2015-16 Pre-Budget Submission

Submission to Treasury

February 2015

About the Foundation for Alcohol Research and Education

The Foundation for Alcohol Research and Education (FARE) is an independent, not-for-profit organisation working to stop the harm caused by alcohol.

Alcohol harm in Australia is significant. More than 5,500 lives are lost every year and more than 157,000 people are hospitalised making alcohol one of our nation's greatest preventative health challenges.

For over a decade, FARE has been working with communities, governments, health professionals and police across the country to stop alcohol harms by supporting world-leading research, raising public awareness and advocating for changes to alcohol policy.

In that time FARE has helped more than 750 communities and organisations, and backed over 1,400 projects around Australia.

FARE is guided by the World Health Organization's *Global Strategy to Reduce the Harmful Use of Alcohol*[a] for stopping alcohol harms through population-based strategies, problem directed policies, and direct interventions.

If you would like to contribute to FARE's important work, call us on (02) 6122 8600 or email fare@fare.org.au.

[a] World Health Organization (2010). *Global strategy to reduce the harmful use of alcohol.* Geneva: World Health Organization.

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Overview

The Foundation for Alcohol Research and Education (FARE) welcomes the opportunity to provide a pre-budget submission for the 2015-16 Australian Government Budget. FARE's submission outlines areas where immediate action can be taken to achieve budget savings and increase revenue, as well as areas where modest investment can result in significant benefits to the community.

Alcohol harms in Australia are significant. Each day 15 Australians die and 430 are hospitalised because of alcohol.[1] These figures largely do not acknowledge the significant impact of alcohol's harm to others, which include violence on our streets and in our homes, vandalism, road traffic accidents, child maltreatment and neglect and impact in the workplace.[2] Together the harms to individuals and harms to others from alcohol cost Australians $36 billion a year.[3]

Over the past year the Australian Government has examined policy options to manage increasing healthcare costs and 'get the budget back under control'.[4] Most recently, the Productivity Commission's 2015 *Report on Government Services* (ROGS) stated that 'advances in medical technologies and treatments, new pharmaceuticals, the rising incidence of chronic disease in the community and an ageing population, have meant that the cost of maintaining the health care system continues to rise. Ensuring Australia's current world class health care system is sustainable into the future is one of the Government's highest priorities'.[5]

Chronic disease is 'Australia's greatest health challenge'.[6] These chronic diseases share four common modifiable risk factors; alcohol use, tobacco use, unhealthy diets and physical inactivity.[7] The 2015 ROGS states that 'About one-third of Australia's burden of disease is due to these 'lifestyle' health risks, therefore continued investment in preventive health is vital to ensuring not only the health and wellbeing of Australian citizens, but also the long term sustainability of the health system'.[8]

Population-wide alcohol control policies can both generate increased revenue for the Australian Government to manage the increasing cost of healthcare, and also reduce alcohol harms and the long-term cost of these harms.

Considerable cost savings can be made through reforming the alcohol taxation system which was described by the Henry Review as 'incoherent'.[9] Nine separate government reviews have recommended that the alcohol taxation system be reformed. Reforming the alcohol taxation system is supported by the public health sector, leading Australian economists and large segments of the alcohol industry. Despite this, the taxation system has remained largely unchanged, with the exception of the introduction of the alco-pop tax in 2009. Now more than ever, the Australian Government needs to introduce immediate reform to the alcohol taxation system to address the increasing cost of healthcare and send a price signal to heavy alcohol consumers which will result in reductions in consumption and harms.

FARE has also outlined three areas where a modest investment to prevent alcohol harms will make a significant and long term difference to the community. These areas are investment in screening and brief intervention for alcohol, restoring funding to alcohol and other drug (AOD) treatment services and recapitalising FARE.

The significant health and economic impact of alcohol use on the Australian community makes alcohol harms one of Australia's greatest preventive health challenges. While the costs of alcohol on the community are significant, these can be reduced by introducing population-wide evidence-based policies.

Recommendations

Budget savings

1. Replace the Wine Equalisation Tax (WET) with a volumetric tax

Projected savings from reforming the WET: $3.4 billion over four years

a. Replace the Wine Equalisation Tax (WET) with a volumetric tax rate equivalent to the full strength draught beer rate, and implement a plan to gradually increase the tax applied until the taxation applied is set between the full strength packaged beer rate and spirits rate, making it consistent with other products of a similar alcohol content.

b. Tighten the definition of products taxed under the WET to ensure that alcohol products which imitate spirits are taxed in the same way as spirits.

c. Remove cider from the WET and tax cider using the current beer taxation arrangements, as cider has a similar alcohol content. Where cider has added flavours it should continue to be taxed as a ready-to-drink beverage (RTD).

