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Tobacco affordability

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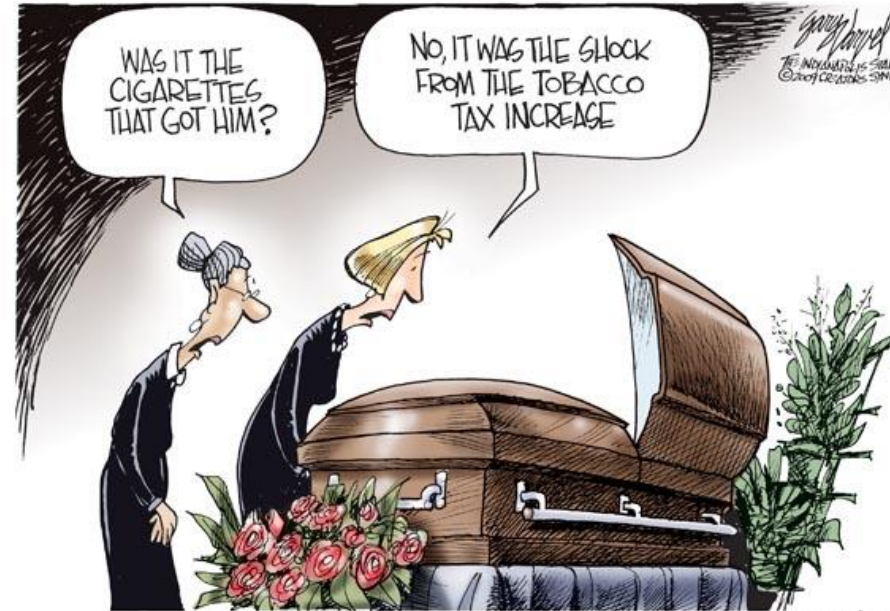
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- Background
- Issues
- Current tobacco tax policy effects
- Policy options



Background

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- Affordability
 - Tobacco price in relation to income and other spending (eg, alcohol)
 - Price effect eroded by incomes and inflation
 - NZ tobacco tax indexed to Consumer Price Index
 - Tax a major influence on price
- Other potential influences on price:
 - duty free
 - packet size
 - minimum price laws
 - theft, smuggling, home growing



More background



- Price the most effective tobacco policy area:
 - In NZ, a 10% **average** price increase reduces **consumption** by about 4% *in the short term*
 - a 10% price increase reduces **prevalence** by about 1% *in the short term* (more youth, low income)
 - Tax rise effects eroded by:
 - ‘Smoothing’, RYO, low price brands, illegal sales
- Current NZ tobacco tax policy to 2016:
10% tax + CPI rise/year (not the same as *price*)



1) Population gain v pain for some:

- Large health, social and financial benefits for those who do cut down or quit, for their whanau, and for society
- For smokers who *don't* cut down or quit, potential for increased financial hardship

