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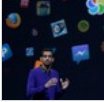
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Amid Fight Over Teen Drinking, Panel Weighs New Alcohol Tax

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By JOHN R. WILKE and CHRISTOPHER LAWTON | Staff Reporters of THE WALL STREET JOURNAL

(See Corrections & Amplifications [item below](#).)

WASHINGTON -- A fierce lobbying battle has erupted over a yet-to-be-released report by a federal panel that is considering stiffer excise taxes and new marketing restrictions on beer and alcohol as part of a national effort to curb underage drinking.

Congress last year asked the National Academy of Sciences to recommend regulatory and policy strategies to limit youth drinking, which is viewed as a major public-health problem that leads to drunk driving, sexual assault and adult alcoholism. The 12-member panel is expected to disclose its findings as early as next month, and the study could have significant influence since the academy is widely seen as representing scientific consensus on public-policy issues.

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Should the government place new restrictions on beer advertising in an effort to curb underage drinking? Participate in the **Question of the Day**.

The group's recommendations are still undergoing the academy's review process and could change. But people briefed on its deliberations say the panel is likely to call for a comprehensive federal strategy to target underage drinking, including higher excise taxes and limits on advertising, as well as tougher enforcement, new rules restricting youth access to alcohol in retail stores and, possibly, a media campaign aimed at parents.

Lobbyists for the beer industry have pressed Congress and the administration to be allowed to review its findings before the study is released and are challenging the objectivity of the publicly funded panel, whose members were chosen by the science academy. Industry officials also assert that the scope of the academy's study has gone well beyond what Congress wanted it to do.

The beer and liquor industries say that they support the fight against underage drinking, even as they argue that the numbers are declining. "Obviously it's of great concern to all people in the beverage alcohol industry," said Frank Coleman, senior vice president of the Distilled Spirits Council of the U.S. "We spend a lot of money fighting underage consumption, millions of dollars a year."

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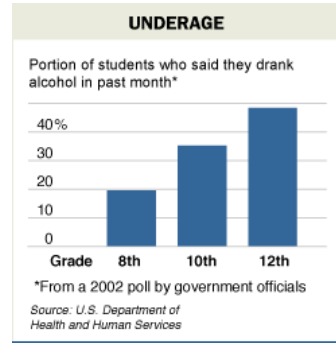
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But the industry is vehemently opposed to many proposed solutions, such as new excise taxes, advertising restrictions or efforts to limit access to alcohol in retail stores. "The panel has paid little attention to developing real solutions such as increased involvement by parents, peers, teachers and community leaders" and enforcing existing laws, said David Rehr, president of the National Beer Wholesalers Association. "It's a nightmare of government gone awry, unlikely to yield a credible study Congress can rely on," he added.



The Beer Wholesalers recently gathered the signatures of 134 members of Congress who sent a letter warning the academy against embracing "new and untested theories" that could harm the industry. The Bush administration has also weighed in on the side of the industry. An official of the Department of Health and Human Services wrote to the academy earlier this year asking it to include the industry in the review process before the study is released.

This brought a sharp rebuke from a

Senate committee, which said in a formal legislative report earlier this year that it was "troubled" by the agency's attempt to inject "involvement of groups with potential conflicts of interest" in the study.

George Hacker, director of alcohol studies at the nonprofit Center for Science in the Public Interest, condemned the wholesalers' "thuggish behavior." He said they were opposing the study because they "stand to lose some of their franchise on underage drinkers who consume, according to some studies, as much as 20% of the alcohol consumed in the U.S."

A spokeswoman for the National Academy declined to comment on its findings and cautioned that they weren't yet final. "It is still deep in review and will not be released for another month or more," the official said. "We are equally considering a full range of strategies." The official dismissed the beer-industry lobbying and said, "the academy is confident in the integrity of its work and its ability to be balanced and independent."

"This isn't a political process, it's a scientific review," one person close to the panel said. But he added, "it's become politically sensitive" and its release has been postponed, missing a scheduled June publication plan.

While several studies have found that underage drinking has declined in recent years, it remains a major problem, public-health officials say. According to a report by the Center on Alcohol Marketing and Youth at Georgetown University, underage drinkers constitute 12% of the total market, and half of all 12th graders -- and 39% of 10th graders -- say they have had a drink in the past 30 days.

Critics say the industry has encouraged underage drinking with sexually suggestive ads aimed at youthful audiences. One campaign that came under heavy fire in recent months was the Adolph Coors Co. "Rock On" campaign that featured party scenes and vivacious blonde twins in suggestive poses. Public-health advocates say the ads cross the line because they depict a party atmosphere that could appeal to youngsters and promote excessive drinking.

Separately, the Federal Trade Commission is investigating the industry's marketing of the new wave of flavored malt-based beverages and whether they target the young. Its findings are expected to be reported to Congress this fall.

In the quest to cut teenage drinking, the suggestion of new excise taxes may be the most controversial element of the panel's work. Members heard persuasive

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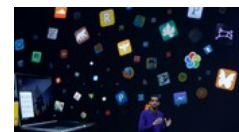
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research that pricing directly affects youth consumption, people briefed on the deliberations said. Stiff excise taxes on cigarettes, for example, have been shown to be effective in reducing smoking and have become widely used as a public-policy tool.

One panel member is a Duke University economist and well-known expert on excise taxes, Philip Cook. In a recent research paper, Dr. Cook and a co-author concluded that "current excise taxes are too low, both nationally and in every state. The rates are far less than the average social cost of each drink consumed," in terms of health and other costs, the authors found. "Raising the excise tax would be in the public interest."

But the alcohol industry is going through tough times right now, and the industry will fight any suggestions of a new tax. "Anheuser-Busch opposes excise-tax increases and believes the most effective way to discourage underage drinking is to encourage parents to communicate about this issue with their children," said [Anheuser-Busch](#) Cos. BUD +6.40% spokeswoman Francine Katz.

It is unclear how much of a tax, if any, lawmakers would approve. The last time Congress raised the excise tax on beer was in 1991, when it doubled the levy to \$18 a barrel from \$9 as part of an overall luxury-tax increase. UBS Warburg analysts estimate that, as a result, per-case prices rose by \$1.50. While some public-health advocates are calling for still higher taxes, the beer industry continues to push for lower ones, and currently has 152 sponsors in Congress for a bill that would roll back that levy.

According to the Beer Institute, an industry trade association, domestic beer shipments had fallen an estimated 2.6% year to date through April, compared with an estimated 2.1% increase at the same time last year. Even imports are struggling, up just 6% last year -- the slowest gain since 1992, according to data from Beer Marketer's Insights, an industry publication.

Meanwhile, financially strapped states already are looking at beer taxes as a way to raise revenue. More than 25 state governments proposed beer excise taxes this year, up from 16 in 2002. While most efforts were defeated, three states ended up raising the taxes and about a dozen are still considering such measures, including California, one of the largest markets.

Some lawmakers also have sought a national media campaign against underage drinking. But evidence presented on the effectiveness of such a campaign aimed directly at young people was unclear, people close to the panel said. They said it is more likely that the panel -- if it recommends an advertising campaign -- will suggest that it be aimed at parents and others who can counsel adolescents on the dangers of drinking. Recent antismoking ads have taken that approach.

Corrections & Amplifications

Three states raised beer excise taxes this year, including one that extended a levy that was set to expire. A article above incorrectly stated that beer excise taxes were raised in four states. Also, Philip Cook is a professor at Duke University, not Stanford University as stated in the article.

Write to John R. Wilke at john.wilke@wsj.com and Christopher Lawton at christopher.lawton@wsj.com

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