2. Abolish the Wine Equalisation Tax (WET) rebate

Projected savings from reforming the WET: $1.3 billion over four years

a. Abolish the WET Rebate.

Budget expenditure

3. Introduce a structured screening and brief intervention program for alcohol

Projected cost: $1.3 million over four years

a. Provide funding to extend the successful *Women Want to Know* program to support health professionals to raise awareness of the maternal health guidelines in the *Australian Guidelines to Reduce Health Risks from Drinking Alcohol 2009.*

b. Fund and implement a broader brief intervention and screening program in primary healthcare that raises awareness of the other guidelines in the *Australian Guidelines to Reduce Health Risks from Drinking Alcohol 2009.*

4. Restore funding to Alcohol and other Drug Services to 2013-2014 levels

Projected cost: $510 million over four years

a. Stop further cuts to alcohol and other drug (AOD) service funding and restore funding to AOD services to 2013-14 Budget levels.

5. Invest in prevention

6. Part of the revenue gained through alcohol taxation increases should be reinvested into independent public health organisations to provide preventative health initiatives to combat alcohol harms.

Budget savings

Significant savings can be made through reforming the alcohol taxation system. The Australian Government is under considerable pressure to identify budget savings and a clear opportunity exists through reforming the alcohol taxation system. The most inequitable part of the alcohol taxation system is the Wine Equalisation Tax (WET) and WET Rebate which encourages the production of bulk, cheap wine and other fruit and vegetable based alcohol products, resulting in significant costs to the community through alcohol harms.

Clear cost savings can be made by replacing the WET with a volumetric tax rate, through increased revenue to Government and reduced costs of alcohol harms.

1. Replace the Wine Equalisation Tax (WET) with a volumetric tax

Projected savings from reforming the WET: $3.4 billion over four years

Recommendations:

a. Replace the Wine Equalisation Tax (WET) with a volumetric tax rate equivalent to the full strength draught beer rate, and implement a plan to gradually increase the tax applied until the taxation applied is set between the full strength packaged beer rate and spirits rate, making it consistent with other products of a similar alcohol content.
b. Tighten the definition of products taxed under the WET to ensure that alcohol products which imitate spirits are taxed in the same way as spirits.
c. Remove cider from the WET and tax cider using the current beer taxation arrangements, as cider has a similar alcohol content. Where cider has added flavours it should continue to be taxed as a ready-to-drink beverage (RTD).

The current alcohol taxation system is illogical, incoherent and does not adequately recognise the extent and costs of alcohol harms to the Australian community. The Allen Consulting Group report *Alcohol taxation reform: Starting with the WET* highlights the inequities in the current taxation arrangements:

> 'The current alcohol taxation regime reflects competing policy pressures and compromises. The result is that different amounts of tax are payable on any standard drink depending on the classification of beverage, the alcohol concentration, container size, size of producer and the pre-tax price of the produce'.[10]

The report goes onto say that:

> 'The case for reform is not based merely on the observation that current alcohol taxation arrangements are unprincipled, disorderly and expensive. The key point is that rather than actually help in mitigating economic, health and social harms associated with alcohol use and misuse the current arrangements may enlarge these harms'.[11]

The WET is the most inequitable part of the alcohol taxation system. The WET was introduced with the Goods and Services Tax (GST) and applies to grape wine, grape wine products, alcoholic drinks made from cider and mead and other fruit and vegetable wines greater than 1.15 per cent alcohol by volume (ABV). The tax is paid by wine producers, wholesalers and importers at 29 per cent of a wine's wholesale price. The price of wine relative to the consumer price index (CPI) has fallen by 25 per cent since 1980, which makes wine the most affordable alcohol product in Australia.[12] The WET has contributed to wine being the cheapest alcohol product available for sale in Australia, with some wine being available for just 33 cents per standard drink and 65 per cent of bottled wine being sold for under $8.[13]

Evidence shows that low alcohol prices result in higher consumption levels, including heavier drinking, occasional drinking, and underage drinking. If the price of alcohol increases, a reduction in overall consumption, and heavy consumption in particular, is observed.[14] In 2009, a meta-analysis was conducted of 112 peer reviewed studies on the effects of alcohol price and taxation levels on alcohol harms. This study found that there was 'overwhelming evidence of the effects of alcohol pricing on drinking'.[15] Even small increases in the price of alcohol can have a significant impact on consumption and harm.[16]

The reasons why the WET requires immediate reform are now well established and outlined below.