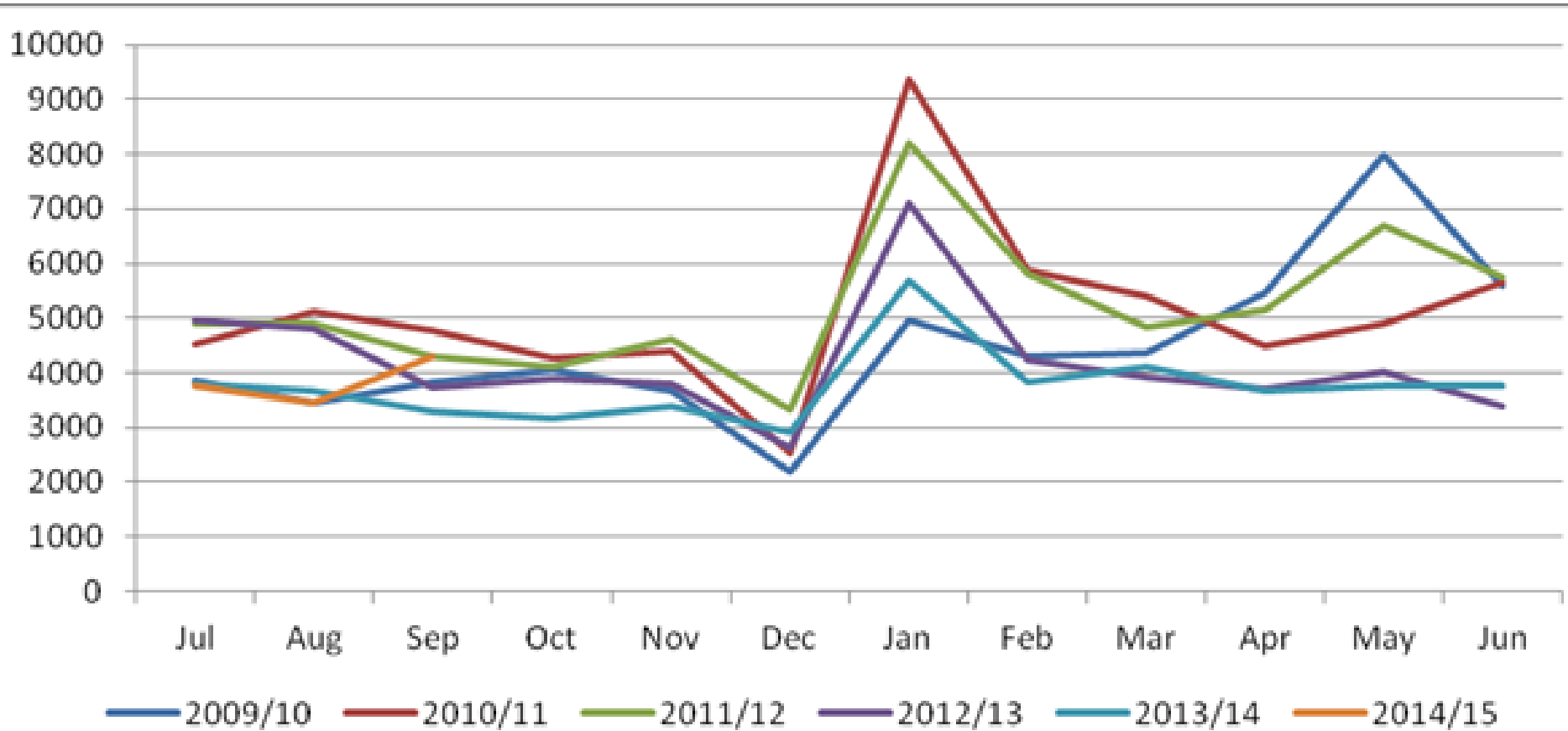
2) Lack of use of tobacco tax revenue to solve the problem

Effects of current NZ policies

- Modelling suggests that current annual 10% tax increases will not be enough to ensure the Smokefree 2025 goal is reached
- Quitline and tobacco sales data indicate that 10% excise tax increase effects are diminishing

