



NO EVIDENCE RTD TAX HIKE IS WORKING

**Second Reading Speech
By Senator Mathias Cormann on 16 March 2009**

[Senator CORMANN](#) (Western Australia) (12:18 PM) —This legislation, the [Customs Tariff Amendment \(2009 Measures No. 1\) Bill 2009](#) and a related bill, is asking the parliament to validate the increased tax on ready-to-drinks and is a clear demonstration that the Rudd Labor government does not believe in evidence based policy. Nearly 12 months ago the government increased the tax on ready-to-drinks by 70 per cent, and of course for political purposes the government dressed that up as a health measure. It is much easier to sell an increased tax, a \$3.1 billion tax measure, if you can dress it up as something aimed at reducing binge drinking, reducing risky levels of alcohol consumption and reducing alcohol abuse related harm in the community.

Who would not agree that we should do everything we can to reduce binge drinking, to reduce alcohol abuse related harm and, more broadly, to reduce risky levels of alcohol consumption? But has the government presented us with any evidence whatsoever that as a result of this measure or since this measure came into effect on 27 April 2008 there has been a reduction in any of those indicators that I have just listed? Has the government presented us with any evidence that there has been a reduction in risky levels of alcohol consumption in the target group that the minister keeps talking about? She points out that this particular measure is aimed at younger people. Has the minister, the government or anybody presented us with any evidence that, as a result of this measure or since it became effective on 27 April 2008, there has been a reduction in alcohol abuse related harm in the community? No, of course the government has not, and neither has anybody else, not those who came before the inquiry last week to argue strongly that the Senate should support this measure and not the government.

The opposition pursued a Senate inquiry into this measure by the Senate Standing Committee on Community Affairs to give the Rudd Labor government every opportunity to present any evidence it had that the measure had worked, that the measure had indeed been effective in reducing alcohol related harm in the community. We have been asking the government for months to present us with the evidence. At Senate estimates in October we put a whole series of questions on notice. It took four or five months for the government to even get back to us, and some were straightforward questions—for example, this question to Treasury: how much additional revenue have you raised as a result of this increased tax on ready-to-drinks? It was not answered. Do you know what the reply from Treasury was? Do you know what the reply was from this arrogant government? 'This information is not publicly available'—as if Senate committees could only ask questions about information that is on the public record. Why do we have Senate inquiries? Why do we have estimates processes if it is not to scrutinise the government and check whether what it said in the budget it would achieve is being achieved?

Focusing on the health aspects of this legislation for a moment, it is true to say that all of the health groups and experts came to our inquiry and said that they wanted this legislation supported by the Senate. Yet at the same time and within three minutes of that evidence being put to the community affairs committee—in the same breath—most of them said: ‘What we ultimately want is a volumetric approach to alcohol taxation. We want those beverages with less alcohol content to be taxed less than those beverages with a higher alcohol content because we think that ultimately that is the most effective way to address the alcohol abuse related problems in our community.’

You cannot have it both ways. I think that when they were asked questions about it during the Senate inquiry some witnesses actually realised that their logic was flawed—because you cannot argue that we should ramp up a tax on one product that is comparatively low in alcohol content while at the same time pursue a taxation regime that will result in lower levels of taxation for those same products. Considering that most of the health groups put the proposition that their holy grail—what they ultimately wanted to achieve—was a volumetric approach to alcohol taxation, I put it to the Senate that if that is the ultimate public health policy objective then this measure is a step in the wrong direction.

I just want to reflect on process for a moment. This measure became effective—it was implemented by the government—nearly 12 months ago. We are debating this measure in the Senate with four sitting days to go before we reach the ultimate deadline. There is absolutely no room for the Senate to have a proper conversation about whether this is an effective measure or whether it ought to be improved. The government ought to be ashamed of the way they are treating the Senate in relation to what they call an important piece of legislation. No doubt the government were concerned that perhaps they did not have the support of the Senate for the 70 per cent increase in the tax on ready-to-drink beverages. Let us just put this measure into the context of the budget. This was announced as part of an organised pre-budget leak towards the end of April—in good time for the Sunday papers. That date, 27 April, was a Sunday and all of the Sunday papers had a well-informed source, a ‘senior government official’, who happened to know a lot about the purpose of this tax grab from a health policy point of view. In the budget the government wanted to raise \$3.1 billion with this tax. Just remember that this was after the government came out of a pre-election period where the Prime Minister sold himself as an economic and fiscal conservative. I know that that seems like a very long time ago. This was the period before the government discovered the ‘temporary deficit’. It was at a time when the government thought it was still important to maintain the pretence of preserving the surplus that was left to them by the previous government.