- The current WET arrangements send confusing price signals that create a harmful distortion.

The application of the WET favours some products over others creating price signals that drive consumers towards lower cost, higher alcohol content products. The WET is applied regardless of the amount of alcohol in the product or harms associated with consumption. This creates a distortion which results in larger volumes of cheap wine having favourable tax arrangements over quality wines. This also favours products taxed under the WET (including wine, cider and imitation spirits) over other alcohol products. This approach does not meet the needs of the community in reducing harms, nor does it meet the needs of the wine industry by supporting smaller producers and local quality wines.

- Nine separate government reviews have recommended reforming the WET.

Nine separate government reviews have now concluded that the alcohol taxation system should be overhauled.[b] In 2009, the Henry Review which determined that reforming the WET was a matter of urgency for the Australian Government.[17] The issue was also explored by the (former) Australian National Preventive Health Agency (ANPHA) in 2011-12 which concluded that the WET required reappraisal.[18]

The Henry Review described the current alcohol taxation system as 'incoherent' and stated that the 'current alcohol taxes reflect contradictory policies…. As a consequence, consumers tend to be worse off to the extent that these types of decisions to purchase and consume, which may have no spillover cost implications, are partly determined by tax'.[19] The Henry Review recommended that alcohol taxes should be set to address the spillover costs imposed on the community of alcohol abuse.

[b] Reviews that have recommended a volumetric tax be applied to wine include: the 1995 Committee of Inquiry into the Wine Grape and Wine Industry; 2003 House of Representatives Standing Committee on Family and Community Affairs Inquiry into Substance Abuse; the 2006 Victorian Inquiry Into Strategies to Reduce Harmful Alcohol Consumption; the 2009 Australia's future tax system (Henry Review); the 2009 National Preventative Health Taskforce report on Preventing Alcohol Related Harms; the 2010 Victorian Inquiry into Strategies to Reduce Assaults in Public Places; the 2011 WA Education and Health Standing Committee Inquiry Into Alcohol; and the 2012 Australian National Preventive Health Agency Exploring the public interest case for a minimum (floor) price for alcohol, final report.

- The wine glut has ended and can no longer be used as a reason to delay reforming the WET.

The Rudd Government's response to the Henry Review's recommendation to reform the alcohol taxation system was that it would not reform alcohol taxation while Australia is 'in the middle of a wine glut and where there is an industry restructure underway'.[20]

Recent reports have demonstrated that the wine glut has come to an end in Australia. Analysis by FARE reported in, *The Wine Glut: An analysis of the oversupply of wine in Australia and progress of the voluntary industry restructure*,[21] assessed the extent of the wine glut against six indicators. These indicators include forward stock to sales ratio, projected forward stock to sales ratio, stakeholder commentary, progress against the wine industry's restructure agenda and proportion of bulk wine.

The analysis found that, on balance, the wine glut in Australia has come to an end. The key indicator of this was the stock forward sales ratios which are calculated by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES). This represent the actual stock available in one year against sales made in the following year. In 2011-12 the stock to forward sales ratios for red and white wine were very close to ideal ratios and the projected forward stock to sales ratios for 2013-14 for both red and white wine, were below the ideal ratios.[22,23]

- There is support from the alcohol industry for reforming the WET.

There is substantial support from the alcohol industry for reforming the WET. Support for reforming the WET is shared by the Distilled Spirits Industry Council of Australia[24], Brewers Association[25] and two major wine producers who make up 20.5 per cent of Australian wine production, Treasury Wine Estates and Premium Wine Brands (Pernod Ricard). Further commentary from within the wine industry also suggests that there are several other small and medium sized producers who acknowledge that the industry would benefit from reforming the WET.[26]

- Claims about the catastrophic impacts of changes to the WET on the wine industry have been discredited.

