

**SUBMISSION TO THE**

**HEALTH COMMITTEE**

**CONSIDERING**

**THE**

**ALCOHOL ADVISORY COUNCIL**  
**AMENDMENT BILL**

**March 2008**

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## **SUBMISSION ON THE ALCOHOL ADVISORY COUNCIL AMENDMENT BILL**

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### **SUMMARY AND RECOMMENDATIONS**

The Distilled Spirits Association welcomes the Alcohol Advisory Council (ALAC) Amendment Bill. The Bill's objective to simplify current levy setting mechanisms and structure is to be commended. However the changes have fallen short of the Association's expectations, creating and maintaining some serious anomalies. The Association wishes to bring to the attention of the Health Committee the areas where the Bill (and its principal Act) can be substantially improved upon.

In particular, our recommendations, consistent with the Alcohol Advisory Council<sup>1</sup> and others, include:

- that there be one uniform levy base rate across all beverage types,
- that any new levy base rate applies for a five year period (in line with the ALAC strategic plan period) with changes within this period limited to movements in the CPI All Groups less credit services,
- that the Treasury has exclusive responsibility for calculating the levy,
- that any adjustment to the levy be Gazetted 28 days ahead of implementation,
- decisions to adjust the levy be publicly explained or justified by ALAC and or Minister(s) and
- there be a drinks industry representative included on the ALAC board.

### **THE DISTILLED SPIRITS ASSOCIATION**

1. The Distilled Spirits Association of New Zealand Inc is responding to the invitation extended by the Health Committee for submissions on the Alcohol Advisory Council Amendment Bill.
2. The Association is the national trade organisation representing New Zealand's leading producers and marketers of premium spirits (e.g. brandy, whisky, rum, gin, vodka) and liqueurs.
3. The Association's members include: Anchor Ethanol Ltd, Bacardi Martini Asia Pacific Ltd, Brown Forman Beverages Worldwide, Diageo (New Zealand) Ltd, Federal\*Geo, Lion Nathan Wines and Spirits Ltd, Maxxium NZ Ltd, Moët Hennessy NZ Ltd, Pernod Ricard New Zealand Ltd, The Rum Company (New Zealand) Ltd and Vintage Wines and Spirits Ltd.
4. The Bill and its outcome are of vital interest to members of the Association.

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<sup>1</sup> Based upon a paper "Taxing harm: Modernising alcohol excise duty", commissioned by ALAC and prepared by economist Brian Easton

## **ALCOHOL ADVISORY COUNCIL ACT**

5. As an appropriate starting point in response to the Bill it is vital to be reminded of the Alcohol Advisory Council's primary objective, which reads:

“The primary objective of the Council is the encouragement and promotion of moderation in the use of liquor, the reduction and discouragement of the misuse of liquor, and the minimisation of the personal, social, and economic harm resulting from the misuse of liquor”<sup>2</sup>

6. Importantly, the levy has not been designed to raise revenue for the Government, interfere with the economic viability of the industry nor to dampen or restrict consumer demand or fund unrelated areas. Instead, a levy is charged on alcohol produced and imported for sale in New Zealand to finance the Council's goal of moderation in drinking and changes to the current patterns of binge drinking and intoxication. Accordingly, the proposed amendments in the Bill are a means to better facilitate the efficient functioning of the Council.
7. The total levy collected in the financial year ending 30 June 2007 was over \$12 million<sup>3</sup>. Around one third of that amount was collected directly from spirit manufacturers and importers.

## **INTRODUCTION**

8. The Bill proposes reforms that address some major anomalies and inconsistencies within the current levy setting system. This system was first implemented 32 years ago in 1976. Reforms to the levy setting system are long overdue.
9. The Bill is a reaction to the current levy setting problems and errors that were exposed with the urgent passing of validating legislation in 2004<sup>4</sup>.
10. The Association believes that the proposed levy reforms, as set out in the Bill, are a good start, however they need to be extended and developed to meet expectations and achieve the purpose of the Bill.
11. The proposed reforms generate new distortions and maintain a number of the original shortcomings of the current system. The Association does not see the current set of proposals as optimal going forward.
12. The Association along with other organisations including the Alcohol Advisory Council (ALAC) believe there are significant opportunities to improve the levy setting mechanisms and achieve the Bill's objective of simplicity. Further, to ensure the levy is efficient, effective and equitable some significant amendments are set out in the following discussion.

