



## PAAC and FARE joint submission to the NT risk-based licensing consultation

**fare**

Foundation for Alcohol Research & Education

**paac** people's alcohol action coalition

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31 January 2019

## About PAAC

The People's Alcohol Action Coalition (PAAC) is an Alice Springs-based community alcohol reform group. It developed in response to a growing awareness of excessive alcohol use and associated harm in the Central Australian region, and provides a platform for community action to reduce alcohol related harm. Its formation in late 1995 followed a public rally in response to alcohol problems instigated by the late Dr Charles Perkins, Aboriginal activist and Australian and Torres Strait Islander Commission (ATSIC) Central Zone Commissioner.

PAAC aims to work towards reducing the impact of alcohol-related harm through a number of strategies, including: developing constructive reforms to the sale of alcohol; advocating controls on public consumption; advocating responsible service of alcohol; and promoting healthy lifestyles.

Members include social workers, lawyers, medical practitioners, Aboriginal organisations, churches, social service organisations and individuals. Collaborating organisations include the Central Australian Aboriginal Congress, Central Land Council, Aboriginal Medical Service Alliance Northern Territory, Northern Territory Council of Social Services, Central Australian Youth Link Up Service, the Ngaanyatjarra Pitjantjatjara Yankunytjatjara Women's Council (Aboriginal Corporation) and the Public Health Association of Australia NT.

## About FARE

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. Nearly 6,000 lives are lost every year and more than 144,000 people are hospitalised making alcohol one of our nation's greatest preventive 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.

FARE is guided by the World Health Organization's (2010) *Global strategy to reduce the harmful use of alcohol* 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 [info@fare.org.au](mailto:info@fare.org.au).

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## Introduction

The alcohol policies and legislation review (also known as the Riley review) was conducted in response to the high levels of alcohol harm in the Northern Territory (NT). Roughly one in three Territorians (NDSHS 2016) drink at levels that place them at risk of both short- and long-term harm. A landmark report last year confirmed the risks associated with consuming alcohol, revealing that no amount is risk-free and every drink increases the individual's risk of cancer.<sup>1</sup> Alcohol-related harm cost the NT \$642 million in 2004-05.<sup>2</sup>

The NT has the highest level of alcohol-related harm in the country. To reduce this harm, the NT Government must address the key drivers of alcohol consumption: price, availability, and advertising and promotion. Population-wide approaches such as increasing the price of alcohol and reducing availability are required in addition to targeted measures, in order to reduce the supply and demand. This in turn will lead to reduced levels of consumption.

The Government has already taken steps to increase the price of very cheap alcohol available in the community by introducing a minimum unit price (MUP), and has introduced a moratorium on new takeaway licences to prevent an increase in the availability of alcohol in the community.

The introduction of a risk-based licensing scheme (RBL) was recommended by the Riley Review to replace the current system where licensees in the NT pay a one-off fee of \$200 to apply for a licence and thereafter no annual fees are paid. The licence is granted in-perpetuity which means that a licensee can hold a licence for 50 years and pay no further fee.

The introduction of an RBL scheme in the NT will ensure that licensees contribute to the costs associated with the regulation and sale of a product that is associated with death, injury, chronic disease, crime, violence (in the home and in the wider community), child maltreatment, social disruption and dysfunction, lost workplace productivity, and economic performance, by paying an annual fee that is commensurate with the harm associated with their venue. An effective RBL scheme will provide licensees with an incentive to comply with the conditions of their licence and reduce the risk associated with their business, in order to minimise their licence fees.

The proposed RBL scheme recognises the risks posed by different types of licences and identifies some of the risk factors associated with the sale of alcohol in the risk loadings incorporated into the model. Importantly, the base fee clearly identifies the very high risk associated with takeaway alcohol sales. However, the scheme does not factor in other significant risk factors and does not appear to anticipate future developments in the industry.

This submission outlines the strengths and weaknesses of the proposed RBL scheme and recommends a revised model to establish a strong foundation for risk-based licensing in the future.

## List of recommendations

1. The modelling used to develop the risk-based licensing framework be made publicly available so that the Government and the community can be confident that the RBL scheme in the NT will be effective in reducing alcohol harm.
2. The Government provide greater transparency on all the factors that are considered when assessing the risk of a venue. Make this information publicly available for all venue types and the community be given the opportunity to comment before the risk ratings are finalised.
3. The risk rating of casinos be reclassified to a high or very-high risk rating.