The Wine Federation of Australia (WFA) has made claims about the potential impacts of changes to the WET on the wine industry. These claims include that introducing a volumetric tax at the packaged beer rate of $40.82 per litre of pure alcohol and removing the WET Rebate would result in a fall in sales volumes by 34 per cent and 12,000 jobs being lost.[27] However, analysis by the Australia Institute found that these figures were grossly exaggerated and that the actual fall in sales volumes would be 5.2 per cent and a possible loss of 599 jobs.[28]

The application of the WET to other fruit and vegetable based products

The WET is not only applied to wine. It is also applied to other fruit and vegetable based alcohol products. These include cider, perry and mead. This also allows for a range of alcohol products to be produced from the fermentation of fruit or vegetables and for the WET to be applied to these products, regardless of their appearance, marketing or more importantly, their alcohol content.

'Spirit-like' products such as TriVoski or Divas Vodkat are examples of products that are produced to imitate spirits, particularly Vodka, but are actually 'wine based.'[29] Because these products are taxed under the WET and not at the higher spirits rate, they are able to be taxed as wine and sold at cheap prices. For example, a 750ml bottle of TriVoski containing 13 standard drinks can be purchased for $9.95. This equates to 77 cents per standard drink. Two 700mls bottles of Divas Vodkat can be purchased for $19.98, equating to 59 cents per standard drink.[30] These products are clearly marketed as spirits. Advertising on the Old Richmond Cellar website states that 'DIVAS is not a cheap Vodka. It has none of the crass stereotypical qualities of cheap Vodka, such as nasty chemical burn, etc… DIVAS is 100% Australian made from real Australian wine grapes, allowing it to be priced as fortified wine, yet TASTES AND SMELLS EXACTLY LIKE TOP QUALITY VODKA!'[31] The Australian Government must question whether the intention of the WET was to allow the introduction and production of these alcohol products. TriVoski and Divas Vodak are depicted below.

Cider is also taxed under the WET. A recent report showed that per capita consumption of cider in Australia has increased by 150 per cent between 2007 and 2011.[32] Much of this growth and diversification into the cider market has coincided with the increased taxation applied to ready-to-drink beverages (RTDs) as a result of the alcopops tax introduced in 2008. Cider is subject to less taxation than RTDs, making it a more profitable prospect for the producer. The growth in the cider market demonstrates the alcohol industry's capacity to quickly adapt to changed taxation arrangements for one product (RTDs) and diversify into products that appeal to a similar consumer market.

Policy proposals

A staged approach to reforming the WET is needed in Australia. This approach should be based on public policy principles that acknowledge the harmful nature of alcohol and address the administrative burden that exists with the current taxation arrangements. FARE has developed public policy principles for a more equitable alcohol taxation system and these are:

1. Alcohol pricing must be applied according to the volume of alcohol within products and their potential to cause harm;
2. The policy relevant social costs of alcohol consumption must be used to inform alcohol taxation rates and prices;
3. Alcohol pricing policies must minimise distortion that may encourage harmful consumption of alcohol;
4. Revenue collected from alcohol pricing policies should be used to pay for the costs incurred by Government to address alcohol harms;
5. Alcohol pricing policies must ensure the cost of alcohol is relative to incomes and CPI increases;
6. Alcohol pricing policies must aim to increase the floor price of the cheapest alcohol products;
7. Alcohol pricing policies must ensure harmful discounting by industry does not occur and minimise loopholes; and
8. Alcohol pricing policies must be administratively efficient.

FARE recommends that the Government replace the WET with the excise rate for full strength draught beer, currently set at $33.16 per litre of pure alcohol.[33] The taxation rate should then increase to position wine so that it is taxed at a rate between the full strength beer rate and the spirits rate. This would create a graduated or stepped alcohol taxation arrangement, where alcohol products are taxed based on their alcohol content within their product categories.

The rationale for adopting a graduated or differentiated approach to alcohol taxation, rather than a straight volumetric tax is to ensure that changes in taxation do not result in increased consumption and harms. If a straight volumetric tax rate is applied to all products, this will result in spirits becoming relatively cheaper, because spirits are currently taxed at a higher rate than all other products. Spirits are traditionally taxed at a higher rate than other alcohol products because spirits have the potential to cause greater harms due to the 'speed to intoxication' ratio. Put simply, it is easier to get drunk more quickly on spirits because of their high alcohol content and the way that they are traditionally consumed. Spirits are also generally cheaper to produce than other alcohol products.

The Australian Government must also rectify the taxation arrangements that allow for spirit like products and cider to be taxed under the WET. Products like TriVoski and Divas Vodkat which market themselves are spirits should be taxed as spirits. Similarly cider should be taxed at the rate of beer, as its alcohol content is similar. Where additional flavours are added to cider, they should continue to be taxed at the RTD rate.