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<sup>2</sup> s11 Alcohol Advisory Council Amendment Act 2000

<sup>3</sup> Alcohol Advisory Council of New Zealand (ALAC), Kaunihera Whakatupato Waipiro o Aotearoa, Report for the year ended 30 June 2007 (E.26)

<sup>4</sup> Subordinate Legislation (Confirmation and Validation) Act 2004

## **CLAUSE BY CLAUSE ANALYSIS**

### **Clause 2 Commencement**

13. The Association endorses the proposed commencement date, as indicated in the Bill's explanatory notes, of 1 July 2008.
14. It makes sense to bring in changes to coincide with another major tax (excise) adjustment date, also scheduled for 1 July 2008.
15. A commencement date of 1 July 2008 aligns conveniently with Government accounting and statistical reporting periods.

### **Clause 4 Interpretation, sub clause (2) "Class of Liquor"**

16. The Association has some concerns with the **Schedule**. Please see a detailed discussion under **Clause 8**.

## **PART 1: Amendments to Principal Act**

### **Clause 4 Interpretation**

17. The Association generally supports the provisions of this clause. However, we provide comments and suggestions for further improvement in the detailed discussion at **Clause 8**.

### **Clause 5 New sections 26 and 27 substituted**

#### **Notice period**

18. The new s26 and s27 fails to institute important provisions concerning a sufficient notice period of (any) levy rate changes to affected parties.
19. The Association submits that affected industry members must be allowed a reasonable period of notice to implement internal adjustments (to computer programs, pricing catalogues etc), notify members of the trade and achieve compliance in an efficient and timely manner.
20. As a precedent, the Association highlights the example of notifications for the adjustment of Alcohol Excise Tax to the alcoholic beverage industry. The New Zealand Customs Service (NZCS) usually provides four to six weeks clear notice for such adjustment notifications.
21. It is the Association's experience that the current levy adjustment notification system raises wider concerns regarding inefficient departmental and internal process.
22. By way of example, in the 2007-2008 levy year, the Association received a Ministerial letter (on 18 June 2007, for effect on Sunday 1 July 2007). This gave affected industry members a scant nine working days notice to implement the rate changes.
23. The Association submits that the minimum notice period for any ALAC levy adjustment should be the standard 28-day *Gazette* notice period. This would provide a fair and adequate buffer and enable affected industry members, in a

timely manner, to make the necessary logistical changes, to notify related and other affected parties and to comply efficiently and effectively.

24. The Association therefore recommends s27 be amended by inserting an additional sub-clause, to read:  
*s27 (4) That any adjustment to the rate of levy be Gazetted 28 days prior to implementation.*

## **s26, Minister to determine amounts of levy for each class of liquor**

### **s26 (1)**

25. The clause, as drafted, is ambiguous and implies an annual adjustment of the levy.
26. As previously stated, the Association does not believe the levy requires an annual adjustment. Historically, the levy rates have not been routinely revised on a yearly basis<sup>5</sup>. As an important precedent, we note that for the periods 1994 to 1997 and 1997 to 2003 the Minister did not formally approve any increase to the levy rates. While this lack of adjustment may have been due to an administrative oversight, it does demonstrate the ability ALAC has to operate within an unchanged budget for lengthy periods. The Association believes that any levy adjustments would be better and more efficiently aligned to a five year horizon, which is consistent with Council-set strategic planning periods. Any increases during this period should be limited to inflation-linked adjustments.
27. The current strategic plan period is set for 2007 to 2012<sup>6</sup>. Therefore any new levy rate should apply for the same period and be next adjusted (other than inflation-linked adjustments) post 2012.
28. The Association would also expect ALAC to provide a detailed justification for any decision to adjust future levy settings in its annual statement of intent and proposed budget.
29. Alternatively, the Minister responsible for ALAC, (presently the Associate Minister of Health or the Minister of Finance via the annual Budget process) should be required to provide a public statement and rationale for the decision to adjust rates. When levies are increased taxpayers deserve to know why.

