

14 November 2008

Dr Ken Henry AC
Chairman
Australia's Future Tax System Review
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Dr Henry,

Having recently become aware of the wide ranging nature of your review, I have resolved to send you this brief submission on a topic close to my heart as a consumer. I will refrain from offering gratuitous advice on the absurd incentives that presently reside within the existing income tax / welfare system, though I urge you to make that topic your top priority.

My specific area of interest is the excise and other taxation arrangements relating to small beer producers (henceforth “micro-breweries”). I have long been grieved by the inequity in tax treatment between small wine producers and small beer producers. I heartily concur with the submission made to your review by the Tasmanian Association of Microbrewers and refer you to that submission for the detail of the taxation differences between the two industries.

My main goal in making this submission is to state that, as a consumer of high quality beer products, I am dismayed by the fact that micro-brewing in Australia is so seriously retarded by very high taxation and that this taxation is so very much greater per unit of alcohol than the effective rate paid by small wine producers. I cannot conceive of a justification for this discrepancy – any argument for the present regime on the basis of alcohol abuse mitigation is obviously fallacious given that micro-breweries lack the economies of scale in production that would enable them to engage in price competition with the national beer duopoly in relation to low quality beer, even if tax concessions are granted to micro-brewers. This must have been the very argument offered by small wine producers to enable them to obtain their wine equalisation tax (WET) concessions.

I strongly agree with the WET concession as I believe that the multinational wine (and beer) oligopolists have no interest in producing innovative, unique products for the consumer and every interest in excluding potential future competitors. Such concessions are therefore a potent way of both ensuring the meeting of consumer demand and limiting anti-competitive behaviour in the “premium” end of the the market.

This leads me to the obvious conclusion that the existing WET concessions were recommended to government by bureaucrats with a taste preference for wine over beer, spirits or other alcoholic beverages. In case this letter is being vetted by just such a bureaucrat whose experience of beer does not exceed VB (or even Cascade Premium, which is owned by the same company) I include the following link to a website that lists the names and descriptions of over sixty distinct beer styles:
www.beerhunter.com/beerstyles.html.

The fact that few of these styles are made in Australia does not indicate a preference for the homogenous, bland and watery mainstream offerings of Carlton-United and Lion Nathan but rather that these companies do not find it in their interests to produce them. It could easily be argued that a very similar situation existed in Australia in relation to wine three decades ago.

In summary, I feel that my consumer preference for beer quality and variety is being ignored by the Australian Government's hitherto refusal to extend the equivalent of the WET concession to small scale producers of other alcoholic beverages. Furthermore, this inconsistency probably distorts domestic consumption decisions between wine and other beverages while protecting the two major producers from competition at the "premium" end of the market.

I thank you for the opportunity to comment on this aspect of the Australian taxation system and look forward to the publication of your final recommendations.

Yours sincerely

(sent via email)

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