



29 January 2016

The Finance and Expenditure Committee (FEC)  
Parliament Buildings  
**WELLINGTON**

Tēnā koutou ki te Komiti Pūtea

**Re: Submission on Budget Policy Statement 2016 (Tobacco Taxation)**

Thank you for the opportunity to provide a written submission regarding the Finance and Expenditure Committee's call for submissions on the Budget Policy Statement 2016.

Regional Public Health (RPH) serves the greater Wellington region, through its three district health boards (DHBs): Capital & Coast, Hutt Valley and Wairarapa and as a service is part of the Hutt Valley District Health Board.

We work with our community to make it a healthier safer place to live. We promote good health, prevent disease, and improve the quality of life for our population, with a particular focus on children, Māori and working with primary care organisations. Our staff includes a range of occupations such as: medical officers of health, public health advisors, health protection officers, public health nurses, and public health analysts.

We are happy to provide further advice or clarification on any of the points raised in our written submission. The contact point for this submission is:

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Ngā mihi

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## **Introduction**

New Zealand has set an ambitious but achievable goal of being the first *Smokefree Nation* in 2025. In order to reach this goal the use of tobacco taxation, as a tobacco control tool, must be considered by the Finance and Expenditure Committee in your deliberations.

As noted by the World Bank, tax increases on tobacco products are the single most effective means available to governments to reduce death and disease caused by smoking.<sup>1</sup>

**Recommendations:** The Committee should consider:

1. **Increase tax levels on all tobacco products by 20% per annum from 2017-2021.**
2. **Increase customs duties by 20% per annum on imported tobacco.**
3. **Eliminate all duty-free allowance on tobacco products.**

### ***Tobacco taxes***

RPH continues to support on-going increases in tobacco tax. RPH believes that tobacco tax will be a critical tool in the pathway to becoming a Smokefree Nation by 2025. As noted in a number of articles, papers and journals the ability to meet this goal will require a substantive increase in tobacco taxation.

RPH is supportive of a 20% increase in tax per annum for at least the next five years.<sup>2</sup> This increase in tax should be accompanied by a boost in funding for smoking cessation services and health promotion activities and campaigns.

### ***Customs excise equivalent duty***

RPH recommends that an increase of 20% per annum in excise equivalent duties is considered for all imported tobacco.

### ***Eliminate all duty-free allowance on tobacco products***

The Committee may want to look at the complete elimination of personal concessions for tobacco. The following amounts are allowed duty free:

- 50 cigarettes or
- 50 grams of tobacco or cigars or
- a mixture of all three weighing not more than 50 grams.

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<sup>1</sup> World Bank. Curbing the Epidemic: Governments and the Economics of Tobacco Control. Washington: World Bank, 1999. Available from: <http://www1.worldbank.org/tobacco/>

<sup>2</sup> Blakely T et al, *If nobody smoked tobacco in New Zealand from 2020 onwards, what effect would this have on ethnic inequalities in life expectancy?*, The New Zealand Medical Journal, 13th August 2010, Volume 123 Number 1320, 2010.

Under the Framework Convention on Tobacco Control (FCTC) a member state can prohibit tobacco under Article 6: Price and Tax Measures to Reduce the Demand for Tobacco:

*Prohibiting or restricting, as appropriate, sales to and/or importations by international travellers of tax- and duty-free tobacco products<sup>3</sup>*

### **Māori: Impact of tax increases**

There is clear evidence that tobacco taxes reduce health inequalities. Māori health gains are estimated to be 3.7 times greater when compared to non-Māori.<sup>4</sup> While there maybe a financial burden placed on Māori within the low-income bracket, the harm to individual smokers and their whānau through second-hand smoke exposure is considerably more. Māori will see the gap in life expectancy between Māori and non-Māori significantly reduced if smoking prevalence falls below five per cent by 2025.<sup>5</sup>

To achieve larger reductions in health inequalities there is a need to accompany tobacco tax increases with additional tobacco control interventions focused on cessation, health promotion and on-going research.<sup>6</sup>

### ***Impact on low income smokers***

While there is a concern that increased tobacco tax impacts heavily on low income smokers (many are Māori and Pacific) research shows that tobacco tax increases lead to greater health gains.<sup>7</sup> Low income smokers are price sensitive to increases in tobacco tax<sup>8</sup> and are motivated to quit smoking.<sup>9</sup> New Zealand research clearly shows that two-thirds of smokers living in low socio-economic areas have attempted to quit smoking.<sup>10</sup>

### **Conclusion**

RPH believe that the Finance and Expenditure Committee is a critical component in contributing to the Smokefree Nation 2025 goal that was recommended by the Māori Affairs Select Committee in 2010 and supported in parliament.

RPH looks to a positive response in the near future to our recommendations.

Nā reira, ngā mihi nunui ki te Komiti Pūtea.

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<sup>3</sup> World Health Organization, *Framework Convention on Tobacco Control*, 2003.

[http://www.who.int/tobacco/publications/en\\_tfi\\_tob\\_tax\\_annex.pdf](http://www.who.int/tobacco/publications/en_tfi_tob_tax_annex.pdf)

<sup>4</sup> Blakely T, Cobiac LJ, Cleghorn CL, et al. *Health, health inequality, and cost impacts of annual increases in tobacco tax: Multistate life table modelling in New Zealand*. PLoS Med 2015;12:e1001856.

<sup>5</sup> Blakely T et al, *If nobody smoked tobacco in New Zealand from 2020 onwards, what effect would this have on ethnic inequalities in life expectancy?*, The New Zealand Medical Journal, 13th August 2010, Volume 123 Number 1320, 2010.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Chaloupka FJ, Yurekli A, Fong GT. Tobacco taxes as a tobacco control strategy. *Tobacco Control*, 2012;21:172-180.

<sup>9</sup> MacFarlene K. Tax as a motivating factor to make a quit attempt from smoking: a study before and after the April 2010 tax increase. *J Prim Health Care* 2011;3(4):283-288.

<sup>10</sup> ASH New Zealand. *Tobacco Returns Analysis* 2009, 2010.