30. The Association recommends s26 be amended by inserting the new wording, to read:

*s26 (1) After assessing the aggregate levy figure in respect of any **five yearly strategic plan period**, the Minister must determine, in accordance with subsection (2), the amounts of the levies payable under section 28, in respect of each class of liquor, in order to yield an amount equivalent to the aggregate levy figure.*

<sup>5</sup> See Appendix A

<sup>6</sup> <http://www.alac.org.nz/InpowerFiles/CorporateReports/Document.Document.17430.1b4e5fd2-4978-42c0-830c-a160e1daec27.pdf>

**s26(2)**

**“5-Step method”**

31. The Association believes the proposed 5-step method in determining levy amounts is an unjustifiably complicated process.
32. The Association believes there should be one base rate of levy applicable to all classes of liquor, with this base rate being determined on a litre of alcohol basis. The creation of a single base rate is consistent with ALAC’s stated views that “alcohol is alcohol”, regardless of its form.
33. Calculation of such a base rate is a relatively simple and transparent matter involving the following 3 steps:
- Step 1** – for classes of liquor C, F and G, determine the total number of litres of alcohol imported into or manufactured in New Zealand during the preceding statistical year.
- Step 2** – for classes of liquor B, D and E, determine the total number of litres of each class of liquor imported into or manufactured in New Zealand during the preceding statistical year and multiply each number by the appropriate rate as set out in the Schedule. This gives the (nominal) total number of litres of alcohol for each class of liquor.
- Step 3** – add the results of steps 1 and 2 and divide the aggregate levy figure by this amount. The result of this step will be a base rate of levy to apply to each actual or nominal litre of alcohol imported into or manufactured in New Zealand. The applicable levy amount for liquor classes B, D and E will be the base rate multiplied by the rate set out in the Schedule (e.g. for class D the applicable rate of levy will be 8% of the base rate and will be levied on a per litre of product basis).
34. Other than a five yearly determination of new levy rates and on the basis that the levy is to follow the excise tax classification bands, there is a strong argument for any levy adjustments to be limited to movements in the Consumers Price Index excluding credit services (CPI-X). Having levy rates indexed to inflation<sup>7</sup> provides reasonable numerical certainty for industry members for forecasting purposes, avoids the overly complex 5-steps and greatly increases expenditure discipline.

35. The Association recommends that a new rule be inserted to limit (any) increase in the levy to no more than the rate of inflation. Accordingly, s26 (2) (a)-(e) be substituted with the following new sub-clauses, to read:

*s26 (2) (a) That any change to the amount of the levy for each class of liquor within any five-yearly period be limited to movements in the Consumers Price Index All Groups excluding credit services (CPI-X).*

*(2) (b) If the increase in the levy is greater than the annual movement in the Consumers Price Index All Groups excluding credit services(CPI-X) the Minister will consult with all affected industry stakeholders.*

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<sup>7</sup> See Appendix A

### Section 26 (3)

#### Single Base Rate

36. As the Bill does not specify any dollar levy rate amounts (yet to be determined), the Association believes the Minister should in the first instance consult and take advice from affected manufacturers and importers (as is similarly done with the Problem Gambling Levy<sup>8</sup> - referenced in the Bill's explanatory notes). Further, it would be desirable and non-discriminatory for the levy to be based on a single uniform and rational rate applicable across all beverage types. Such an approach, supported by ALAC<sup>9</sup>, would avoid current inequities such as the Spirits Levy, which is disproportionately higher than other alcohol beverages per litre of product (see table below). The Association knows of no empirical evidence or any precise public health validation that justifies the continuation of the current disparate approach.

