Tax Working Group
Te Awheawhe Tāke

Tax Working Group Public Submissions Information Release

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Name of Organisation: National Public Health Alcohol Working Group
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National Public Health Alcohol Working Group Submission to the Tax Working Group

Our organisation

The National Public Health Alcohol Working Group (N-PHAWG) was established in 2009 to support nationally consistent, effective public health action to reduce alcohol related harm. Our objective is to provide strategic leadership and workforce development input and support to the alcohol public health sector funded by the Ministry. Key roles of the NPHAWG are to:

1. Provide a forum to strengthen and promote strategic collaboration and national consistency
2. Identify workforce development needs and how these might best be met
3. Provide the Ministry of Health with recommendations for the future development and delivery of alcohol public health services
4. Encourage and support national alignment of evidence based alcohol public health services
5. Make timely submissions, recommendations or promote priority alcohol public health issues as appropriate

NPHAWG is a group of alcohol regulatory officers and health promoters which is co-ordinated and supported through a Ministry of Health contract with SHORE, Massey University.

Economic impact of alcohol

The estimated cost of alcohol-related harm to New Zealand society was $5.3 billion in 2005/6.[1] Alcohol use is a major contributor to health costs, lost productivity for businesses and to financial costs to society with crime, police and court time and incarceration. All these problems help justify higher alcohol taxes. People who don't drink alcohol (20% of New Zealanders) and low risk drinkers are unfairly burdened with these costs. We believe that the rates of alcohol excise tax should reflect the cost of alcohol- related harm to society.

Health impacts

New Zealanders experience extensive harm from alcohol consumption. A sometimes overlooked fact is this harm is experienced by those around the drinker, as well as the drinker themselves. Alcohol use is associated with innumerable diseases and harms including NCDs/ cancer, a range of mental and behavioural disorders, violence, injuries, abuse and neglect[2]. Many of these harms leave a lifelong impact.

Hazardous drinking increases the risk of adverse health and social outcomes for the drinker as well as others. The 2011/12 New Zealand Health Survey estimated that 530,000 New Zealanders aged 15 years and over (15 percent of the adult population) are hazardous drinkers.[3] In 2016, there were 179,000 more hazardous drinkers in New Zealand than in 2012. [4]

Nearly every group defined by age, ethnicity and sex has increased their drinking since 2011. Women have increased their alcohol consumption the most. There continues to be significant inequities in alcohol-related harm between Māori and non-Māori. Raising the tax on alcohol will provide an incentive to reduce consumption and reduce the growing number of hazardous drinkers[5].

The importance of excise tax increases

The National Public Health Alcohol Working Group members are people who work with communities and agencies to monitor alcohol regulations and promote effective harm preventions strategies. Many of them see first-hand the impact of alcohol in communities and the inadequacy of the current alcohol excise tax rates to maximise the reduction of alcohol related harm. NPHAWG believes It is essential to prevent alcohol related harm and its social, physical and economic costs. Raising the excise tax on alcohol is a proven and effective way to reduce the affordability and consumption of alcohol, especially by heavier drinkers. Reducing alcohol consumption is an important and under-emphasised strategy that can help to reduce alcohol-related harm and other health and social costs. Furthermore, substantial increases in excise tax are fair and will reduce inequities as low income heavy drinkers are benefit the most when prices of alcohol are increased.

Today, alcohol is more affordable than it has ever been. Increasing the tax on alcohol has been widely recommended by health experts and through the comprehensive Law Commission Report.[6]

Currently the rates of excise tax are grossly inadequate in relation to the cost of alcohol related harm. NPHAWG believes that rates of alcohol excise tax should reflect the cost of alcohol-related harm to society. Every year, the Government receives money from alcohol excise tax ($1 billion in 2017) but this is well below the annual cost of alcohol-related harm to individuals and society, estimated in 2009 to be over five billion dollars.

Tax alcohol content

The New Zealand is missing out on millions of dollars of alcohol excise tax revenue each year because wine is taxed at a level equivalent to 10% alcohol, yet levels of alcohol in a bottle of wine are typically much higher than this (e.g. 12-14%). Taxpayers are losing out on this revenue which could be used to fund essential health and prevention services.

