



# ***LEGAL AFFAIRS AND SAFETY COMMITTEE***

**Members present:**

Mr PS Russo MP (Chair)

Ms JM Bush MP

Mrs LJ Gerber MP

Mr JE Hunt MP

Mr AC Powell MP

**Staff present:**

Ms R Easten (Committee Secretary)

Ms M Telford (Assistant Committee Secretary)

## **PUBLIC HEARING—INQUIRY INTO THE LIQUOR (ARTISAN LIQUOR) AMENDMENT BILL 2020**

### **TRANSCRIPT OF PROCEEDINGS**

**THURSDAY, 21 JANUARY 2021**

**Brisbane**

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### **The committee met at 12.45 pm.**

**CHAIR:** Good afternoon. I declare open the public hearing for the committee's inquiry into the Liquor (Artisan Liquor) Amendment Bill. I acknowledge the traditional owners of the land on which we gather today and pay my respects to elders past, present and emerging. On 26 November 2020 the Hon. Shannon Fentiman, Attorney-General and Minister for Justice, Minister for Women and Minister for the Prevention of Domestic and Family Violence introduced the bill to the parliament. The parliament has referred the bill to the Legal Affairs and Safety Committee for examination with a reporting date of 12 February 2021. My name is Peter Russo, the member for Toohey and chair of the committee. The other committee members here with me today are: Ms Laura Gerber, the member for Currumbin and deputy chair; Ms Jonty Bush, the member for Cooper; Mr Jason Hunt, the member for Caloundra; and Mr Andrew Powell, the member for Glass House. Ms Sandy Bolton is an apology for this afternoon.

The purpose of today is to hear evidence from stakeholders who made submissions as part of this committee's inquiry. Only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath, but I remind witnesses that intentionally misleading the committee is a serious offence. You have previously been provided with a copy of instructions to witnesses, so we take those as read. These proceedings are similar to parliament and are subject to the Legislative Assembly's standing rules and orders. In this regard I remind members of the public that under the standing orders members of the public may be admitted to or excluded from the hearing at the discretion of the committee.

The proceedings are being recorded by Hansard and broadcast live on the parliament's website. Media may be present and will be subject to my directions at all times. The media rules endorsed by the committee are available from the committee staff if required. All those present today should note that it is possible you might be filmed or photographed during the proceedings by the media and images may also appear on the parliament's website or social media pages. I ask everyone present to turn mobile phones off or to silent mode. The program for today has been published on the committee's webpage and there are hard copies available from committee staff.

The committee received two submissions in relation to this bill. Today we will be hearing from one of those submitters being the Australian Distillers Association. The committee also invited the other submitter, the Queensland Coalition for Action on Alcohol, to attend, however they were not available to attend today. I now welcome representatives from the Australian Distillers Association.

**PROSSER, Mr Rick, Owner and Director, Kalki Moon Distillery and Brewing Company, Bundaberg**

**RIDDEN, Mr David, President, Australian Distillers Association; and Owner and Director, Granddad Jack's Craft Distillery, Gold Coast**

**CHAIR:** I now welcome representatives from the Australian Distillers Association. I invite you to make an opening statement, after which committee members may have some questions for you.

**Mr Ridden:** Thank you for the opportunity to address the committee. We appreciate it. Joining me today is Rick Prosser, the owner of Kalki Moon, a brewery, distillery and brewer company in Bundaberg. Our apologies that Megan Donsky, who was due to join us from Winston Quinn Gin here in Brisbane, unfortunately had an accident and is unable to attend. We wish her all the best in her recovery. Obviously, we support this bill. As artisan producers and small companies across Queensland, under the current licence it is very tough for us to survive in that we do not have access to market. Most of our members across the country are in small regional towns. They do not have access or are not big enough to access those major retailers who control most of our sales throughout Queensland—Coles and Woolworths. This bill will allow our small, mainly family owned businesses to be able to sell their products in a responsible way that we cannot currently do under the licence we have. It is a big step forward for our industry.

During COVID we saw the change it made in allowing small artisan producers like us to be able to sell online. Before COVID that was impossible for us to do under the current act. During that time we have seen some remarkable things. For everyone, COVID has been a tough time, and especially in the hospitality industry, but in our small artisan industry we have seen distilleries grow from that online business. In a lot of cases those distilleries now employ more people.

I know in the case of our distillery at Granddad Jack's, this time last year we had five people working for us. This year we have nine, purely because we are not restricted anymore in terms of being able to sell directly to the consumer. Prior to that, we were restricted. We were not able to sell direct to the consumer and what we could sell directly to the consumer was at certain levels—a total of 2.5 per cent in any year. You can imagine that that is a very small volume. Currently, the licence makes us sell wholesale. The reality is that most of our members across Queensland will not produce anywhere near 400,000 litres of spirit a year. Most of us would produce less than 10,000 litres a year. There are slightly bigger producers but, on the whole, artisan producers are not for that. You can imagine when those small businesses are forced under the licence to sell to big retailers, they do not make enough product to survive on a very small margin. They are not a volume business. This new bill will allow them to sell direct to the consumer without any restriction.