A benefit cost analysis undertaken for the first time in Australia in 2012 found that the majority of Australians (85 per cent) would be better off from changes to the alcohol taxation system. The report, *Bingeing, collateral damage and the benefits and costs of taxing alcohol rationally,* found that reforming the WET would result in a clear benefit to moderate drinkers as they often incur the collateral damage from others alcohol misuse.[34] These benefits derive from significant savings as a result of a reduced level of harm from others and increased disposable income through a rebate of increased alcohol excise back to taxpayers.

The analysis looked at two scenarios where the WET and WET Rebate were removed and replaced with a $29.05 excise (based on the excise for full strength draught beer at the time). Results from the benefit cost analysis show that replacing the WET with a volumetric tax set at $29.05 per litre of pure alcohol is cost beneficial and would result in:

- An increase in revenue of approximately $849 million per annum[c];
- A reduction in total alcohol consumption of 12.3 million litres of pure alcohol per annum; and
- A net public benefit of $230 million per annum ($330 million per annum reduction in harms to others caused by alcohol and a net loss of consumer surplus of $100 million per annum) with benefits estimated to flow to 85 per cent of Australians.[35]

Based on the cost benefit analysis, where a volumetric taxation rate of $29.05 is applied to wine, an additional $849 million in revenue would be collected per annum, equating to $3.4 billion over forward estimates. This submission recommends applying a volumetric taxation rate equivalent of the full strength beer rate, which is currently at $33.16. If this rate is applied, the additional revenue collected by Government will be higher. Therefore the projected savings of $3.4 billion is a conservative estimate.

[c] Figures calculated using the FARE alcohol taxation model. Model is detailed in The Allens Consulting Group (2011). Alcohol taxation reform starting with the Wine Equalisation Tax.

2. Abolish the Wine Equalisation Tax (WET) rebate

Projected savings from reforming the WET: $1.3 billion over four years

Recommendation:

a. Abolish the WET Rebate.

In addition to the WET, a third of a billion dollars is paid out to Australian and New Zealand wine producers each year through the WET Rebate. In 2013-14 this WET Rebate resulted in $333 million of forgone revenue.[36] The WET Rebate was first introduced in 2004 and entitles wine producers to a rebate on producer's assessable deals, up to a maximum of $500,000 each financial year. Similar to the WET, the WET Rebate is equivalent to 29 per cent of a producer's assessable dealings which is typically the price for which the producer sells the wine, excluding wine tax and GST. The WET Rebate can be claimed by producers for up to $1.7 million in domestic wholesale wine sales. The WET Rebate applies to all products subject to the WET.[37] In 2005 the WET Rebate was extended to New Zealand wine producers to satisfy bilateral trade agreements and since this time New Zealand wine imports into Australia have grown by 139 per cent.[38]

Members of the alcohol industry agree that the WET Rebate needs reform. The WFA has stated that the WET Rebate being paid to foreign entities is '…completely at odds with the original intent of the rebate which was introduced to support small and medium sized Australian producers and the regional communities they operate in.'[39] Treasury Wine Estates agrees. In its submission to the 2011 Tax Forum hosted by the Australian Government, it said that 'The phenomenon of very cheap wines seen in Australia in recent years is a further unintended consequence of the WET Rebate, and adds weight to calls to remove or fundamentally reform the scheme.'[40]

The policy intention of the WET Rebate is unclear. For example, it does not appear to have helped smaller producers given that 90 per cent of production is sourced from 24 wine companies and that there have been several reports from the industry of bigger producers and retailers claiming the WET Rebate multiple times.[41] There have been reports of larger producers exploiting the WET Rebate which is creating a perverse effect where, in some instances, the WET Rebate is providing preferential treatment to larger producers.

The WET Rebate needs to be abolished immediately to ensure that the corporate welfare towards wine producers does not continue. If the Australian Government determines that the wine industry does require an industry assistance package, this should be based on clear policy principles based on an identified need. This package should also be developed independent of the alcohol taxation system. Removing the WET Rebate will result in a saving of $333 million per year.