Let us just remind ourselves that the first budget of the Rudd Labor government increased net spending by \$15 billion and increased taxes by nearly \$20 billion. This is obviously not the message that the Rudd Labor government wanted to be out there in the community. So what did the government do? They quickly went ahead to find a couple of tax measures that were politically palatable: ‘How can we apply a tax to some people who are easy targets?’ or ‘How can we apply a tax and make sure that the community is going to go along with it? How can we make sure that the community is not going to come after us, because, contrary to what we said before the election, we are increasing taxes by nearly \$20 billion in this budget?’ So they came up with a couple of measures, and this one was the biggest—at that time, at least. Things have changed in relation to that too. At the time the government thought that this was going to raise \$3.1 billion.

As I said in my opening remarks, how can anyone possibly disagree that we should do everything we can to reduce binge drinking? If that was what this

legislation did, how could we disagree? We would not. But this legislation does not do that. Who can forget—I am sure Senator Cash will remember it—the \$2½ billion tax on the North West Shelf gas project? Who can disagree with hitting big oil and gas businesses with a tax slug? Essentially, we had a government, in their first term, looking for the easy tax targets. They were looking for a way to preserve the \$22 billion surplus that they were left with.

So what is the government actually doing? It is talking about jacking up a tax on sweet drinks, but essentially all the government is doing is abolishing the category 'other excisable beverages not exceeding 10 per cent by volume of alcohol'. In effect, the government is putting those ready-to-drinks with less than 10 per cent alcohol into the category of full-strength spirits. Since 27 April 2008 those ready-to-drinks with an alcohol content of less than 10 per cent have been taxed at the same rate as full-strength spirits. What is the logic in that? Essentially the government is removing the incentive—which is generally promoted by health groups, and was promoted by health groups before our community affairs committee inquiry—which is aimed at encouraging the consumption of comparatively lower strength alcoholic beverages. This legislation before the Senate today seeks to validate that decision. Where does this fit with the logic promoted by health groups that what they want is taxation of alcohol based on the level of alcohol content—on the strength of the alcohol in particular beverages? The reality is that it does not.

Before the election, and since, we have heard a lot from the Prime Minister putting the proposition that Labor was committed to evidence based policy development. It is quite funny, because, about three days after a senior government official leaked this particular measure, the Prime Minister addressed a number of senior officials, heads of agencies and other senior executive officers in the Great Hall in Parliament House and essentially told them that as part of its agenda for the public service the government was committed to ensuring 'a robust, evidence based policymaking process'. He said:

Policy design and policy evaluation should be driven by analysis of all the available options, and not by ideology.

He went on:

The Government will not adopt overseas models uncritically.

We're interested in facts, not fads.

Coalition senators identified in the first report that there was no evidence to suggest that this measure would work. In fact, where people had tried this overseas, the evidence demonstrated very clearly that it had not worked. In particular, evidence was brought forward about Germany. They increased a similar tax in 2004 only to see the consumption of alcohol increase in the period from 2004 to 2007. In promoting this particular measure, the government, in its rhetoric, relied very heavily on the data that came out of the Australian Institute of Health and Welfare's 2007 National Drug Strategy Household Survey. For example, this is what the Treasurer, Mr Swan, said when he was asked about this on 30 April:

... I can't comment on budget decisions, that's for Budget night. I just make this point about the excise increase on RTDs: that was closing a loophole that was left open some years ago, and it also relates to teenage binge drinking. So, it was a very specific initiative for very specific reasons.

David Speers, a very smart man, said:

... But teenagers binge drink beer and other drinks as well.

No kidding! Here is the Treasurer's response:

... I think the evidence is pretty clear from all of the experts that this measure will have an impact on teenage binge drinking, and it should be seen in that light, not in the light of revenue.

We have been asking the government ever since to show us that evidence and we still have not seen it. We have tried every procedural trick in the book, including an order of the Senate, to try to force the government to provide us with some information. We have given the government every opportunity to show us some evidence, including a Senate inquiry which took place over two days last week. Here is a quote from the Prime Minister. A caller to Neil Mitchell's show on Radio 3AW in Melbourne on 2 May 2008 said:

... But, these prices are also affecting the prices that adults, that have paid taxes like myself for 30 years, we're just an average family, and mixed drinks like Johnny Walker and cola or Jim Bean and cola have all gone up.

