sup>7</sup>

A 2009 review of 112 studies found that higher taxes and prices led to reduced consumption of alcohol, both for overall consumption and for measures of heavy drinking.<sup>8</sup> In particular, young people's drinking was very sensitive to price because their discre-

### ABSTRACT

- The Australian Government's "alcopops" tax legislation will soon be voted on by the Senate. This is the first time in memory that an alcohol taxation measure has been informed principally by public health concerns.
- Much debate surrounds the utility of alcohol taxation as a measure to reduce alcohol-related harm. However, the harms resulting from alcohol misuse in Australia are at unacceptable levels and action to reduce them is overdue.
- There is good evidence from Australia and internationally that taxation and price measures are among the most effective and cost-effective in reducing alcohol consumption and related harms. Recent alcohol sales data give an early indication that the alcopops tax is being effective in reducing consumption.
- Current alcohol tax policy is unwieldy and not well directed towards improving public health. A proportion of tax revenues dedicated to alcohol programs would assist public acceptance of the measures.
- A broad review of alcohol taxation policy is needed as part of a comprehensive approach to alcohol problems in Australia.

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tionary income is relatively small. A recent World Health Organization expert committee report concluded:

Policies that increase alcohol prices have been shown to reduce the proportion of young people who are heavy drinkers, to reduce underage drinking, and to reduce per occasion binge drinking. Higher prices also delay intentions among younger teenagers to start drinking and slow progression towards drinking larger amounts.<sup>9</sup>

### There is good Australian evidence of the effectiveness of public health-focused alcohol taxes

The Northern Territory's "Living With Alcohol" (LWA) program, which ran from 1991 to 2000, was a comprehensive, whole-of-government program that included levies on alcoholic beverages. It was followed by substantial benefits, in terms of reduced alcohol consumption and consequent harms (alcohol-related road crash deaths and hospitalisations, other alcohol-related hospitalisations and alcohol-related prison receptions), as well as economic savings.<sup>10</sup>

The LWA program included a levy of 5 cents per standard drink for products containing more than 3% alcohol, and a 35 cent per litre levy on cask wines. This was followed by a reduction in quarterly consumption of cask wines from 0.73 litres of pure alcohol per person over the age of 15 years to 0.49 litres. There

was no accompanying increase in consumption of other alcohol products, such as full-strength beer. In the period immediately after removal of the levy, per capita consumption of cask wine increased to 0.58 litres of pure alcohol per quarter.<sup>11</sup>

### Alcohol tax policies are cost-effective

Beyond being effective in reducing alcohol consumption and related harms, controlling price through taxation measures is also considered to be highly cost-beneficial. Collins and Lapsley recently examined the potential cost savings for Australia of a range of interventions aimed at reducing alcohol-related harm.<sup>12</sup> They found strong evidence from a variety of settings for the effectiveness of taxation measures in reducing consumption and subsequent harms. Based on the experience of three other broadly similar countries (Norway, the United States and Italy), they estimated that taxation measures could reduce the social costs of alcohol in Australia by between 14% and 39% (or between \$2.19 and \$5.94 billion in 2004–05 dollars). Another study also examined the cost-effectiveness of a range of interventions and found that volumetric taxation of alcohol (ie, according to the alcohol content) had the lowest intervention costs and provided the greatest benefits in terms of disability-adjusted life years.<sup>13</sup>

### A public health-centred alcohol tax policy

The current alcohol tax system is complex, unwieldy and mainly reflects economic and commercial factors (with the exception of the recent “alcopops” tax). Alcohol tax policy should be strongly informed by public health considerations. Several important measures could be considered:

- a minimum price per standard drink (as has been adopted in the recent revision of alcohol taxation in Scotland<sup>14</sup>);
- an underlying volumetric-based system; and
- hypothecation of a proportion of tax revenue for alcohol harm-prevention and treatment programs.

The Australian Government’s alcopops legislation has been criticised as a “tax grab” by some politicians and the alcohol industry. Any future changes to tax policy likely to benefit public health would also be in the nature of tax increases and would probably suffer the same criticism. This criticism could perhaps be mitigated if the generally large disparity between government revenue from alcohol taxes and government expenditure on alcohol harm-prevention and treatment programs was reduced. The government’s announcement of substantial funding for a range of preventive health measures — apparently using alcopops tax revenue — is a welcome step, especially if the two are formally linked.<sup>15</sup>

A large proportion of Australians would probably support increases in alcohol taxes if they were confident that at least some of the funds went into alcohol programs. The 2007 National Drug Strategy Household Survey found that 24% of respondents supported an increase in the price of alcohol per se, but over 40% were in favour of increased alcohol taxes to pay for alcohol harm-prevention and treatment programs.<sup>3</sup> During the LWA program in the NT, revenues from the alcohol levies were hypothecated to the program, which contributed greatly to the quantum and sustainability of funding<sup>16</sup> and was considered to have been particularly important in public support for the program (Dr Shirley Hendy, former Director, LWA program, personal communication).

Concerns are sometimes raised that alcohol price increases discriminate against those on low incomes or would not be

effective in reducing consumption for particular groups such as Aboriginal people. However, low-income groups and Aboriginal people suffer disproportionately from alcohol-related harms.<sup>17,18</sup> Cheap cask wine was, along with beer, the drink of choice in most NT Aboriginal communities at the time of the LWA program, and the levy was effective in reducing consumption. Indeed, the recommendations in this article are entirely consistent with those of the Aboriginal Medical Services Alliance NT in their proposal to address alcohol-related harm.<sup>19</sup>

### Has the alcopops tax worked?

There is not yet much evidence to judge the effect of the tax. The Distilled Spirits Industry Council of Australia commissioned Access Economics to study the impact of the tax on alcohol-related emergency department presentations.<sup>20</sup> Their report concluded that there was no evidence that such events had declined since the introduction of the alcopops tax, and suggested there may even have been an increase. However, an independent review of the Access Economics report noted the inappropriate study design and statistical analysis, and re-examination of the data showed that any increase in presentations after the tax was consistent with an increasing trend over some years before the tax.<sup>21</sup>

On the other hand, alcohol sales data from the Nielsen Liquor Services Group, reported by Chikritzhs and colleagues, show a substantial fall in the sales of ready-to-drink beverages in the 3 months following the introduction of the tax, with a smaller shift to other beverages (beer and spirits) and a net reduction in overall sales.<sup>22</sup> Although not conclusive, these observations are consistent with what would be predicted on the basis of international research evidence,<sup>8</sup> and suggest that the tax is a move in the right direction.

### Conclusion

Controlling price should be part of a comprehensive suite of actions to reduce alcohol-related harm, including reducing access (eg, trading hours, number of outlets), enforcement of liquor laws, random breath testing of drivers, and national, well funded and ongoing social marketing campaigns. Governments have been reluctant to raise prices and restrict access and have instead preferred to support voluntary industry measures and isolated, individually focused education, in spite of the overwhelming body of evidence and expert opinion that the former measures are effective and the latter measures much less so, if at all.<sup>6</sup>

The RACP considers that the Australian Government’s increase in excise on ready-to-drink products has a sound evidence base and was a step in the right direction. The preliminary evidence suggests that its effect has been positive. The RACP urges the Australian Government to persist with this measure and to undertake a comprehensive review of alcohol tax policy, founded on public health concerns, with hypothecation of a proportion of the revenues for expanded alcohol harm-prevention and treatment programs.

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**Competing interests**

None identified.

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