Budget expenditure

The costs of alcohol misuse to the Australian community are substantial. In Australia there were over 5,500 deaths and 157,000 hospitalisations attributed to alcohol in 2010,[42] while the cost to the Australian community is estimated at $36 billion annually.[43]

By investing in prevention, early intervention and treatment, savings to health system resources can be achieved by ameliorating the need for later stage treatment which may be more intensive and costly. FARE has identified three areas where these investments can be made. These areas are:

1. Introducing a structured screening and brief intervention program for alcohol;
2. Restore funding to alcohol and other drug treatment centres; and
3. Invest in prevention.

The funding for these budget expenditure items can be achieved through the revenue raised from reforming the alcohol taxation system in Australia.

1. Introduce a structured screening and brief intervention program for alcohol

Projected cost: $1.3 million over four years

Recommendations:

a. Provide funding to extend the successful *Women Want to Know* program to support health professionals to raise awareness of the maternal health guidelines in the *Australian Guidelines to Reduce Health Risks from Drinking Alcohol 2009*.
b. Fund and implement a broader brief intervention and screening program in primary healthcare that raises awareness of the other guidelines in the *Australian Guidelines to Reduce Health Risks from Drinking Alcohol 2009*.

In 2009 the National Health and Medical Research Council (NHMRC) updated the *Australian Guidelines to Reduce Health Risks from Drinking Alcohol 2009* (Alcohol Guidelines). Substantial changes were made to the advice being provided in the Alcohol Guidelines, reflecting the move to a model based on the risk of disease or injury due to alcohol and changes in available evidence on risk of harms.

Despite the changes to the Alcohol Guidelines, minimal action has been taken to raise awareness of them. As a result, only five per cent of Australians (in 2012) can accurately name the Alcohol Guidelines[44] and only 33 per cent of health professionals are familiar with their content.[45]

Health professionals have a key role in raising awareness of the risks associated with alcohol consumption. When consumers visit a health professional this provides a ‘window of opportunity’ to discuss a variety of health issues and provide information relevant to the individual. This approach, known as screening and brief intervention, consists of ‘screening’ individuals to determine if they are at risk of harms (such as smoking, alcohol consumption, diet and lack of physical activity) and a ‘brief intervention’ which is the provision of information to the individual about ways to reduce the risks associated with their current behaviours. The brief intervention may involve goal setting, discussion of relapse prevention and problem solving.[46]

Screening and brief interventions are an effective, evidence-based approach that can reduce harm and prevent further harm from occurring. Screening can identify whether a person's alcohol consumption is placing them or others at risk and identify individuals who may be developing alcohol-related problems and issues. Screening and brief interventions have been shown to reduce the quantity of alcohol consumed per week by individuals and have been proven effective in different settings such as General Practice and Emergency Departments as well as across different age groups.[47]

Extending the Women Want to Know program

In 2014 FARE used the principles of screening and brief intervention in developing and implementing the *Women Want to Know* program. The program aimed to raise awareness among health professionals about the maternal health guideline for pregnancy and breastfeeding. The guideline specified that for women who are pregnant or planning a pregnancy and for women who are breastfeeding is 'not drinking is the safest option'.[48] The *Women Want to Know* program, funded by the Australian Government Department of Health, included resources to support health professionals and online training courses on how to initiate discussions about alcohol consumption and pregnancy with women. The program has received positive feedback from health professionals and community workers across the country and has resulted in the distribution of more than 20,000 resources.

The *Women Want to Know* program adopted an evidence-based five staged approach to its development, implementation and promotion. The development of the program involved extensive consultation and engagement with leading health professional bodies including the Australian Medical Association, Australian College of Midwives and The Royal Australian and New Zealand College of Obstetricians. An evaluation framework was also established to ensure that the effectiveness of the program could be assessed. Most importantly the program included the development of a comprehensive communications strategy that ensured that program resources and training courses were promoted and adopted. The five stages of the program are outlined in the figure below.

The program has now ceased as funding has expired. A further two years of funding support is needed to embed the program in the routine practice of health professionals who engage with women who are pregnant or planning pregnancy. Further funding would see the continuation of activities to implement the program and evaluate its effectiveness.

Further funding of $400,000 over two years would allow for a full time project manager to continue to promote the program and for further training courses to be established for other health professional sectors, beyond midwives, general practitioners and obstetricians and gynaecologists. The funding would also allow for a post-intervention evaluation survey to be undertaken.

