

## Is the “alcopops” tax working? Probably yes but there is a bigger picture

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In April 2008, the Australian Government raised the excise payable on ready-to-drink spirit-based beverages (RTDs; “alcopops”) with what became known as the alcopops tax. The tax rise closed a loophole created by the introduction of the goods and services tax which meant that RTDs were taxed at a much lower rate, and hence were cheaper to buy, than spirits. Sales of RTDs increased dramatically over the 10 years before the alcopops tax came into effect. The tax was also driven by growing community concern of increasing alcohol consumption and harm among young people, teenagers in particular. It caused considerable political and community debate, and was strongly opposed by the alcohol industry, before eventually passing into law.

Emerging studies of alcohol consumption and sales have sparked further debate. Interest groups have seized on aspects of study findings to assert that the tax did or did not work. Assessing the impact of the alcopops tax is complex because it is likely to vary in different regions and population groups. Accurately measuring changes in consumption and harm at local levels or among particular groups will be extremely difficult, as will accounting for the marketing strategies employed by the alcohol industry to counter the impact of the tax. Any analysis will require careful assessment of individual studies and consideration of a range of different studies. Are the studies robustly designed and conducted? Are they independent or industry sponsored? Are the measures used the best ones to assess consumption and alcohol-related harm?

A recent report of the Victorian results from the 2008 Australian Secondary Students’ Alcohol and Drug Survey (ASSADS)<sup>1</sup> concluded that there was no change in the amount of alcohol consumed by “current drinkers” (students who drank in the week preceding the survey) and that the alcopops tax had not changed the preference of young people for RTDs. The alcohol industry trumpeted this as evidence that the tax was a failure.<sup>2</sup>

However, the ASSADS was not designed to accurately measure consumption or assess the impact of the alcopops tax. It only assessed drinking among students who reported drinking in the week preceding the survey — 27% of the students surveyed, which was significantly less than the proportion observed in the 2005 ASSADS. In addition, the proportion of students who reported drinking at risky or high-risk levels declined by 30% from 2005 to 2008. So while the stated preference of young people for RTDs did not change, there were reductions in overall drinking and risky drinking. These trends were seen in both sexes across different age groups but were least marked in 16–17-year-old girls.

Alcohol sales data are the best indicator of alcohol consumption at a population level because they are not susceptible to the sampling, coverage and response errors inherent in self-report surveys (which generally underestimate actual consumption quite substantially).<sup>3</sup> Excise data show that, after several years of steadily increasing, RTD sales fell by over 30% in the 2008–09 financial year — the first full year after the alcopops tax came into effect — with a further decline in 2009–10 (Box).<sup>4</sup> Although sales of other spirits increased, this increase accounted for less than half the

### ABSTRACT

- The Australian Government’s decision to raise taxes on ready-to-drink spirit-based beverages (RTDs; “alcopops”) in 2008 caused great controversy. Interest groups have selectively cited evidence to support their points of view.
- The alcohol industry cited Victorian data from the Australian Secondary Students’ Alcohol and Drug Survey (ASSADS) as evidence that the tax had failed, but closer examination of the data suggests that fewer students are drinking, and fewer are drinking at risky or high-risk levels.
- Excise data from the first full year after the tax came into effect showed a more than 30% reduction in RTD sales and a 1.5% reduction in total pure alcohol sold in Australia.
- Although understanding the impact of the alcopops tax will require critical analysis of a range of evidence, sales and ASSADS data suggest that the tax has resulted in reduced consumption of RTDs and total alcohol.
- The most effective and cost-effective measures for reducing consumption and harm are a comprehensive graduated volumetric alcohol taxation system, a minimum price per standard drink, and special measures for particular products that may cause disproportionate harm.
- While welcoming the alcopops tax, public health advocates have consistently argued for a comprehensive package of reform that covers pricing, availability and promotion of alcohol, as well as education and treatment services.