4. The factors that determine the risk of a licence specifically include late trading hours, with later trading hours incurring a higher fee.
5. The fee loading for the volume of individual takeaway licences distinguishes between small, medium and large licences when calculating the standard volume, in order to avoid distortion of the standard volume by takeaway licences with very high turnover.
6. In the absence of sufficiently detailed wholesale sales data, licensed venues be directed to record the annual volume of sales as a condition of their licence and report this to the regulator. The regulator closely monitor this data to ensure its integrity.
7. Discounts are not applied to the risk-based licensing fee. Base fees send a price signal to all licensees that they are trading in a product that contributes to high levels of harm.
8. Loadings for breaches of a liquor licence and/or the Liquor Act be increased to send a strong message to licensees that breaches are not tolerated by Licensing NT.
9. Additional consequences introduced for licensees who repeatedly breach their licence conditions, along the lines of those applied in NSW.
10. The risk-based licensing system include a base fee and risk loadings that reflect the risk associated with a licence type, which are set at a level that will be effective in deterring high risk operations.
11. Risk loadings account for the following risk factors:
  - Patron capacity of the licenced venue
  - Trading hours outside of standard trading hours, with a stepped increase for late and late trading hours (eg after 10pm, 12am, 1am, 2am, 3am, 4am)
  - The location of venue, including proximity to other venues; density of liquor outlets; its location in a high-risk area such as an entertainment precinct; and locations with high levels of assaults, domestic violence and/or child neglect and maltreatment
  - Volume of gross liquor available for sale, taking into consideration different licence types and variations within types
  - The number of licences owned by a licensee
  - Breaches of the *Liquor Act* and/or licence conditions.



## **Support for a risk based licensing scheme in the NT**

PAAC and FARE support the introduction of an RBL scheme. Risk-based licencing is an effective licence model used in other jurisdictions that has been successful in reducing alcohol harm. Research on the implementation of an RBL scheme in the Australian Capital Territory (ACT) revealed that RBL is associated with reductions in alcohol-related violence.<sup>3</sup>

In 2004-05, the total cost to government and the community from the negative impacts of alcohol in the NT was estimated to be \$642 million, or \$4,197 per adult, compared with a national estimate of \$943 per adult.<sup>4</sup> It is clearly time that the alcohol industry contributed to the social costs stemming from their business model.

### ***What does risk-based licensing aim to achieve?***

An RBL scheme provides a mechanism to recover the costs to the government and community associated with the sale and consumption of alcohol. Licence fees should at least cover the full cost of administering the licensing system and, further, make a contribution the external cost of harm in the community. These costs relate to the administration of liquor legislation (including the NT Liquor Commission); law enforcement; and the provision of services that respond to alcohol-related harm such as ambulance, police, emergency departments, hospitals, shelters, social workers, and AOD treatment services. Taxpayers should not be paying the cost associated with the sale of harmful alcohol products.

The fee paid by a licensed venue should be commensurate with the level of risk posed by the venue, ensuring that the venues which pose the greater risk to the community pay the larger share of the costs. When RBL fees are set at a sufficiently high level, they send a message to licensees about the risk associated with running their business. These fees are over and above any other costs normally associated with running a business, such as taxes and levies, and should be considered part of the normal cost of selling alcohol.

Suitably-high fee levels help to hold licensees accountable for the risk of harm their businesses pose to the community, and can also lead to improved business practices by providing an incentive to minimise the risk associated with licences. The fees scale must reflect the distinction between on- and off-licensed premises, the difference in the volume of alcohol purchased, and the different types of harm experienced by the community.

An RBL system provides an incentive for licensees to reduce the risk posed by their business in order to minimise their fees, by:

- Selecting less risky business models
- Complying with legislative obligations
- Actively taking steps to reduce alcohol-related violence and disturbances in and around licensed venues.<sup>5</sup>

### ***RBL schemes are common practice in business***

Risk-based licensing is an economic instrument that can be used to determine an appropriate level of regulation through risk and price signals. It is applied in a range of areas such as environmental protection, building regulation, insurance, health surveillance and motor vehicle registrations.

In the liquor industry, RBL systems are operating in the ACT, Queensland, Victoria and New South Wales and the model is under consideration in Western Australia and South Australia.

## Principles of an effective risk-based licensing scheme

An effective RBL scheme is based on the following principles:

- Licence fees cover the cost of administering the licensing system
- Licensees pay a licence fee commensurate with the risk of alcohol harm posed by their activities
- Licence fees reflect the risk associated with their particular type of licence
- The scheme creates an incentive for licensees to maximum levels of compliance and reduce risk.

In order to give effect to these principles, a risk-based licensing scheme must include the following characteristics:

- An annual renewal fee, paid in advance
- The annual fee offsets the cost of selling a harmful product
- Risks are appropriately identified and communicated to licensees
- The annual fee is adjusted based on a review of the risk profile for each licence
- Annual fee adjustments are made to each licence in response to changes in their risk profile
- Licensees are monitored to ensure compliance.