#### Significant difference in ALAC levy rates<sup>10</sup>

Product class	Levy \$	Differential to Spirits
Spirits	44.59c/litre of alcohol by volume or 17.836c/litre (at 40% abv)	
Wine	5.02c/litre	71%
Beer	1.37c/litre	92%

37. The Association submits that a single rate structure would ensure fairer and more equitable treatment between all alcohol beverage types. The Association has proposed the establishment of a single base rate of levy with provision for this rate to be applied pro-rata to classes B, D and E. This is due to the belief that there is a requirement to pay according to the actual alcohol content of products falling within these classes.

38. A single levy rate has, however, several additional advantages, including:

- ease of administration and efficiency,
- consistency with the fact that “alcohol is alcohol”<sup>11</sup> and all standard drinks are alike<sup>12</sup>. The levy system should reflect this truth,
- easy application to any new forms of alcoholic beverage as alcohol content not alcohol source determines the levy

<sup>8</sup> [http://www.dia.govt.nz/diawebsite.nsf/wpg\\_URL/Resource-material-Regulatory-Impact-Statements-Problem-Gambling-Levy-200405-200607?OpenDocument&ExpandView](http://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Regulatory-Impact-Statements-Problem-Gambling-Levy-200405-200607?OpenDocument&ExpandView)

<sup>9</sup> ALAC 2003 Annual Report

<sup>10</sup> NZ Gazette No 64

<sup>11</sup> All beverages contain alcohol generated through the natural process of fermentation, by yeast, of agricultural crops including grains, barley, wheat, rye, or corn, cane sugar, fruits and so forth. The alcohol in each of the resulting beverages, whether beer, wine, cider, perry, liqueurs, pre-mixed drinks, or spirits, is the same.

<sup>12</sup> A Standard Drink measures the amount of pure alcohol in a drink. One standard drink equals 10 grams of pure alcohol.

- no requirement for the complex assignment of proportionate levies to different beverage categories or products (there being no case for a differential treatment of spirits),
- reflection of consumption pattern changes in levy returns,
- encouragement of lower strength alcohol beverages, as the lower the percentage alcohol by volume (%abv) the lower the levy payable and
- alignment with the view of professional economists<sup>13</sup> and officials including the Treasury<sup>14 15</sup>.

39. The Association recommends that a new single levy rate be struck and that it should not be any more than the current highest rate.

40. Alternatively, and should more than one rate of levy be applied, the Association recommends that the higher rate is not adjusted until the lower rate(s) equalise over time. Eventually, this would give a uniform rate based on alcohol content.

41. Separately, the mixed use of alcohol units, namely “litres of alcohol” and “litres” is confusing and discriminatory. Spirits are assessed on an alcohol content basis whilst other beverages are charged differently and on a per litre basis.

42. The Association therefore believes that the one consistent single unit of measurement, “litres of alcohol” would enable the optimum method for collection of a fair and equitable levy.

## **New Section 26 (4)**

### **Levy calculation responsibility**

43. The Association is concerned that the Bill does not specify one particular organisation directly responsible for calculating the levy. Presently, the responsibility for the calculation of the levy is shared between the Ministry of Health and the Treasury. This dual jurisdictional arrangement has led to issues of inefficiency and a lack of transparency and accountability for the various levy calculation errors experienced in recent years<sup>16</sup>. A single departmental responsibility will ensure the accountability for the levy and related forward planning and advice to relevant parties is achievable and set as a priority.

44. The Association recommends that a new clause be added giving the Treasury exclusive jurisdiction and responsibility for calculating the levy, to read:  
*s26 (4) That the Treasury has sole responsibility for calculating the levy.*

<sup>13</sup> Taxing harm: Modernising alcohol excise duty, Brian Easton, December 2002

<sup>14</sup> Taxation: The optimal excise (Empirics), Tom Hall, June 1996

<sup>15</sup> Budget 1989

<sup>16</sup> Regulations Review Committee report on the Subordinate Legislation (Confirmation and Validation) Bill (No 3)

## Clause 6 Levies payable by importers and manufacturers of liquor

45. The Association supports this clause.

## Clause 7 Regulations

46. The Association is generally supportive of the clause however we propose an alternative to the **Schedule** as detailed in Clause 8.

