**Ministerial Briefing**

**PURPOSE**

The purpose of this briefing note is to provide policy options and recommendations for reducing the levels of risky alcohol consumption in Australia through pricing of alcoholic beverages. The two main options under consideration in this note are the minimum unit price and advert taxation.

**BACKGROUND**

Excessive alcohol consumption risks individual lives in Australia owing to the morbidities related to alcohol abuse. According to the Australian Bureau of Statistics (2015), 17.4% of adults exceed their lifetime risk by consuming more than 2 standard alcoholic drinks averagely. Alcohol abuse impacts both the social and economic life of individuals. The burden of injury and disease due to alcohol use in 2011 was 5.1%; others were 28% of traffic accidents, 24% of chronic liver disease burden, 23% of suicides and parasuicides, and 19% of strokes in Australia (Australian Institute of Health and Welfare, 2016). Therefore, alcohol consumption limits the economic productive of the entire Australian population. Historically, legislators have used political influences such as the Liquor Act 2010 and current attempts to limit the availability of alcohol by pricing are in progress (Howard, Gordon, & Jones, 2014). Nevertheless, the above disease burden proportions and economic productivity flops posit that the government has not achieved success in reduction of the levels of risky alcohol consumption.

**ISSUES**

Regulation of alcohol intake through pricing dates back to the early historical foundations of Australia. Older people in Australia who are at risk of lifestyle diseases are the major contributors to the increasing prevalence of alcohol consumption (Livingston & Dietze, 2016). Therefore, the early strategies involved the use of voluntary measures to restrict marketing of alcohol, advertisement regulation, and self-regulatory codes of alcohol producers (Howard et al. 2014). The Department of Health can address risky alcohol behaviors through pricing by taking into consideration the complexity of price regulations in free markets. Particularly, increasing alcohol taxation is a complex process since taxation of alcohol in the Australian history has met challenges such as revenue raising, industry protection, and political expediency (Pennay, Lubman, & Frei, 2014). The government relies on the industries producing alcohol for revenue while heavy taxation of the industries to influence alcohol price would increase their economic cost of production.

As a result, taxation of alcohol producers would increase the price of alcohol at the expense of revenue and continued operation of the companies; hence, the alcohol consumers will spend more finance to continue with the use. Nonetheless, the Australian dollar is strong and the three national levels of alcohol taxation enable the government to raise $6 billion revenue annually (Howard et al. 2014). Besides, the alcohol producers shift the cost of operation to alcohol users by increasing the price. Therefore, the producers and the government would support the taxation initiatives since the final consumer caters for the cost of production. Similarly, health care professionals showed strong support for minimum unit price of alcohol during the 2012 reforms to alcohol pricing policies (Sharma, Vandenberg, & Hollingsworth, 2014). On the other hand, the community opposition of alcohol pricing regulation emanates from the significance of alcohol as part of the Australian culture (Pennay et al. 2014). Overall, the support from the producers, health care professionals, and the government would improve the effectiveness of pricing in reducing alcohol consumption.

**POLICY OPTIONS**

Option 1. Minimum Unit Price (MUP) as a pricing policy option involves setting a floor price of alcohol as a complement to taxation. MUP overcomes the challenges of alcohol taxation such as cross-subsidies of the tax with other products by the producers to maintain the low price of alcohol (Chalmers, Carragher, Davoren, & O’Brien, 2013). MUP restricts the physical availability of cheap alcohol alternatives in the market while maintaining the cost of expensive alcoholic products (Sharma et al. 2014). In this case, the impact of MUP is greatest in cheap alcohols making the risk reduction strategy effective at an overall low cost to all users of alcohol. However, public opinions and the strength of beverage industry rejection of MUP are significant disadvantages that impedes pricing regulation of alcohol consumption (Chalmers et al. 2013). Implementation of MUP will maintain the price of other alcohols as the cheap alternatives available to low income users are eliminated in the market. Therefore, alcohol will be an expensive commodity to low income earners who are the majority of excessive alcohol consumers.

Option 2. Taxation of alcohol advertisement services would also have an impact on the levels of exposure to alcohol products. Restrictions on the frequency and contents of alcohol product advertisement limits the adverts that lead to excessive drinking or commencement in non-drinkers (Fogarty & Chapman, 2013). The main advantages of advert taxation are support from legislation, community, and health providers since price-based promotion of alcohols reduce the prevalence of alcohol-related harms (Wardle, 2015). Taxation of adverts services also creates revenue that can fund other services to improve population health. The disadvantage of this policy option is its limited application to off-premise promotion that has led to supermarkets approaching competition in the market by extensive promotions (Johnston, Stafford, Pierce, & Daube, 2017). Therefore, implementation of this policy would limit alcohol advertisement and promotion among retailers but leave off-premise advertisers open to promote alcohol sale and consumption.

**RECOMMENDATION/S**

First, the second option involving the restriction of alcohol advertisement and promotion is suitable to prevent increase in excessive alcohol consumption and initiation of drinking. Minimization of television exposure of alcohol adverts reduced risky drinking among adolescents from 47.4% to 26.3% in 2011 (White et al. 2018). Therefore, the Minister can ban online advertisement of alcohol. The Minister can also double the taxation of alcohol adverts in Sports channels from 6am to 8.30pm; children consider this duration their peak viewing time (O’Brien et al.  2015). Since alcohol advert labels do not contain clear warning health messages in Australia (Coomber et al. 2015), the Minister should also issue a directive doubling taxes for producers who do not include clear warning messages on their labels during promotion.

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