## The proposed risk-based licensing framework

The proposed RBL framework takes into consideration a number of factors or multipliers when calculating the final fee. According to the consultation draft, the final fee is determined by:

- A base fee (total of all the authority fees for the licence)
- Trading hours (hours of trade as per the licence)
- Standard hours (the average trading hours for venues of that type)
- Venue Volume (the volume of liquor purchased by the venue from wholesalers in the previous year)
- Standard Volume (the average volume of liquor recorded for that type of authority in the previous year)
- Discounts (for security, CCTV, live original local music/entertainment, membership of an industry body, accords, good compliance history)
- Any loading for breaches of the licence and/or *Liquor Act*.

No information is provided on what, if any, modelling has been undertaken to determine whether the appropriate fee structure and fee levels would be successful in either motivating licensees to reduce the risk associated with their licence, or making a substantial contribution to offsetting the cost of alcohol harm. Such a model is needed so that the Government and the community can be confident that the RBL scheme in the NT will be effective in reducing alcohol-related harm.

Some of the language used within the framework documents is similar to that used by the alcohol industry in alcohol policy debates. The use of the word “authority” is an example. This word does not accurately convey that it refers to category of licence and gives a sense of right to trade that is not intended. Authorities would be better described as licence categories.

### Recommendations:

- 1. The modelling used to develop the risk-based licensing framework be made publicly available so that the Government and the community can be confident that the RBL scheme in the NT will be effective in reducing alcohol harm.**

### ***Base fee and categories of licence***

The base fee is determined by the risk level associated with each type of licence. The draft framework allocates a risk rating for each type of licence (very low, low, moderate, high, very high), and identifies the base fee payable.

It is not clear what factors have been considered when attributing risk to a particular licence type, or 'authorities' as they are called under the proposed model. The document that outlines the proposed licence types, *Attachment A – proposed liquor licence authorities*<sup>6</sup> (the licence authorities document), suggests that volume sold and average hours are factors that will determine the risk rating.

There are, however other factors that are considered in making this assessment, since licence categories with different trading hours and volume of sales have the same rating, such as a restaurant bar licence and a Club licence, and those with similar volumes have different ratings, such as the Club and Public bar licences. For example, a Restaurant bar licence has a moderate risk rating, selling on average 20,000 litres of alcohol per week over an average of 100 hours per week, while a Club licence sells more alcohol (an average of 50,000 litres) in fewer hours (an average of 60 hours per week) and yet it too has a moderate risk rating. Conversely, the Club with its moderate risk rating sells a similar volume of alcohol to a Public bar licence in fewer hours (60 hours per week compared to 90 hours for the Public bar) and yet the Public bar licence has a higher risk rating. Attachment One provides details of the different licence types and identifies the risk assigned to each, for ease of reference.

The Alcohol Review Implementation Review Team (ARIT) has advised that concerns with the proposed risk rating for some venues have already been brought to their attention and will be addressed. Casinos, for example, have been given a moderate risk rating in the consultation draft framework, which means that the licence fee for a casino would be set at \$500. This is clearly inadequate if there is to be any incentive to reduce risk, and inappropriate for a type of venue that has been associated with risky behaviour and questionable business practices in some jurisdictions, including providing free alcoholic drinks to encourage customers to continue using gaming facilities.<sup>7,8</sup> PAAC and FARE strongly support the reclassification of casinos to a high or very-high risk rating. Greater transparency is needed about the factors that contribute to assessing the risk of venues.

The assessment of the trading hour risk is based on the number of hours a venue operates compared to the total average number of hours of trading per week for that type of licence. It does not adequately take into account late trading hours - the hours when the highest levels of harm occur. If the risk-based licensing system is to be effective, late trading hours must be a factor in determining the risk of a licence.

PAAC and FARE are concerned that the fee levels for some licence types are too low, such as for a BYO licence and Special licence where the fee is just \$100. In itself, this amount would barely cover the cost of processing the licence application and does not reflect the intent of the Riley Review recommendations. The ability to address the aims of RBL are further eroded by offering licensees the ability to discount their licence fees by up to 70 per cent. Base fees should send a price signal to all licensees that they are trading in a product that contributes to high levels of harm.

It should be noted that there is no information on the risk rating and fees for the Interstate Supplier licence. The parameters for this and other licences which have had their risk rating modified should be clarified and made available for comment before the model is finalised.



#### **Recommendations:**

- 2. The Government provide greater transparency on all the factors that are considered when assessing the risk of a venue. Make this information publicly available for all venue types and the community be given the opportunity to comment before the risk ratings are finalised.**
- 3. The risk rating of casinos be reclassified to a high or very-high risk rating.**

#### ***Trading hours***

Under the proposed RBL framework, an additional fee would be added to the base fee if the licenced venue trades for longer than the standard hours for each licence type. The standard hours are calculated from the average number of trading hours per week for licences of that type in the previous year. If the trading hours for a licence are greater than the standard hours, the base fee will increase. If the hours are less than the standard hours, the base fee is unchanged.

FARE and PAAC understand that this approach is designed to create an incentive to reduce trading hours so that licensees are not charged a loading for hours beyond the standard hours. The proposal, however, has the potential to be manipulated to increase trading and provisions should be made to protect against this.