There is an opportunity to align the level of tax to the alcohol content of beverages rather than the type of drink (e.g. for wine). This would be fairer as currently some beverages are taxed by volume and others by alcohol content. It is the alcohol that causes the harm, not the type of beverage.

Minimum Unit Pricing

We also recommend a Minimum Unit Pricing Policy to prevent the availability of very cheap alcohol. This policy is fair as it targets heavy drinkers and significantly reduces inequities in alcohol-related harms between income groups. This combined with excise tax rates can work very effectively to reduce the affordability of alcohol and hazardous and heavy *drinking*

Role of the Health Promotion Agency

The Health Promotion Agency (HPA) is funded from Vote Health including through a levy derived from alcohol excise tax[7]. The HPA has alcohol-specific functions to give advice and make recommendations to government, government agencies, industry, non-government bodies, communities, health professionals and others on the sale, supply, consumption, misuse and harm of alcohol as those matters relate to HPA’s general functions’.

Over the years since the establishment of the Health Promotion Agency, National Public Health Alcohol Working Group has noted the much diminished role of the Agency in giving evidence based policy advice to Government and the public health sector. This is in contrast to the advice regularly given by ALAC (prior to the establishment of the HPA), for example ALAC provided advice to the Law Commission in the reform of New Zealand's alcohol laws.

Given HPA is the only prevention organisation funded through Government excise tax, it surely has a responsibility to promote and support science based approaches to reducing alcohol related harm. Effective evidence based policies and environments are required to reduce harm, therefore it is important HPA's work includes provision of alcohol policy advice to the Government, health and other sectors, for example on alcohol excise tax, etc.

Recommendations

1. Increase alcohol excise rates by at least 50% across all alcohol products to raise the price of alcohol by at least 10%
2. Annually adjust the excise rates to take into account changes in income (and to offset any strategies used by retailers to not pass on increased rates to consumers)
3. Address rates of excise tax on wine – all wine should be taxed by alcohol content, not volume of beverage. If a producer is unable to determine the exact alcohol content in their product, then the level of excise tax should be raised from being based on 10% alcohol strength to 14%
4. Tax all alcohol products (beer, wine, cider, spirits, etc.) by the exact amount of alcohol they contain
5. Increase allocation of alcohol excise tax to prevention and treatment services
6. Highlight to Government the effectiveness of establishing a minimum price for alcohol products, to work in tandem with excise tax to reduce alcohol related harm
7. Highlight the diminished role HPA has played in providing science based alcohol policy advice to Government and to the public health sector and beyond, and that this is inconsistent with their mandate to provide such advice.

Thank you for considering NPHAWG's written submission. **We do not wish to make an oral submission.**

We are aware this submission will be published on the relevant website.

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[1] Slack, A., Nana, G., Webster, M., Stokes, F., & Wu, J. (2009). Costs of harmful alcohol and other drug use. BERL Economics, 40. http://www.springhilltrust.co.nz/assets/files/BERL-200907-Costs_of_Harmful_Alcohol.pdf

[2] Connor, J.,Kydd,R.,Shield,K.,Rehm, J. (2013). ***Alcohol-attributable burden of disease and injury in New Zealand: 2004 and 2007, Research report commissioned by the Health Promotion Agency*.** Wellington: Health Promotion Agency.

[3] Ministry of Health. Hazardous Drinking in 2011/12: Findings from the New Zealand Health Survey. Wellington: Ministry of Health. 2013.

[4] Ministry of Health. Hazardous Drinking in 2015/16: Findings from the New Zealand Health Survey. Wellington: Ministry of Health.

[5] Babor T, Caetano R, Casswell S, Edwards G, Giesbrecht N, Graham K, et al. (2010) ***Alcohol: No ordinary commodity - research and public policy. Second Edition.*** Oxford: Oxford University Press

[6] Law Commission: Alcohol in Our Lives: An Issues Paper on the reform of New Zealand's liquor laws. Wellington: Law Commission; 2009.

[7] Health Promotion Agency, Wellington. Sourced 28.4. 2018. https://www.hpa.org.nz/who-we-are