Raising awareness of the other Alcohol Guidelines in primary healthcare settings

To complement the successful *Women Want to Know* program, the Australian Government should fund a program to raise awareness of the other Alcohol Guidelines. Two Alcohol Guidelines apply to the general population and these are:

- For healthy men and women, drinking no more than two standard drinks on any day reduces the lifetime risk of harm from alcohol-related disease or injury; and

- For healthy men and women, drinking no more than four standard drinks on a single occasion reduces the risk of alcohol-related injury arising from that occasion.

The introduction of a screening and brief intervention program for alcohol in primary health care settings recognises the need for health professionals to speak to all Australians about their alcohol consumption. Resources to support health professionals should be developed since a lack of resources is often cited as a barrier by health practitioners.[49 50]

Funding is needed to work with health professionals to develop resources and training to support them to implement screening and brief interventions for alcohol. The program would build upon the successful experience with the *Women Want to Know* program. Adopting the five staged evidence-based approach, the program development and implementation would involve extensive consultation and collaboration with leading health professional associations from across Australia. The program would also include a strategic communications strategy to ensure the materials are not only developed, but are also taken up by health professionals. The funding required for the program would be $900,000 over four years and would include funding for a project manager, resource development, program promotion and pre and post evaluation surveys.

2. Restore funding to Alcohol and other Drug Services to 2013-2014 levels

Projected cost: $510 million over four years

Recommendation:

a. Stop further cuts to alcohol and other drug (AOD) service funding and restore funding to AOD services to 2013-14 budgeted amounts.

The Australian alcohol and other drugs (AOD) sector provides assistance to individuals who are seeking support for problems with their own or someone else's AOD use. The sector also provides support for those diverted from the criminal justice system.

In 2013-14 the budget for the Department of Health's Drug Strategy Program was $258.8 million. For 2014-15 the budget was reduced to $160.98 million, with further reductions forecast at approximately $130 million for 2015-16 to 2017-18. This has resulted in almost half a billion dollars of cuts over four years. The Drug Strategy Program aims to reduce harm to individuals and communities from harmful use of AOD, including pharmaceuticals and to reduce the harmful effects of tobacco use. It includes the Flexible Funds for the Substance Misuse Service Delivery Grants Fund and the Substance Misuse Prevention and Service Improvement Grants Fund, the primary Flexible Funds for the AOD sector.

These cuts to funding have occurred at a time when demand for AOD services has increased. There has been a six per cent increase in the number of treatment episodes across Australia since 2011-12.[51] Waiting lists are also long and act as a barrier to those seeking treatment and support.[52]

The Australian Government also identified in the 2014-15 Budget that $197.1 million would be cut from across the Department of Health Flexible Funds, under which all programs are funded.[53] This could result in further cuts to funding for AOD services. In addition to these cuts in funding there is significant funding uncertainty with many services unsure if their funding will be extended beyond the end of the 2014-15 financial year.

AOD services need security of funding through sustained funding commitments. This is important for both the planning and availability of services, building service capacity and development of new services. Lack of funding security ultimately risks the quality and quantity of services provided which ultimately has an impact on client outcomes. It also makes it difficult to recruit and retain staff which affects not just to the organisation but the sector as a whole.[54]

Rather than decreasing funding, more funding is needed. The National Drug and Alcohol Research Centre (NDARC) has estimated that $2.4 billion in funding is required to adequately support those who need help with their AOD use[55] yet in 2012-2013, funding by all health departments in Australia was $1.26 billion, with the Australian Government providing 31 per cent of this amount.[56] Alcohol and illicit drugs are responsible for 1.9 per cent[57] of the burden of disease but the percentage of the total health care budget (estimated at $140.2 billion) spent on AOD services is just 0.9 per cent.[58]

Gaps in service provision also need addressing, either for the type of service available or general access and availability of services. This is particularly relevant in rural and remote and Aboriginal and Torres Strait Islander communities where services are scarce.

Australia needs a strong and sustainable sector that can continue to provide the quality and quantity of services that are needed to support those in need. Funding should be restored to at least the 2013-2014 budget levels and funding security should be offered to organisations who are currently awaiting information on the future of their services. Further funding cuts would be devastating to an already underfunded sector.

When assessing the difference in the amount of funding budgeted for 2013-14 for the Drug Strategy Program and the differences in funding allocated for financial years 2014-15 onwards. It is apparent that $510 million in funding is needed to restore funding to 2013-14 levels. This funding should be allocated to the Drug Strategy Program as a matter of urgency in the next budget.

3. Invest in prevention

Recommendation:

a. Part of the revenue gained through alcohol taxation increases should be reinvested into independent public health organisations to provide preventative health initiatives to combat alcohol harms.