Of greater concern is that the model does not distinguish between high-risk and low-risk trading hours, allowing licensees to undermine the proposed measure by reducing their trading hours in the *least* risky time periods in order to gain a discount on their licence fee.

Late night trading hours for on-license premises are the high-risk periods during which the highest levels of harm occur. Research has consistently shown that an increase in trading hours is associated with an increase in harm.<sup>9</sup> Extended trading hours increase the availability of alcohol which results in increased rates of violence and road crashes.<sup>10,11</sup> Australian and international research demonstrates that for every additional hour of trading, there is a 16-20 per cent increase in assaults and conversely, for every hour of reduced trading there is a 20 per cent reduction in assaults.<sup>12,13</sup>

A study of high-risk trading hours in NSW found that the highest rates of alcohol-related assaults occurred between midnight and 3am.<sup>14</sup>

Trading hours outside standard hours should incur a higher fee. The RBL scheme provides a good model as it distinguishes the risk for trading hours between on- and off-licence premises, charging on-licence premises a levy for each additional hour traded beyond midnight. Shorter trading hours and smaller occupancies incur lower fees.<sup>15</sup> Fees for off-licence venues are based on the value of gross liquor purchased for the annual reporting period.

#### **Recommendation:**

- 4. The factors that determine the risk of a licence specifically include late trading hours, with later trading hours incurring a higher fee.**

#### ***Volume of alcohol sold***

The proposed framework factors in the volume of alcohol when determining the risk associated with a particular type of licence by considering an individual venue's volume and comparing it to the standard volume. The venue volume is the amount of liquor purchased by the venue from wholesalers in the previous year, while the standard volume is calculated on the average volume of liquor recorded for that type of authority in the previous year.

This approach to determining the risk loading for volume will address variations between the different types of licences; however, further thought is required to distinguish small and large takeaway licences, in the same way that there is variation between small on-premises licences and

larger venues. The application by Dan Murphy's to introduce a big box liquor outlet in the NT is a reminder that not all takeaway licences are the same. Should this or any other larger outlet licence be approved in the NT, it will lead to an overall increase in the standard volume of takeaway licences and undermine the RBL objective of encouraging licensees to reduce their risk.

ARIT has advised that volume data is not yet available at the level of individual licences to allow the calculation of the actual volume purchased by a licensee and it is considering an alternative approach that would incorporate a three-tiered multiplier for volume, based on whether the venue is a small, medium or large supplier of alcohol to the community compared to the average for that licence type.

An alternative approach to the three-tiered approach that would allow NT Licensing to obtain volume data for individual licensees is to require licensees to provide their own data. This data should be available to licensees from their purchase records, although close oversight would be required to ensure its integrity.

This method would allow the NT Government to move to a system more akin to the ACT model and recognises that takeaway licences are responsible for approximately 80 per cent of all alcohol sales.<sup>16</sup> There are nine different loadings for takeaway licences in the ACT, and these increase exponentially as the retail value of the licence increases. The loading rises from a low of \$126 for a licence with a retail value of \$2,000 or less, to \$22,045 for a licence with a retail value of \$3,000,001 or more.<sup>17</sup>

PAAC and FARE recommend that this alternative to the three-tiered volume model be considered, to enable a more accurate assessment of the risk posed by each licence, and ensure that licensees are required to keep a record of annual sales data to enable the assessment to be conducted.

#### **Recommendations:**

- 5. The fee loading for the volume of individual takeaway licences distinguishes between small, medium and large licences when calculating the standard volume, in order to avoid distortion of the standard volume by takeaway licences with very high turnover.**
- 6. In the absence of sufficiently detailed wholesale sales data, licensed venues be directed to record the annual volume of sales as a condition of their licence and report this to the regulator. The regulator closely monitor this data to ensure its integrity.**

#### ***Discounts***

Discounts on the base fee are proposed if licensees introduce measures outlined in the draft framework. These include additional security and/or CCTV, provision of local entertainment, membership of an industry body and/or a liquor Accord, or a good compliance record. Each type of activity will attract a 10 per cent discount on the base fee, potentially reducing a licensee's fees by 70 per cent.

For some types of licence, a 70 per cent discount would result in an annual fee of just \$30. A public bar would be able to reduce its fee to \$300 (arguably less than one night's profit), and a late-night venue or takeaway licence could potentially reduce its fees to \$600. These amounts are insignificant in the overall budget of these venues and would fail to act as an incentive to reduce risk. A venue with an annual turnover of \$2 million is unlikely to be motivated to reduce its risk if its licence fee represents a fraction of a per cent of income. The RBL scheme would fail, or at best would have only a marginal impact on reducing harm. Such a scheme would fail to meet the expectations of the Riley Review, the Government, and the community.

PAAC and FARE strenuously oppose the application of discounts to the base annual licence fee. No other jurisdiction where RBL has been implemented offers a discount on their licence fee.