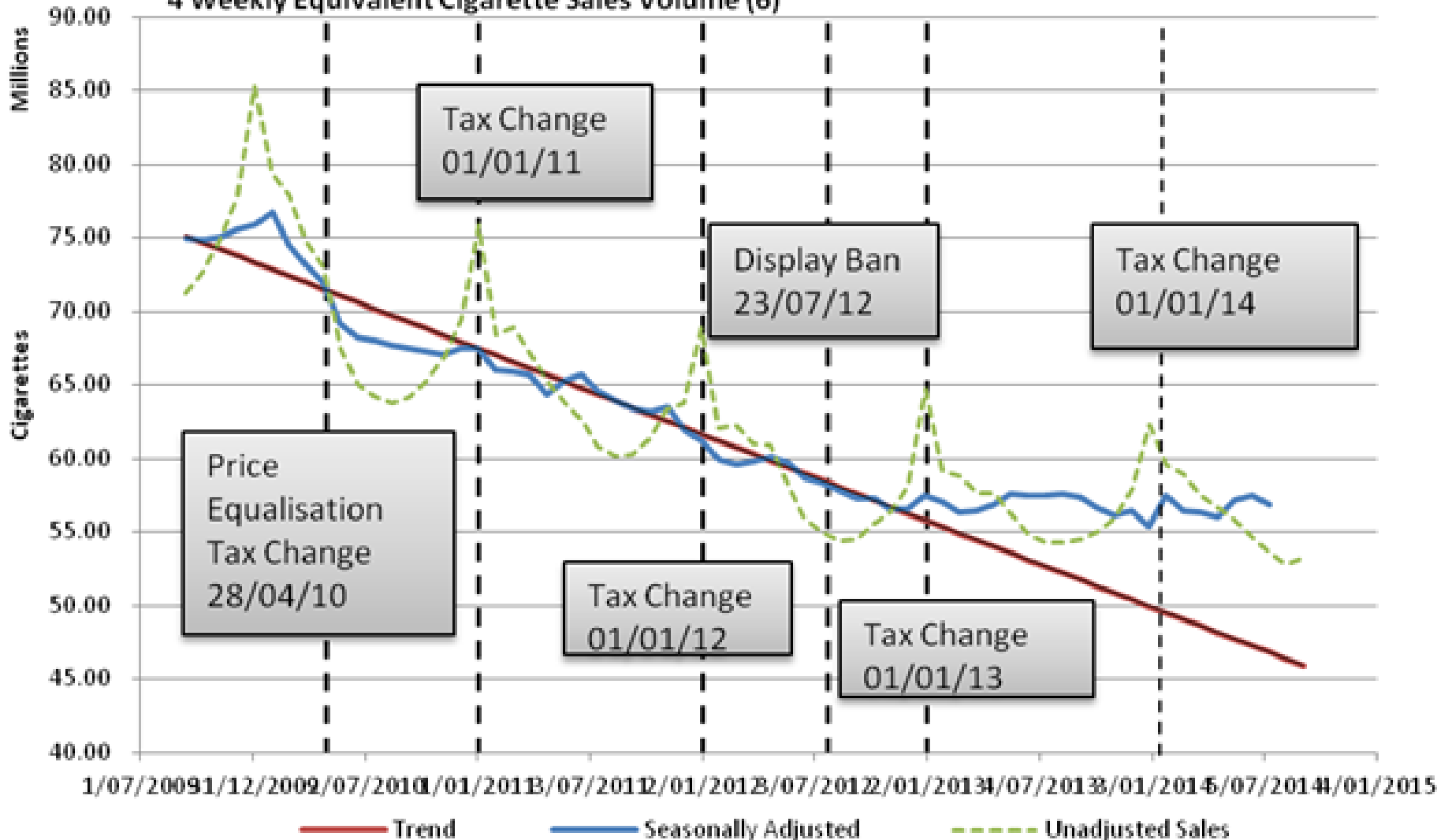
(The following graphs are from the Quitline and HPA)

Impact on Quitline calls from tobacco tax increases: 2010-14



Impact of tax increases on retail tobacco sales:2010-13

Table 2: Seasonally Adjusted Tobacco Sales
4 Weekly Equivalent Cigarette Sales Volume (6)



Policy options

Include:

- Larger tax rises (eg, 20%/year)
 - Price signal stronger, less easy to ‘smooth’
 - Increased tax revenue
- Dedicating % of tobacco tax revenue to smokefree work
- Minimum tobacco prices
- Tax on nicotine? Alcohol tax rises.
- Indirect taxes: eg, retail licence fees



Summary

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Need for:

- Policy changes to get better effects
- Combining tax rises with *comprehensive* tobacco endgame strategy
- *Long term* tobacco price policy
- Ethical basis for policy
 - Is the purpose of tobacco tax revenue or health?
 - Use of an addictive substance to gain revenue for general purposes