The Prime Minister said:

... Well, we've got a real problem when it comes to teenage binge drinking. Talk to any police commissioner across the country and they'll tell you that.

Later he said:

... the National Household Drugs Survey says that we've now got 30-40,000 teenage girls aged 14-19 and 23,000 boys the same age, consuming alcohol at a level that puts them at high risk of long term harm.

If ever there were selective quoting this was it. Have a look at the evidence and have a look at the submissions put to the committee by the Australian Institute of Health and Welfare. This is what they said about their 2007 National Drug Strategy Household Survey findings. They said a number of things, including:

- the overall drinking status of the Australian population has been stable over the past two decades.
- there has been a modest increase in the apparent consumption of RTD alcohol beverages over the past five years
- the preference for RTDs has increased slightly over the period 2001-2007, particularly in older age groups ...
- there has been virtually no change in the pattern of risky drinking over the period 2001-2007, including among young Australians ... the increased availability of RTDs does not appear to have directly contributed to an increase in risky alcohol consumption

How could the Prime Minister get it so wrong when the evidence is so clear? Looking at the very extensive surveys conducted in 2001, 2004 and 2007 by the Australian Institute of Health and Welfare, we see they identified that the drink of choice for those drinking alcohol at risky or high-risk levels was—guess what? Do you think it was alcopops? Do you think it was RTDs? No, it was not. It was full-strength beer for males of all age groups, including 14- to 19-year-olds; full-strength bottled spirits and liqueurs for females in the age bracket 14 to 29; and wine for females 30 years and older. It looks like David Speers of Sky News was onto something.

So much for evidence based policy development! But that was then. The reason we had this inquiry was that we thought it had been nearly a year and perhaps the government had been able to collect some data. Perhaps the government now had some evidence that this measure had actually worked in reducing at-risk levels of alcohol consumption or alcohol abuse related harm in the community. The stated

objective of the government was to reduce binge drinking, particularly among young people, to reduce at-risk levels of alcohol consumption and alcohol abuse related harm. Is that what we have seen? No, the only thing we have seen is a collapse in the estimated revenue, down by \$1.5 billion. When you think it cannot go further, this government takes spin to another level. We have a government that estimated a year ago that this was going to bring in \$3.1 billion. But it has missed out on \$1.5 billion already. So what does the minister do? She turns around and says, 'That's what we always wanted. This just proves that the measure is really working.' Where did it say that in the budget papers? Where did it say in the budget papers that the government expected to collect \$1.5 billion less?

Look at the fine print. The government did actually have to provide some of the answers through some of the processes that we followed. Having listened to the minister over the last couple of weeks, you would say that the government expects alcohol consumption to be reduced as a result of this measure into the future. Senator Nick Xenophon, you should listen to this very carefully. The government, as a result of this measure, still expects alcohol consumption to increase over the years ahead from 2009-10 onwards and by 7.8 per cent every year. All of this spin and all of this rhetoric that this measure has been successful in reducing the consumption of RTDs is just that—spin and rhetoric. If you look at the figures in the MYEFO for 2008-09, clearance growth rate estimates, you see a 7.8 per cent increase in the sale and consumption of RTDs in 2009-10 and in every single one of the out years.

Is there any evidence of reduced consumption among problem drinkers? I am starting to run out of time, but I invite you to look very closely through the coalition senators' dissenting report. You will see a whole series of quotes and statements made by various health experts, health professionals and health association representatives. Every single one of them conceded that there was absolutely no evidence that, since this measure had been implemented, there had been a reduction in at-risk levels of alcohol consumption or a reduction in harm from alcohol related abuse in the community.

Are Australians drinking less? It is true to say that in 2008 there was a reduction in the sale of RTDs. Who would have expected anything else? I agree with the proposition that if you increase price you will reduce demand. But who is drinking less? The reality is what is happening, and how sustainable is that? The Australian Drug Foundation and a lot of the other health groups presented a survey from ACNielsen. The Australian Drug Foundation also presented us with a very good graph that showed that overall alcohol consumption, compared with the same months in the previous year, has been trending upwards. In December and January, after eight months of this measure being in place, alcohol consumption was higher than it was in the same months the year before. Given that there was not any reduction in emergency department admissions as a result of alcohol abuse during the first eight months of this measure, now that we are back in an upwards trend do not expect any reductions in alcohol related hospital admissions in the future, and certainly not just as a result of this measure. The government will have to do all sorts of other things. *(Time expired)*