The incentive for licensees to minimise their risk is the ability to avoid penalty payments over and above the base fee. They can do this by taking action to reduce the risk associated with their venue, for example by not trading during late-night hours, and by complying with their licence conditions and the *Liquor Act*.

The discounts proposed in the model are for activities that have no evidence to support their effectiveness in reducing harm. Providing an incentive to join an industry peak body will merely serve as a membership drive for the industry groups which will then reap the benefits of increased membership and subsequent greater power. This power will most likely be used to put pressure on the Government to water down regulation, minimise fees and prevent and delay the introduction of other measures for the prevention of alcohol-related harm. Licensees may well receive a double financial benefit if this measure is implemented, since businesses are eligible to receive tax deductions for association membership.

Likewise, providing an incentive to join a Liquor Accord would change the voluntary nature of the Accord, weaken its benefit and strengthen the power of industry members as they increase their representation among Accord members.

While PAAC and FARE strongly oppose any discounts to the base fee, were they to be retained they should only apply to licences that adopt the most effective evidence-based measures to reduce alcohol-related harm, and must be capped at no more than 10 per cent.

**Recommendation:**

**7. Discounts are not applied to the risk-based licensing fee. Base fees send a price signal to all licensees that they are trading in a product that contributes to high levels of harm.**

***Loading for breaches***

The proposed framework outlines that venues found to have breached their licence will have a loading applied to their licence fee. The percentage value of the loading goes up as the number of breaches increases.

Breach number	Loading (%)
First breach	10
Second breach	25
Third breach	50
Fourth breach	100
Fifth breach	200

Loadings should be increased to send a strong message to licensees that breaches will not be tolerated by Licensing NT. In NSW, licensees pay a substantial fee for licence breaches. For example, breaches incur a loading of \$3,246 per breach, with a maximum of \$9,739 for three or more licences.<sup>18</sup>

Little information has been provided on what constitutes a breach, whether all breaches are treated in the same way, or whether some are more serious than others. Greater transparency is required in order to provide clarity about how breaches will be handled and so that there may be public confidence in the process.

It also appears that there are no additional consequence for licensees who repeatedly breach their licence conditions year after year. This is not the case in other jurisdictions. In support of its RBL

system, NSW runs two schemes to address high-risk venues, the Violent Venues Scheme,<sup>19</sup> which focuses on acts of alcohol-related violence that are prescribed offences under the *Crimes Act*, and the Three Strikes Scheme,<sup>20</sup> under which venues that repeatedly commit serious breaches can lose their liquor licence. These penalties provide an added incentive to licensees to better manage their premises and reduce their risk.

**Recommendations:**

- 8. Loadings for breaches of a liquor licence and/or the Liquor Act be increased to send a strong message to licensees that breaches are not tolerated by Licensing NT.**
- 9. Additional consequences introduced for licensees who repeatedly breach their licence conditions, along the lines of those applied in NSW.**

***Factors missing from the approach outlined in the draft framework***

The proposed framework omits a number of critical risk factors that should be used to calculate the fees for an individual licence, including patron capacity, which was recommended in the Report of the Riley Review of alcohol policies and legislation.

Factors that should be included in the RBL framework are:

- Patron capacity of a venue that sells alcohol for consumption on the premises
- Location of the venue
- Number of licensed venues owned by an operator.

*A loading fee to reflect the patron capacity of a venue that sells alcohol for consumption on the premises*

A loading fee that takes into consideration the patron capacity of a venue is an essential component of an RBL scheme. High patron numbers can be a catalyst for violence by increasing accidental contact between intoxicated patrons.<sup>21</sup> They can also reduce the ability of staff to detect intoxicated patrons, and the inclination of patrons to report incidents to police.<sup>22</sup>

Most jurisdictions where an RBL scheme operates factor in patron capacity to their licence fee calculations, including NSW,<sup>23</sup> ACT,<sup>24</sup> and Victoria.<sup>25</sup> In NSW, the risk loading for patron capacity increases as patron numbers increase in line with the following table.

Patron capacity	Patron capacity risk loading
60 patrons or fewer	\$1,082
61 - 120 patrons	\$3,246
121 - 300 patrons	\$6,492
301+ patrons	\$8,657

*A loading fee to reflect the location of the venue*

Considerable work has been done on examining the association between outlet density and alcohol harm. The NSW Bureau of Crime Statistics and Research points to research showing that higher concentrations of liquor outlets have consistently been found to be associated with increased social harms, such as higher assault rates and motor vehicle injury rates.<sup>26</sup> A longitudinal analysis of outlet density and domestic violence in Victoria found that the density of liquor licenses is associated with increased rates of domestic violence, with a particularly large effect seen for take-away outlets.<sup>27</sup>

In the light of this evidence, it is important that the NT includes a risk loading for the location of venues when calculating licence fees for individual licences. Continuing with the example of NSW, venues that have had a compliance issue may also have a fee loading of \$2,164 applied to their licence fee if they are located within the Kings Cross Precinct or Sydney CBD Entertainment Precinct.<sup>28</sup>

Consideration should be given for the proximity of the venue to other venues, the density of liquor outlets in the area (for example, whether the premises are located in an area such as an entertainment precinct where there is a high density of outlets) and locations with high levels of assaults, domestic violence and/or child neglect and maltreatment.

