

Re: Budget Policy Statement 2016

To: The Finance and Expenditure Committee

The following submission provides a response on behalf of Hāpai Te Hauora Māori Health (Hāpai) to the Budget Policy Statement 2016. Hāpai deliver a number of Māori public health contracts, including a National Māori Tobacco Control Service. The overall role of the National Māori Tobacco Control service is to generate solutions and collective action in relation to tobacco to further the health of all New Zealanders. Hāpai acknowledges the Governments past commitment to tobacco taxes as well as the implementation of evidence based co- interventions such as effective smoking treatment services, removal of tobacco display stands, mass media campaigns, and the passing of plain packaging legislation into its second reading. Implementation of a range of best practice initiatives is commendable and demonstrates a high level understanding the suite of approaches needed to reduce tobacco harm.

For this particular submission Hāpai will provide information on tobacco tax increases for the committee to consider in their budget decisions. Hāpai supports tobacco tax increases as an ongoing intervention to support the Governments goal of a Smokefree 2025 (less than 5% smoking prevalence by 2025). Evidence suggests that tobacco tax increases deter young people from starting to smoke, increase successful quitting, intensify stop smoking support seeking, and play a crucial role in the reduction of tobacco health inequalities if coupled with other co-interventions (Blakely et al., 2015; van Hasselt et al., 2015).

The 2016 Budget Policy Statement provides an overview of the Government's list of priorities for budget preparations for the coming financial year. The 2016 year's Statement is consistent with previous fiscal priorities. Annual tobacco tax increases have been a programme priority for the Government since 2011, and we encourage the Government to continue to commit to this, as in previous years.

This year, is the last year for the Governments four year commitment to annual 10% tobacco tax increases. The World Health Organisation states that “evidence from countries of all income levels shows that price increases on cigarettes are highly effective in reducing demand. Higher prices induce cessation and prevent initiation of tobacco use. They also helps to reduce relapse among those who have quit and reduce consumption among continuing users” (Retrieved from: <http://www.who.int/tobacco/economics/taxation/en/>)

The ability for tax increases to induce cessation fits well with the Government's budget intention of ensuring public services are focused squarely on better results for New Zealanders and ensuring rigorous and evidence-based practices to social services. Significant investment has already been put into stop smoking treatment services, tobacco tax increases can help make the most out of these services by applying external pressure to people's thoughts around quitting and therefore driving more people towards support services. Evidence shows that when past tax increases have been implemented, stop smoking services receive more referrals ((Jha et al., 2015; Keller, Greenesid, Christenson, Boyle, & Schillo, 2015).

In New Zealand researchers have examined the potential role for taxation in the pursuit of the government goal of a Smokefree 2025. The findings from their modelling shows

that a continued commitment to annual 10% increases in tobacco excise tax, in combination with stop smoking support services, smoking prevalence is projected to fall to 8.6-8.9% by 2025. If annual tobacco tax was increased to a further 20% the prevalence is projected to fall to 7.5%-7.7% by 2025. The 20% modelling provides the closest result to the 5% Smokefree goal for 2025 (Laugesen & Grace, 2015)

Tax modelling undertaken in New Zealand also forecasts that the reduction of smoking prevalence would be substantial for both Māori and non-Māori populations, although Māori would be starting from a much higher smoking prevalence rate than non-Māori of 32.7% when compared to 15% for the general population. This means that a higher annual tax increase of 20% would bring Māori closer to the 2025 goal than that of a 10% increase, but would still only see Māori smoking frequency decrease to what non-Māori smoking levels were in 2013 (Laugesen & Grace, 2015).

In conclusion, the researchers who undertook the New Zealand modelling exercise suggest that a wider range of smokefree 2025 strategies will be needed to achieve the goal. This suggestion is also reiterated by other research papers. Shore Whariki undertook a review of data linked to the effectiveness of past tax increase results. The final recommendations highlighting the need for co-interventions targeted to meet the needs of Māori, alongside further excise tax increases, in order to align Māori smoking rates to that of the general population. (Retrieved from SHORE and Whariki Research Centre <http://www.whariki.ac.nz/massey/learning/departments/centres-research/shore/projects/evaluation-of-tobacco-excise.cfm>).

International research suggests that less regular tax increases with much larger increments is a more effective strategy when compared to yearly small increases (Chaloupka, Yurekli, & Fong, 2012). Additionally international literature also recommends maximising the impact of tobacco tax increases, especially for priority populations by ensuring they occur alongside a suite of co-interventions. Co-interventions in New Zealand need to resonate strongly with Māori and Pacific, targeting priority populations through prevention and stop smoking support makes fiscal sense, as Māori experience the greatest level of harm from tobacco smoking and associated long term conditions like heart disease and cancer (Retrieved from SHORE and Whariki Research Centre <http://www.whariki.ac.nz/massey/learning/departments/centres-research/shore/projects/evaluation-of-tobacco-excise.cfm>)..

An additional strategy to ensure tobacco tax increases provide particular benefit to Māori, would be to address the issue of product change. Research shows that the act of swapping to a cheaper brand during tobacco tax increases is more likely to occur with Māori and less well educated participants. It is common practice for cigarette manufacturers to bring to market a cheaper, and re-branded product around the time of each tax increase in an attempt to maintain customers. Māori who have been shown to be price sensitive are quick to make the change, even if it is not their preferred brand. With this in mind it would be advantageous to employ a mandatory minimum product price structure to ensure future tax increase outcomes are maximised for priority populations ('Smokers' behavioural responses before and after the 2012 tobacco excise increase - Kōtuitui: New Zealand Journal of Social Sciences Online - Volume 8, Issue 1-2')

A concern previously expressed in regards to tobacco tax is the possibility for disproportionate stress resulting from higher costs of tobacco on low income families. International experts in tobacco tax acknowledge that low income families can be disproportionately affected by tobacco tax increases; however research also shows that the economic benefits that low income people gain by quitting far outweigh the negative economic struggles that low income families experience by not quitting. (Chaloupka et al., 2012).

According to Simon Chapman, Professor in Public Health at University of Sydney the suite of evidence based tobacco control initiatives implemented across the globe that generate positive outcomes, do so at varying speeds. Some results are quick-acting and others act in a slow burn manner, or a mixture of both. In the case of tobacco tax there is evidence that shows results are both of an immediate and slow burn nature. Tax increases push many smokers into abrupt unplanned quitting, and others into a situation where unease overtime about the costs of smoking builds up and eventually concludes with quitting (NZ Herald Simon Chapman, Professor in Public Health at University of Sydney. New Zealand Herald)

Tobacco tax increases also fall into the preventative intervention category. With the cost of cigarettes going up, the product becomes less attainable/attractive to the potential new generation of smokers (Chaloupka & Wechsler, 1997). As tobacco currently remains New Zealand's major cause of preventable illness and death a stronger focus on prevention strategies would be useful. The value add of preventative measures is that they are shown to be cost effective in that they lead to reduced health care costs over time and deliver the best health outcomes in the long term (Chisholm et al., 2006).

There is still some way to go to reach the smokefree 2025 goal. The Government has shown an ability and willingness to implement a range of tobacco interventions to reach the overarching goal of a better health status for Māori and all New Zealanders. Hāpai would like to **speak to the The Finance and Expenditure Committee** to further explore the need for tobacco tax increases as a foundation intervention for which other tobacco control co-interventions can spring board off.

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