## Clause 8 Schedule Added

47. The Bill's **Schedule** (see below) specifies a "banding" arrangement with "deemed alcohol averages" combined with a variable rate ("exact alcohol content declaration"). The Association submits that this does not allow the levy to be "simple to calculate" or simple to understand as stated in the Bill's explanatory notes. Additionally, the mixture of deemed and variable rates is flawed and creates new issues and anomalies especially for those producers who do know the precise alcohol content of their products. As a matter of principle, the Association has a strong preference for all alcohol beverages to be levied on their true alcohol content (or "variable" rates) rather than by bandings. The Association's recommendation for one base rate of levy goes some way to addressing these concerns, however does not completely remove the anomalies arising from the use of deemed levels of alcohol content for certain classes of liquor.

## Schedule

### Classes of liquor, and rates

<u>Class</u>	<u>Description (bands)</u>	<u>Rates</u>
A	1.15% or less	0
B	1.15-2.5%	1.5%
C	2.5-6%	Variable
D	6-9%	8%
E	9-14%	10%
F	14%-23%	Variable
G	23%+	Variable

48. According to ALAC a banding system distorts market behaviour and incentivises some manufacturers/importers to produce or import one type of product at the top of the band, but pay the levy on a lower "deemed average" percentage alcohol content. Recently, ALAC has commented:

*"It is concerning to see at least one liquor producer moving to produce a product with 13.9 percent alcohol thus missing the 14 per cent cut off"<sup>17</sup>.*

49. As an example, the "deemed actual alcohol content" factor for the Class E 9-14%abv band, set at 10%abv, does not accurately or fairly reflect current market trends<sup>18</sup>. To illustrate how the system would work: a general alcohol

<sup>17</sup> Alcohol.org.nz Vol 14, No 1, June 2003

<sup>18</sup> The Class D 6-9%abv band is less problematic because of the narrowness of the range

beverage in Class E, typically labelled as containing 13.9%abv, would be levied at 10%abv. This creates a material alcohol content variance of 3.9%abv points. Combined with an alcohol content labelling “tolerance” of 0.5%abv, as provided for by the Food Standards Code<sup>19</sup>, the differential between the true and the “deemed average alcohol content” can be considerable with regards to the levy. As to the magnitude of the anomaly, official tax clearance data indicates that there are around 2.1million litres (or 210,000 litres of alcohol at 10%abv<sup>20</sup>) of “general alcoholic beverages” declared within the band. Anecdotal and observable market behaviour indicates that products labelled as containing 13.9%abv predominate. The Association believes a potential, (albeit unintended) consequence of the proposed system is the encouragement of such formats for alcoholic beverages to take advantage of the levy system.

50. The adverse implication for the levy system is that it may be potentially “underpaid” or “overpaid”<sup>21</sup> by some categories of alcoholic beverage. Utilising a deemed alcohol average could mean undermining ALAC’s ability to maximise its levy revenue<sup>22</sup>. Consequently, other alcohol beverage categories may end up carrying a higher and disproportionate burden of the levy. At the very minimum, the banding system with deemed alcohol values is inconsistent with the Associate Minister of Health’s media statement that “Alcoholic beverages with a higher volume of alcohol will contribute a higher proportion of the levy”<sup>23</sup>.
51. In addition, the proposed banding arrangement is flawed due to its contradiction of ALAC’s general information on alcohol beverages. The **Schedule** implicitly informs consumers that all beverages falling within the 9-14% band contain 10%abv. This is contradictory and confusing in relation to ALAC’s “*It’s not the drinking. It’s how we’re drinking*” public education program and standard drinks campaign.
52. The Association believes that arguments advanced by some in support of the deemed average points, namely the NZCS (who have failed to provide any details or explanation) are very concerning. It is both puzzling and nonsensical to verify the alcohol content of beverages in the Class C 2.5%-6%abv, Class F14%-23%abv and Class G 23%abv + bands but assert that it is “not feasible to verify the alcoholic content of those alcohol beverages”<sup>24</sup> in the Class D 6-9%abv and Class E 9-14%abv bands. Their argument implies the existence of some sort of technical barrier. However no such barrier exists. Alcohol testing is the same for any strength of product. Notions such as those argued by the NZCS are implausible and irrelevant given the availability of modern measuring technology (see NZCS Alcohol Rules<sup>25</sup>) and other market and legal requirements for the assessing of alcohol concentrations.