*A loading fee for the number of licensed venues owned by an operator*

The majority of alcohol consumed in Australia is purchased from takeaway liquor outlets, and large enterprises such as Woolworths and Coles own the vast majority of off-licence premises and many other liquor outlets.

Research suggests that large liquor outlets and chains offer lower prices on alcohol products than do their independent counterparts.<sup>29</sup> This is not surprising, as larger enterprises are able to achieve economies of scale that increase negotiating power. As a consequence, alcohol sold from such venues contributes disproportionately to the level of harm in communities. Evidence suggests that each additional chain outlet is associated with a 35.3 per cent increase in intentional injuries and a 22 per cent increase in unintentional injuries in local areas.<sup>30</sup>

This provides a strong case for including the number of licensed venues owned by an operator as a weighting factor within the risk-based licensing system. This approach has already been applied in NSW, where the following sliding fee scale applies to owners of takeaway (also known as packaged liquor) licences:

Number of licences	Proposed fee
Up to 3 licences	\$543
4 – 9 licences	\$1084
More than 9 licences	\$2166

By reducing the propensity for larger enterprises to dominate the market, this fee system will also support greater diversity and encourage competition.

**A revised approach**

The current alcohol policy and legislative reform process provides a unique opportunity to create an effective licensing system that acknowledges, in financial terms, the risk associated with selling alcohol, and which asks licensees to contribute to the cost of dealing with the consequences of selling harmful alcohol products. It is therefore important to get the model right and to do so from the outset.

A strategy that seeks to get a model in place and then adjust the fundamentals at some later date is flawed, particularly in the current environment. ‘Later’ never comes and any attempts that are made to upgrade an inferior scheme will be strongly challenged by the alcohol peak bodies, whose position will be strengthened under the proposed model. Attempts to make significant changes at some future date are highly likely to be derided as evidence of failure by an Opposition seeking to gain office.

The ACT experience has shown that despite what some stakeholders may be forecasting, an effective risk-based licensing model will not lead to the collapse of the industry in the NT. When the



ACT introduced risk-based licensing there was no significant change in the number of on-premises licences.<sup>31</sup> However, there were reports that a few high risk operators chose to close their business prior to RBL being introduced, rather than operate in the new licence environment, demonstrating the potential of RBL to be effective in reducing the risk of harm to the community.

The concerns with the proposed framework outlined above can be addressed with the following approach to determining the risk-based licensing fee.

### ***The base fee is the base fee***

The annual fee should comprise a base fee with additional fees determined by risk factors such as trading hours, patron capacity, and annual turnover, depending on the type of venue. With this approach, venues are provided with an incentive to reduce their risk profile so that they can minimise their fees and potentially pay no more than the base fee.

PAAC and FARE support the determination of the base fee according to the risk associated with the type of licence; however, more information is needed on how this risk would be calculated, and the ratings proposed in the draft framework should be reviewed in light of the concerns outlined in this submission.

The proposed base fees are very modest. No discounts should apply to the base fee and licensees should gain no benefit for actions that do not effectively reduce alcohol-related harm. The items listed in the draft framework: providing live music or entertainment, additional CCTV, additional security, membership of a liquor industry group or liquor Accord, and a good compliance record, should not attract a benefit in the form of fee reductions because there is no evidence of their effectiveness in reducing alcohol harm.

### ***Additional fees should be based on the factors that increase risk of harm for patrons and others***

The proposed model uses trading hours, volume sold and licence breaches in order to determine any additional costs to the base fee. As noted, other factors that should be considered include the patron capacity of the venue, trading hours outside standard trading hours, the location of the venue, and the number of venues owned by a licensee.

Other sources of information on the risk posed by a licence may become available in the future. The Cardiff Model, where high risk venues are identified by recording 'place of last drink' for alcohol-related presentations at hospital Emergency Departments, is a case in point. This model has been successfully implemented in the United Kingdom and is currently being trialled in the NT. Consideration should be given to how this information can be incorporated into the RBL framework in the future.

### ***Fees should reflect the risk associated with a venue and deter high risk operations***

RBL fees should be set at a level high enough to be effective. The fees need to be sufficiently high to reflect the risk associated with a venue and to operate as a deterrent to high-risk operations. Currently, the external costs associated with the sale of alcohol, that is, the costs of addressing the harm, are paid by the community, including through health, police, the criminal justice system and social services. These costs would be more reasonably borne by the producers and sellers of alcohol products if they were incorporated into the licence fees.