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decrease in RTD sales. The net effect was a 1.5% reduction in all alcohol apparently consumed in 2008–09 and a further reduction in the following year. Similar findings have been reported on the basis of industry sales data: in the 3 months after the tax came into effect, RTD sales decreased, with an increase in sales of other spirits and beer but an overall reduction in total alcohol sold.<sup>5</sup>

The simplicity of these before-and-after analyses and the lack of comparison to other populations limit the conclusions that can be drawn. It is difficult to envisage any single study of the alcopops tax providing “gold standard” evidence of effect. Careful consideration of a range of studies will be needed to assess and understand the impact of the tax. However, it currently appears that the alcopops tax has had a positive effect in reducing alcohol consumption.

Increasing the price of one group of beverages only, and not having a minimum price for alcohol, allows the alcohol industry to maintain profits by promoting or discounting other products to encourage drinkers to switch to cheaper beverages. For example, in Alice Springs, 4- and 5-litre cask wines were restricted because they were among the cheapest alcoholic beverages and were strongly associated with substantial community harm. However, consump-

### Australian apparent per capita consumption of pure alcohol in litres by beverage type and financial year<sup>4</sup>

	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10
Beer	4.62	4.63	4.63	4.63	4.62	4.56
Wine	3.53	3.53	3.70	3.66	3.73	3.81
Spirits	1.21	1.16	1.15	1.17	1.30	1.30
RTDs	0.94	0.99	1.08	1.09	0.74	0.70
Total	10.31	10.31	10.57	10.56	10.40	10.37

RTD = ready-to-drink spirit-based beverage. ◆

tion quickly shifted to 2-litre casks of port as retailers changed their sales strategies and drinkers sought to maintain better value when buying alcohol. This greatly reduced the impact of the cask wine restriction.<sup>6</sup> Alcohol policymakers accordingly need to anticipate how the industry and individual drinkers will respond to initiatives aimed at reducing harmful levels of consumption.

If a pricing strategy is to be used to reduce hazardous consumption and harm — and it is clear that price is the most effective and cost-effective measure we can use<sup>7–9</sup> — a comprehensive approach is preferable. It should cover all products and aim to reduce the ability of industry to promote cheaper alternatives. This should include a comprehensive graduated volumetric taxation system that covers all types of alcoholic beverages and is informed by the relationship between consumption of these products and consequent harm. Setting a minimum price per standard drink would curtail the alcohol industry's ability to discount prices to increase sales and to shift consumers to cheaper alternatives. Economic modelling in the United Kingdom suggests that a minimum price would be particularly beneficial for younger and heavier drinkers.<sup>10</sup> The experience to date with the alcopops tax and the positive effects of the cask wine levy during the Northern Territory's Living With Alcohol Program in the 1990s provide evidence for the benefits of special measures for particular products that may cause disproportionate harm.<sup>11,12</sup>

Is the alcopops tax working? To the extent possible, probably yes in that RTDs are not the only beverage of concern and young drinkers and teenagers are not the only Australians being harmed by drinking. Narrowly focused measures will have narrow impacts that can be circumvented, thus limiting the intended benefits. Australia has a history of only chipping at the edges of alcohol-related harm, often with uninspiring outcomes. However, a striking example to the contrary is the NT's Living With Alcohol Program, a comprehensive scheme that quickly and cost-effectively achieved substantial and broad benefits in reducing levels of consumption and numbers of deaths and hospitalisations.<sup>13</sup>

Public health advocates supported the alcopops tax because it was likely to provide some benefit and, for the first time in the memory of most of them, a change had been made to alcohol taxes with people's wellbeing as a primary consideration. But they also recognised that this tax was only one step in the right direction.<sup>14–18</sup> The Royal Australasian College of Physicians, the Public Health Association of Australia and other public health advocates favour a more comprehensive approach: one that addresses price and physical availability of alcohol, regulates the promotion of alcohol effectively and educates people about the risks of drinking.<sup>19–21</sup>

The National Preventative Health Taskforce has provided a clear, evidence-based framework for government to implement.<sup>22</sup> Alco-

hol tax revenue should be hypothecated to such a framework and used to fund additional, urgently needed treatment services. The government acted wisely to introduce the alcopops tax, but it was by no means enough. In the face of thousands of deaths and over \$15 billion in social and economic costs each year,<sup>23</sup> our political leaders need to do more to address the unacceptable harm that alcohol continues to cause our society.

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### Competing interests

Rob Moodie is the Chair of the National Preventative Health Taskforce.

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