Obviously the ADA—and I know all of our members feel the same—is very supportive of responsible drinking. In our industry we believe that we do not get the binge drinker. We are not pubs, clubs, nightclubs, bars; we are tasting rooms. People who come to us do not tend to be the sort of customers who want to drink a lot. The reason is that no-one who wants to drink a lot in fast succession wants to spend \$80 on a bottle of spirit. Because we are small producers, we are super premium. Most of our members across Queensland would not be able to buy a bottle of spirit, even 500ml, for less than \$70. We are very aware of that. We are about the experience. As an industry we have a lot to offer tourism and the export market. Every single distillery across the state has a different experience to offer. Yes, we all make spirits but we make different spirits. We all have a story behind the spirits we are making, be it a story from our region, family or the past. We do not believe that introducing this bill will in any way result in excess drinking or more violence in the community because they are not the sort of people who drink or purchase our sorts of spirits.

**CHAIR:** Rick, do you want to add to the good news story?

**Mr Prosser:** David pretty well covered everything there. For me, it is about getting the beverage producers in Queensland on a level playing field as well. We are on an equal field with the wine, beer and now spirits producers. I have been in the industry for 21 years. I was fortunate enough to work for Bundaberg Rum out of my home town of Bundaberg. I am very fortunate that we get a lot of tourism through our distillery. I am able to educate people on the amount of product that I produce from our family business, Kalki Moon. What we produce in a year is pretty close to what the big guy does in a week. There is a big difference. We are small producers. We are craftsmen. The name of the licence suits what we do. It will benefit jobs in Queensland as well. The number of consumed spirits in Australia by Queensland or Australian producers is less than two per cent. We are not mass producers. We are responsible for what we do. All of our staff must have RSAs—responsible service of alcohol. We are very proud of that and are happy to promote the Queensland brand and to create Queensland jobs.

**Ms GERBER:** I am keen to see the artisan industry supported in the same way that the big commercial brewers industry is supported. I am keen to hear whether there is anything more you would like to see in this bill. Is there anything that could be added, changed or amended to better support the industry at this time?

**Mr Ridden:** Potentially. We are a new industry. Distilling has been around a long time but this artisan segment has really grown phenomenally across the country and in Queensland in the last couple of years. It has not grown so rapidly in Queensland because of our current laws. In terms of having a fair playing field, small producers will never have the finances to be able to produce that sort of volume that allows us to go into those big, major retailers, the ones that Coles and Woolworths control. It would be nice in the future if the something like 750 small independent grocers across the state had something that allowed just people with the artisan producers licence, this new licence, to sell to them. It would then make it a bit more of an even playing field for us and at least the consumer would see us. At the moment, the reality is that when most consumers want to buy something they go to Dan Murphy's, First Choice or Liquorland. They do not see all those other brands that we produce across the state because we are not as visible.

In a lot of cases, we are in small towns. Having a network like independent grocers, for example, would then allow us to be more visible, and that would 100 per cent result in creating more jobs. Obviously, it will help tourism because the more people who know about these small brands, the more tourists will want to see them. As consumers now we really strive for experience; we want that

experience. We are not happy anymore with just the norm; we want that personal experience. In our industry, you are talking to the person who makes the spirit. You are talking to the family who owns the business. They are there 15 hours a day, seven days a week. If those other outlets were able to showcase what we do, that would be fantastic.

**Mr POWELL:** I have been approached by independent grocers who have asked for the same, so they concur. I start by conveying the thanks of family, friends and colleagues for doing what you do. It is certainly very much appreciated by a lot of people that I am aware of. Laura asked the question: what more could we do to assist your industry? Are there any concerns that by making these changes we will encourage so many more people to go into the field that it dilutes what you offer as an industry and you will end up with too many competitors because the bar has been lowered?

**Mr Prosser:** It is a good question, thank you. The industry is pretty heavily regulated in terms of getting a licence. Usually the first point of call is contacting council and then applying to the ATO for a federal excise manufacturer's licence. They usually ask a few questions with regard to previous experience. Home distillation in Australia is currently illegal, so one cannot really use that as a reference point.

**Ms GERBER:** Noted!

**Mr Prosser:** When I was talking to David outside, a gentleman said that there is more competition with a new distillery recently opening in Cooroy. I embrace that. It is good for our industry. Like I said earlier, fewer than two per cent of the products are Australian made.

Most of the distilleries throughout Australia are regional based. It is pretty rare that the bulk of them are all in the cities. They are mainly regional based which is good for jobs. We all work in pretty well together. I get people through our distillery and I promote David and vice versa. I think with this amendment it will really open up for Queenslanders to promote Queensland products, which I am very proud of. We have great producers up in the Atherton Tablelands, in Cairns and all the way down to the Gold Coast. It will really showcase what we do as producers. Jobs, at the end of the day, are crucial for Queensland.

**Mr POWELL:** I asked the question, but I am from the Sunshine Coast and we have 19 craft brewers on the Sunshine Coast. Whilst there is competition, it also sorts out the quality.