### ***Recommendations:***

- 10. The risk-based licensing system include a base fee and risk loadings that reflect the risk associated with a licence type, which are set at a level that will be effective in deterring high risk operations.**

**11. Risk loadings account for the following risk factors:**

- Patron capacity of the licenced venue
- Trading hours outside of standard trading hours, with a stepped increase for late and late trading hours (eg after 10pm, 12am, 1am, 2am, 3am, 4am)
- The location of venue, including proximity to other venues; density of liquor outlets; its location in a high-risk area such as an entertainment precinct; and locations with high levels of assaults, domestic violence and/or child neglect and maltreatment
- Volume of gross liquor available for sale, taking into consideration different licence types and variations within types
- The number of licences owned by a licensee
- Breaches of the *Liquor Act* and/or licence conditions.

## Attachment One: proposed liquor licence authorities and risk rating

TYPE OF AUTHORITY	AUTHORITY DETAILS	RISK RATING
<b>Small bar</b>	<p>The <i>'Small Bar Authority'</i> will replace the current 'restaurant with on-licence authority', which allows for liquor to be sold without being ancillary to a meal. This authority will apply to venues with a maximum capacity of 100 patrons.</p> <p>The authority will authorise the sale or supply of liquor for on-premises consumption, without the requirement to serve meals. If meals are provided, unconsumed portions of bottled wine will be able to be taken from the premises. The sale of liquor for off-premises consumption is not authorised.</p> <p>Certain types of entertainment are prohibited - for example, entertainment of a sexually explicit nature and entertainment involving fighting (i.e. wrestling, boxing or martial arts).</p> <p><b>Average pure alcohol content volume sold in litres for this authority: 5,000</b>  <b>Average hours liquor licence open for this authority: 100</b></p>	Moderate
<b>Restaurant bar</b>	<p>The <i>'Restaurant Bar Authority'</i> is proposed to be a hybrid authority that exists between restaurants and public bars. The intention is for the licensee to primarily run as a restaurant, but is provided the opportunity to have an area for the consumption of liquor (i.e. cocktails and high-end drinks) without the requirement to serve meals.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: 20,000</b>  <b>Average hours liquor licence open for this authority: 100</b></p>	Moderate
<b>Restaurant</b>	<p>The <i>'Restaurant Authority'</i> authorises the sale of liquor for consumption on the premises where the prominent activity is the provision of a meal. Examples include (but not limited to) cafes, restaurants and eateries.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: 4,000</b>  <b>Average hours liquor licence open for this authority: 90</b></p>	Low
<b>BYO</b>	<p>The <i>'BYO Authority'</i> permit the possession and consumption of liquor at a premises that operates as a restaurant, but does not sell liquor at the premises. There is potential that it could be a sub-authority of the <i>'Restaurant Authority'</i>. This inclusion of this authority would ensure that RSA requirements are adhered to for the few venues in the Northern Territory with this business.</p>	Very low
<b>Takeaway</b>	<p>The <i>'Takeaway Authority'</i> authorises the sale of packaged liquor products for consumption away from the licensed premises. This authority may be operated on its own (e.g. bottle shop, liquor merchant), or may be combined with another authority, such as a <i>'Public Bar Authority'</i> to allow takeaway sales across the bar.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: 260,000</b>  <b>Average hours liquor licence open for this authority: 70</b></p>	Very high

<b>Lodging</b>	<p>The <i>'Lodging Authority'</i> authorises the sale of liquor to lodgers staying at the premises for the consumption on or off the premises. Users of this authority would include caravan parks and motels.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: 20,000</b>  <b>Average hours liquor licence open for this authority: 80</b></p>	Low
<b>Wayside Inn</b>	<p><i>'Wayside Inn'</i> authorities will cater for premises that have a public bar for the sale of liquor to in-house guests and the general public, as well as providing accommodation, food and fuel.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: 35,000</b>  <b>Average hours liquor licence open for this authority: 110</b></p>	Moderate
<b>Casino</b>	<p>The inclusion of a <i>'Casino Authority'</i> would negate the need for multiple authorities to apply to the one premises. Casinos have ample-trained security staff on duty at all times and have sophisticated surveillance systems in-place.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: 250,000</b>  <b>Average hours liquor licence open for this authority: 140</b></p>	Moderate
<b>Special Venture</b>	<p>The <i>'Special Venture Authority'</i> authorises the licensee to provide liquor as part of a pre-paid tourist type package. This authority would cover tourist operations including, but not limited to, dinner cruises and outback safaris.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: 4,000</b>  <b>Average hours liquor licence open for this authority: 90</b></p>	Low
<b>Producers</b>	<p>The <i>'Producers Authority'</i> authorises for local producers of liquor to sell limited amounts of their own product at their venue, both on-premises and takeaway.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: 300</b>  <b>Average hours liquor licence open for this authority: 90</b></p>	Low
<b>Club</b>	<p>The <i>'Club Authority'</i> authorises the sale, serving and supply of liquor, for consumption on the premises (sales off the premises will be authorised under a Takeaway Authority), to financial members, bona fide guests of a financial member and visitors.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: 50,000</b>  <b>Average hours liquor licence open for this authority: 60</b></p>	Moderate
<b>Catering</b>	<p>The <i>'Catering Authority'</i> authorises the supply of liquor products at functions for catering purposes away from licensed premises.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: 50</b>  <b>Average hours liquor licence open for this authority: 100</b></p>	Low