FARE was established by the Australian Parliament in 2001 through a one-off appropriation of $115 million over four years, as set out in the *Alcohol Education and Rehabilitation Account Act 2001.* FARE was established following agreement between the Howard Government and the Democrats to utilise funds equivalent to the difference between the excise collections on draught beer since 1 July 2000 and the amount that would have been collected using the new rates prescribed under The New Tax System in April 2001.[59] This equated to $120 million over 10 months, or $12 million each month. $115 million was allocated to the establishment of the Foundation and $5 million to the Historic Hotels initiative to preserve historic hotels in rural and regional Australia.

At the time of FARE's establishment the Senate Committee noted support by the drinking public to the creation of an organisation like the Foundation which would be established using revenue raised from alcohol taxation. Submissions from the Australian Associated Brewers noted that '75 per cent of drinkers in a survey conducted by the brewing industry voted to put any excise refund towards alcohol-related medical research, remedial programs and charities, rather than lowering the price of beer' and that 'a solid majority of beer drinkers, and voters, were of the firm opinion that the funds should be administered by an independent charitable foundation, not the Federal Government'. [60]

FARE used these funds to support alcohol treatment services, build capacity and infrastructure of services, and commission research to improve knowledge and service responses to issues such as Fetal Alcohol Spectrum Disorders and support for Aboriginal and Torres Strait Islander communities. Over this decade of investment, FARE also established the Centre for Alcohol Policy Research (CAPR) in partnership with the University of Melbourne and Victorian Government. CAPR is acknowledged as a world-leading research centre, with their ground-breaking research *The Range and Magnitude of Harm to Others* being adopted by the World Health Organization and undertaken in 20 countries. Since 2001 FARE has provided funding to over 1,400 projects across 700 organisations.

Funding for preventive health is important. Chronic diseases such as diabetes, heart disease, cancers and chronic lung diseases are the leading cause of death in Australia. ANPHA, a former Government agency, noted that 40 per cent of preventable hospitalisations for chronic conditions are associated with alcohol, tobacco or obesity.[61] Alcohol in particular is known as a cause or component factor in more than 200 diseases including strokes, heart disease, cancers, liver cirrhosis, respiratory diseases and sexually transmitted infections. Alcohol is also associated with neuropsychiatric diseases and deaths, including epilepsy, dementia, mental health and behavioural disorders.[62]

Australia has a long history as a world leader in health prevention activities. Its commitment to reducing the harmful effects of tobacco through its tobacco control policies for more than 30 years has meant that other countries look towards Australia to see what works. Focusing on prevention is key to achieving a sustainable health system. Preventive health activities aim to improve the overall health of the population and in return reduce and ameliorate the progression of illnesses and disease.

While recognising the Australian Government's commitment to funding alcohol harm prevention activities through the Population Health Division of the Department of Health, FARE is concerned about the future of the programs and activities run by ANPHA. The functions of which have now been subsumed by the Department of Health, as it is unclear if the initiatives previously run by ANPHA will continue. This includes initiatives such as the *National Binge Drinking Strategy* and the *Be the Influence* Campaign which aimed to raise awareness of the long and short term impacts of harmful drinking among young people.

Implementing preventive health initiatives such as social marketing campaigns are critical to raising awareness about harms caused by alcohol in order to reduce harm. Campaigns that challenge social norms and raise awareness have been most successfully used in the tobacco control field and social acceptability of smoking has changed dramatically over time. Research from the tobacco control field has found that social marketing and public education are most successful when it is well-funded, repetitive, and ongoing.[63] [64] To be successful these campaigns need to be part of wider strategies that involve legislative change and reform. Again, this has been successfully applied in the tobacco control field.

Investing in prevention through providing funding to organisations like FARE is one way that the Australian Government can continue to fund preventive health and reduce alcohol harms. These funds could be used to develop and implement evidence-based public health awareness campaigns.

Providing funding for organisations such as FARE to undertake prevention activities also reduces red tape and lowers administration costs for program activities. Adopting a funding model where programs are outsourced also ensures independence and continuity of programs regardless of any changes to government structures and processes.

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Foundation for Alcohol Research & Education
PO Box 19, Deakin West ACT 2600
Level 1, 40 Thesiger Court Deakin ACT 2600
Ph 02 6122 8600
info@fare.org.au
www.fare.org.au

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