**Mr Prosser:** It does.

**Mr POWELL:** And those who do not survive are those who do not offer a good product.

**Mr Ridden:** If I can add to what Rick said about at the federal level, working for the ADA in Queensland, I get approached a lot by people wanting to open distilleries. I see firsthand how strict the federal government is about giving out producer licences. You cannot even buy a still without that licence. If you are buying it offshore, you will not get it into country; you will not get it through customs. I think we are governed really quite heavily by the federal government.

**Mr POWELL:** There are enough checks and balances.

**Mr Ridden:** From what I have seen, I would not see that anyone would slip through those cracks because they are getting to a point now where you have to prove how much experience you have and where you have your experience from. You have to prove you are literally borrowing no money to build your distillery. If you are borrowing lots of money, they will not give you the licence. They literally test you on excise tax and how you are going to calculate your excise tax, how you will manage your stock, how you are going to sell it and where you are going to sell it. There are lots of checks at a federal level which would make it difficult to have what we would call ratbags in the industry.

The other good thing with the new bill is that it caps it at 400,000 litres for an artisan producer, which means we cannot end the 20 per cent ownership. For example, if we had something with Independent Grocers, these big guys could not come in and trick the system and buy a little distillery and then take over again. The bill really supports the small producer.

**Mr Prosser:** On the quality side, one thing that I was advised before we opened our family business was that you need customers to be repeat customers. You do not want them as one-offs; you want them to come back. Having that quality is key to get them back as repeat customers. One thing I say when I am approached in regards to setting up distilleries is that the hardest thing that I have found is not making the product but selling the product. That is the hardest part for us. With this amendment in Queensland, we will go from probably having being regulated quite heavily to being able to really express ourselves, get good product out there and be on par with the rest of the country.

**Mr Ridden:** If we look at how the consumer in Australia has been going in the last 10 years, we have seen consumption of alcohol drop considerably—I think in the last three years alone, by around 15 per cent. Do not quote me on the exact number, but it is very close to that. We are seeing in the Brisbane

market that there is a big trend towards drinking less but drinking more quality. We are even seeing that now in the younger generation. People in their late 20s and mid 30s are enjoying a drink. They are not buying a carton of beer, they are not buying a cask of wine, they are not buying 750 millilitre bottles; they are buying 500 millilitre bottles or buying a four pack of beer that costs the same as what a carton used to cost. We are seeing this trend towards less drinking but drinking better quality and enjoying what they drink rather than just going out to get smashed. Excise is helping with that, obviously.

**Ms BUSH:** I have probably more a comment than a question. Thank you for your summary. I, too, am supportive principally of the bill, but I hold that other thought in my mind that there is a concept that Australia can have an issue with alcohol consumption. That was the question I was going to ask: since the introduction and growth of the artisan sector, what has been the culture of Australian drinking? You have kind of touched on that which was really interesting to hear.

**CHAIR:** It has been answered.

**Ms BUSH:** Yes, but I just want to acknowledge that. Is there any research in that area that you are aware of? It sounds like something emerging.

**Mr Ridden:** There is quite a bit. The big guys at the end of town are Spirits & Cocktails Australia, which are funded by Diageo Beam-Suntory. We work pretty closely with them at the ADA. We are one industry. We do not have the resources to be able to pull that information together, but Spirits & Cocktails definitely do. We could gather that for anyone who would like to see it, for sure.

**Mr Prosser:** The consumer is getting very well educated. They are turning up to our businesses and they know how gin is made and they are learning about the maturation laws for rum and whisky. That education is a big key point which helps us sell our products as well. You would be surprised how many people do not know how the product is made and think it just arrives in a bottle on the shelf.

**Ms BUSH:** I would imagine particularly in regional and rural areas there is immense opportunity.

**Mr Prosser:** Yes, very much so.

**Mr Ridden:** What we do flows through to the farming community: we are using local botanicals, we are using local grain and we are using local sugar cane. It is not just that we employ directly; it is the on-flow from that—the box manufacturer, the bottle manufacturer, the cork person, the label guy—everything flows on.

**CHAIR:** In relation to that information you said that you may be able to gather, is that something you can do quickly or is it something that may take a bit of time?

**Mr Ridden:** It could take a bit of time, but I will do my absolute best to do it quickly. When we are talking 'quickly', what do we mean?

**CHAIR:** 1 or 2 February.

**Mr Ridden:** Let me work on that and I will see what I can do.

**CHAIR:** If you cannot do it, it is just simply a matter of contacting the secretariat and saying, 'Mission impossible. I wasn't able to achieve it in the time frame.'

**Mr Ridden:** No problem.

**CHAIR:** The only reason there is a time frame is because we have to write a report.

**Mr POWELL:** We suspect parliament will want to debate this early in the year.

**Mr Ridden:** No problem.

**CHAIR:** Thank you. That concludes the public hearing. Thank you again to all witnesses who have participated today. Thank you to our Hansard reporters and to the secretariat. A transcript of these proceedings will be available on the committee's parliamentary webpage in due course. I declare the public hearing for the committee's inquiry into the Liquor (Artisan Liquor) Amendment Bill 2020 closed.

**The committee adjourned at 1.08pm.**