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<sup>19</sup> Australia New Zealand Food Standards Code, Standard 2.7.1 (2) (2)

<sup>20</sup> NZ Customs tax paid clearance volume data, Year end December 2007

<sup>21</sup> A Class D product containing 6%abv “overpays” the levy (by two percentage points) which deems the entire class as containing 8%abv

<sup>22</sup> Taxing harm: Modernising alcohol excise duty, Brian Easton, December 2002

<sup>23</sup> “Minister tables bill to simplify alcohol levy regime”, Hon Damien O’Connor, 11/12/07

<sup>24</sup> ALAC Bill’s explanatory note, page 8

<sup>25</sup> New Zealand Customs Service Customs and Excise Act 1996 Customs (Volume of alcohol) Rules 1996, Amendment No 1

53. The Association would like to highlight that operationally, producers or importers will be testing and establishing within a very close margin of error the actual alcohol content of their products due to:
- routine analysis for fundamental quality and chemical assurance protocols,
  - additional taxation requirements (such as excise tax),
  - compliance with truthfulness in labelling obligations (as required by the Fair Trading Act – which deems that all alcohol beverages must be advertised and marketed in a way which does not mislead consumers),
  - the need and requirement to retain basic data and other records,
  - compliance with export market demands and/or
  - compliance with the Food Act<sup>26</sup>, food standards and standard drink declaration purposes (as required by the Australia New Zealand Food Standards Code).
54. Therefore the measurement and verification of a product's true alcohol concentration is not only possible, but is routinely performed and readily known.
55. As further guidance and in accordance with Customs Regulations<sup>27</sup> another approach is available to determine a product's alcohol content, namely using information declared by manufacturers or by sighting label declarations. Thus:

**27. Manner of specifying volume of alcohol**

Where, in respect of an entry required by section 39 (1) of the Act, the volume of the alcohol in any beverage is required to be shown, the person making the entry shall specify the volume of alcohol in accordance with the alcohol strength stated by the manufacturer in the invoice, or on the label of the product concerned.

56. The Association submits that the above factors negate the need to utilise alcohol bandings and a deemed average arrangement, thus eliminating the creation of new anomalies. Furthermore, there are sufficient and adequately robust mechanisms already available to correctly ascertain a product's true alcohol concentration for levy purposes.

57. In conclusion, the Association endorses the view of ALAC and others and believes that the banding approach should be substituted for a consistent and equitable levy structure reflecting a product's true alcohol content.

58. In the event that the above position is not possible, and where duty bands have to be used, the Association recommends a recalibration of the system. The Association submits that bands should be kept narrow and that within each

<sup>26</sup> Food Act s10 Misleading labelling and packaging

<sup>27</sup> The Customs and Excise Regulations 1996, section 27

band the rate should be set near the top of the band<sup>28</sup> to avoid the creation of new anomalies.

59. Notwithstanding the above, the **Schedule** specifies the method for calculating variable rates. A serious omission exists in that no details are provided as to how the rates are calculated for Classes B, D and F. Therefore the Association has recommended that the **Schedule** include a further sub-clause describing the method for calculating rates for Classes B, D and F.