<b>Public Bar</b>	<p>The <i>'Public Bar Authority'</i> authorises the sale, serving and supply of liquor to the general public for consumption on the premises during normal or extended trading hours and includes current hotels, taverns, nightclubs etc.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: 50,000</b></p> <p><b>Average hours liquor licence open for this authority: 90</b></p>	<b>High</b>
<b>Wholesale</b>	<p>The <i>'Wholesale Authority'</i> authorises the wholesale supply of liquor products to the holder of a liquor licence.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: 80,000</b></p> <p><b>Average hours liquor licence open for this authority: 50</b></p>	Very low
<b>Major Events</b>	<p>The <i>'Major Event Authority'</i> authorises the sale and supply of liquor at events that are likely to have a significant impact, such as those where a large crowd (over 1500 patrons) is to attend or an event requiring significant regulatory enforcement effort or oversight or having a significant impact on the provision and organisation of public transport or emergency services or having a significant impact on public safety and/or the amenity of the area in which the event is to be held.</p> <p>These events to take substantial police and Licensing NT resources to ensure compliance and safety requirements are met.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: No data available – base fee applies</b></p> <p><b>Average hours liquor licence open for this authority: No data available – base fee applies</b></p>	<b>High</b>
<b>Community</b>	<p>The <i>'Community Authority'</i> authorises the sale and supply of liquor for community and sporting clubs that hold regular, but infrequent, functions.</p> <p>The intention is for this to be a low-cost authority, but would reduce red tape by removing the requirement to apply for a Special Licence Authority (see below) for every function. There will be a requirement to provide notice (seven days) to Licensing NT and/or NT Police to ensure compliance and safety requirements are met.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: No data available – base fee applies</b></p> <p><b>Average hours liquor licence open for this authority: No data available – base fee applies</b></p>	Very low
<b>Store Licence</b>	<p>Store licences to continue under the following parameters: • Liquor sales restricted to 25% of total gross annual sales • Physical or visual separation between the grocery and liquor areas within the store • External advertising to be restricted as defined in the new Liquor Act (to be determined)</p> <p><b>Average pure alcohol content volume sold in litres for this authority: 275,000</b></p> <p><b>Average hours liquor licence open for this authority: 75</b></p>	<b>Very high</b>
<b>Special Licence</b>	<p>A one-off licence to sell liquor for a specific date or event expected to attract less than 1500 patrons.</p> <p><b>Average pure alcohol content volume sold in litres for this authority: No data available – base fee applies</b></p> <p><b>Average hours liquor licence open for this authority: No data available – base fee applies</b></p>	Very low



<b>Interstate Supplier</b>	As per the Liquor Amendment (Minimum Floor Pricing) Bill 2018, the ' <i>Interstate Supplier Authority</i> ' authorises interstate suppliers to sell liquor in the Northern Territory but ensures compliance with the floor price legislation.  <b>Average pure alcohol content volume sold in litres for this authority: No data available – base fee applies</b> <b>Average hours liquor licence open for this authority: No data available – base fee applies</b>	
<b>ADDITIONAL AUTHORITIES</b>		
<b>Late Night</b>	The ' <i>Late Night Authority</i> ' authorises the sale, supply and supply of liquor beyond 12:00am, 2:00am and 4:00am.	Very High
<b>Live Entertainment</b>	Authorises the provision of live entertainment, including bands, solo artists, DJ's on licensed premises.  The ' <i>Live Entertainment Authority</i> ' does not cover adult entertainment.	Very low
<b>Adult Entertainment</b>	The ' <i>Adult Entertainment Authority</i> ' authorises the sale, service and supply of liquor by partially nude, see-thru or lingerie clad wait staff.	Moderate
<b>Adult Entertainment R-rated</b>	The ' <i>Adult Entertainment R-rated Authority</i> ' authorises those activities approved under the ' <i>Adult Entertainment Authority</i> ' plus authorises R-rated shows, such as strip shows, which may include full nudity.	Moderate
<b>Adult Entertainment Explicit</b>	The ' <i>Adult Entertainment Explicit Authority</i> ' authorises those activities approved under the ' <i>Adult Entertainment Authority</i> ' plus authorises physical, non-sexual contact, voluntary audience participation and private shows.	Moderate

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