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Media Release

We are very concerned regarding the statement made by Finance Minister of Sri Lanka in Parliament on the 22nd of June 2017, on amending the Excise Act.

The following points contained in this statement were reported in the newspapers and live video recordings shown.

1. Reducing the alcohol production tax from Rs. 100 million to Rs. one million.
2. Beer and wine prices should be reduced to bring a relief for people.
3. In the opinion of the Minister, such a reduction in price will lead to a reduction in consumption of strong alcohol and *kasippu*.
4. Due to the closing of wine stores in national and religious holidays, there are sudden increases in sales of alcohol beverages and *kasippu*.
5. Closing Wine Stores in religious holidays such as Christmas and Poya days has a negative impact on tourism in Sri Lanka.

We believe the above statements made by Minister of Finance are a result of the lack of correct information or deliberately provided false information. For example, the data contained in the “White Paper” sent to Ministers on tobacco taxation in 2016 by the Finance Ministry was proven to be are mostly wrong and misleading. Therefore, these proposals made on alcohol should be carefully considered. We wish to highlight the following:

1. Government will lose hundreds of millions of rupees if the suggested reduction in tax on alcohol producers from Rs. 100 millions to Rs. one million. As the government repeatedly emphasizes a lack of finances and keep increasing taxes on various essential goods and services, this measure cannot be justified in any way.
2. It is common knowledge that people expect the government to give them relief by reducing the prices of essentials of life such as food, health, clothing, transport and housing. Alcohol is not such an essential item. It is questionable why reducing the price of alcohol should be singled out as a means of making people better-off. Also, it is established only around 35% of all adult males consume alcohol, in Sri Lanka (STEP Survey / WHO & Ministry of Health, Sri Lanka 2015). According to a study conducted by World Health Organization and the National Authority on Tobacco and Alcohol, the social costs of the alcohol use were for Rs. 141 billion in 2015. Therefore it is clear that the government should increase its investments in education, health and development rather providing subsidies for harmful industries like alcohol.
3. The statement, “By reducing prices in beer will reduce the consumption of *Kasippu* and strong alcohol” has no scientific or logical basis. We recall the decision made by in 1995 to significantly reduce the tax on beer by bringing in similar arguments. This measure increased the consumption of beer in Sri Lanka, without making any impact on sales of stronger alcohol products. Also the same “statistics” related to illicit alcohol use is being given by the industry even now – apparently the reduction in the prices of beer has not reduced illicit alcohol consumption at all.

It is well established that reducing the price of any alcohol beverage will not result in reducing harm caused by it. A reduction of prices will increase consumption by young

people as well poorer people. This will exacerbate poverty and make negative impact on improving their living standards. To control any kind of illicit industries in a country, the government and the policy makers should take necessary legal reforms and strengthen enforcements. By reducing price of legal products will never result in controlling illegal products.

Scientific studies have shown all over the world, that limiting availability of alcohol (e.g. by limiting places of sale, days of sale and times of sale) reduces consumption of alcohol and the harm it causes. The more the restrictions on availability, be it Poya days, Christmas or any other day, therefore will be beneficial to all Sri Lankans. If there are irregularities in implementing such policies, the law enforcement mechanisms should be strengthened, without abandoning the policy.

The alteration of policies in alcohol control in the country does not discourage the growth of tourist industry in Sri Lanka. This is a false argument made continuously to mislead the policy makers. Anyone can easily understand that the number of Wine Stores need not be increased nor they should be opened for 365 days to facilitate tourism. There are other systems where alcohol can be provided for tourists without encouraging the whole country to use alcohol

4. It is therefore patently obvious that the proposals articulated by the Minister of Finance, did not materialize accidentally. Similar arguments were brought forward in Parliament prior to the government budget discussions in previous years as well. Such proposals have been publicly stated by the alcohol industry for a long period of time. This is one strategy used by the alcohol industry to mislead and influence policy makers. Any rational person will understand that these proposals that were discussed and supported on 22nd June in Parliament by some Ministers and MPs will only benefits the alcohol industry.

Using such spurious arguments, the beer industry was successful in 2016 to get a massive tax benefit for the alleged “damage” by the floods in 2016, while small businesses and self-employed people who were affected were left in the lurch.

It is imperative that governments should ensure that the majority of the population benefits when implementing any policy, To ensure effectiveness and sustainability of measures related to alcohol, the Minister of Finance should have consulted the Presidential Task Force on Drug Prevention and the National Authority of Tobacco and Alcohol (NATA) and Ministry of Health, which have expertise in this subject area.

We strongly feel that the foremost responsibility of a government is facilitating those who use alcohol now (which is around 35% of total male population), to become free from alcohol use and its harms. To succeed in this respect, it is important to implement internationally accepted, evidence-based policy measures. The National Policy on Alcohol of the Government of Sri Lanka, which was approved by the Cabinet of Ministers in 2016, contains such measures and the government should take steps to expedite the implementation of these policy measures.

Thank you

Alcohol and Drug Information Centre
No.40/18 Park Road, Colombo 05
Tel: 0112 584416