#### **OTHER MATTERS - Composition of Alcohol Advisory Council**

60. The levy enables a range of projects to be developed and executed.
61. The Association wishes to particularly note and endorse the progress ALAC is making in terms of promoting a long-term culture change program around minimising binge drinking, providing information on standard drinks, and educating New Zealanders about responsible and moderate drinking patterns.
62. The Association notes that the ALAC levy is collected from importers and local producers of alcohol at the same time as excise taxes are collected. This is a logical convenience and simplicity.
63. Since the formation of ALAC there has never been an industry representative on the ALAC council yet many of the ALAC initiatives and programs are executed through the industry. Standard drinks labelling and host responsibility being but two examples. There is also regular liaison between ALAC and the various components of the liquor industry. There are many people involved in the liquor industry who have considerable experience and knowledge of alcohol issues associated with the market. These people could help assist the views and contribute to Council outcomes. We believe that this could be best achieved by expanding the Council to include one industry representative or member.
64. As a precedent for industry representation, we note from the Bill's explanatory notes (page 4) concerning problems with the gambling levy approach that the Gambling Act<sup>29</sup> formally provides for direct industry involvement and consultations in all levy matters.
65. Finally, the Association notes that the principal Act at s9 "Powers of Council"(2)(b) enables the Council to "cooperate with any body, association or person" and that in the spirit of cooperation this should further assist the case for industry representation on the Council.

66. The Association recommends that clause 3A "Membership of Council" of the principal Act be amended to include a new sub-clause, to read:  
*s2 (f) to enable: "at least one person with experience in the liquor industry".*

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<sup>28</sup> Taxing harm: Modernising alcohol excise duty, Brian Easton, December 2002

<sup>29</sup> Gambling Act 2003 – Subpart 4 Problem Gambling Levy

67. In the event that the above suggestion is not taken up the Association recommends that ALAC consult widely and engage with industry on a regular basis in order to meet the Council's primary objective.

#### **CONCLUDING COMMENT**

68. The Bill as drafted does not create a new levy setting mechanism that is easy to understand, consistent, simple in its operation and equitable to all types of alcohol. Instead, the proposed reform creates a discriminatory situation for some alcoholic beverages, new anomalies and undue market distortions. The Association does not believe that this was the intent of the Bill.

69. The Association has recommended a number of changes to clarify and to improve the drafting of the Bill. We urge the Health Committee to respond positively to the Association's recommendations.

70. Finally, the Association would welcome an opportunity to appear before and speak with members of the Health Committee to elaborate on the comments and recommendations in this submission.

**Distilled Spirits Association of New Zealand Inc.**

## APPENDIX A: LEVIES & CPI

June Year	CPI	Y/Y%	5yr % change	Spirits Levy \$ Per litre of alcohol	Y%/Y%	5yr % change
<b>1992</b>	<b>743</b>	<b>1.0%</b>		<b>26.73</b>	<b>0</b>	<b>46%</b>
1993	753	1.3%		26.73	0	
1994	761	1.1%		27.60	3.3%	
1995	796	4.6%		27.60	0	
1996	812	2.0%		27.60	0	
<b>1997</b>	<b>821</b>	<b>1.1%</b>	<b>10.5%</b>	<b>28.42</b>	<b>3%</b>	<b>6.3%</b>
1998	835	1.7%		28.42	0	
1999	832	-0.4%		28.42	0	
2000	849	2.0%		28.42	0	
2001	876	3.2%		28.42	0	
<b>2002</b>	<b>900</b>	<b>1.5%</b>	<b>9.6%</b>	<b>28.42</b>	<b>0</b>	<b>0%</b>
2003	913	2.4%		28.42	0	
2004	935	2.8%		38.51	35%	
2005	962	4.0%		43.90	13.9%	
2006	1000	2.0%		44.25	0.8%	
<b>2007</b>	<b>1020</b>	<b>1.8%</b>	<b>13.3%</b>	<b>44.59</b>	<b>0.8%</b>	<b>56%</b>

Source: Statistics NZ, Ministry of Health