30 April 2018

Regional Public Health
HAUORA Ā IWI KI TE ŪPOKO O TE IKA A MĀUI
Better health for the greater Wellington region

Tax Working Group Secretariat
PO Box 3724
Wellington 6140

Tēnā koe

Re: Submission to the Tax Working Group

Regional Public Health is grateful for the opportunity to make a submission to the Tax Working Group. As a public health submission it may be useful to provide the working group with a definition of public health and the role that *Regional Public Health* plays in the greater Wellington region.

Public health[1]
Public Health is defined as "the art and science of preventing disease, prolonging life and promoting health through the organized efforts of society". Activities to strengthen public health capacities and service aim to provide conditions under which people can maintain to be healthy, improve their health and well-being, or prevent the deterioration of their health. Public health focuses on the entire spectrum of health and well-being, not only the eradication of particular diseases. Many activities are targeted at populations such as health campaigns. Public health services also include the provision of personal services to individual persons, such as vaccinations, behavioural counselling, or health advice.

Regional Public Health[2]
Regional Public Health delivers population and personal health services to the greater Wellington region. Our geographical area of service delivery spans *Hutt Valley, Capital & Coast* and *Wairarapa District Health Boards*. Our aim is to improve the health of communities throughout the region, with a focus on achieving equitable health outcomes for high needs groups such as Māori, Pacific peoples, children, and low income families. We have a range of occupations working within *Regional Public Health* including: medical officers of health and public health physicians, public health advisors, public health analysts, health protection officers and public health nurses.

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:

Shane Kawenata Bradbrook
E: shane.bradbrook@huttvalleydhb.org.nz
M: 027 645 9961
T: 04 570 9027

Ngā mihi

Peter Gush
Service Manager

Dr. Jill McKenzie
Medical Officer of Health

[1] World Health Organization, Sourced: http://www.euro.who.int/en/health-topics/Health-systems/public-health-services
[2] Regional Public Health, Sourced: http://www.rph.org.nz/

Overall statement

A transparent and equitable tax base is a necessary foundation for a well-functioning nation and equity is a prerequisite for public health.[3] Public health related to non-communicable diseases and their associated risk factors have a significant impact on the well-being of the nation e.g. diabetes, tobacco related morbidity, obesity.

Past taxation reviews and subsequent reforms have an impact on the funding of specific health issues using levies; most notably the alcohol and problem gambling levies. Ideally, appropriating (earmarking) a portion of monies from risk factors associated with adverse health outcomes e.g. tobacco use, soft drink use etc should be utilised to supplement health promotion programmes and resources. As noted:

> *Strategically there is strong evidence of the cost effectiveness of spending in public health as a key vehicle for pursuing equity. Money invested in keeping people well leads to considerable savings in clinical treatment costs later. When executed well, public health programmes produce healthy, resilient communities, but disinvestment needs to be redressed and new funding streams dedicated.*[4]

For the purpose of this submission *Regional Public Health* will focus on three areas:

- GST removal on fruit and vegetables
- Tobacco tax
- Sugar Sweetened Beverage (SSB) tax

GST removal on fruit and vegetables

Regional Public Health supports the position expressed in the *Child Poverty Action Group (CPAG)* paper: *Will removing GST on fresh fruit and vegetables achieve its stated aim?* [5] Two points expressed in the *CPAG* paper that align with our thinking on this issue are:

1. *CPAG* considers it would be much less costly overall and more beneficial to address the lack of purchasing power of low income families than to attempt to make good food more affordable by a selective application of GST.
2. In addition to the high administration costs such a policy imposes on both the *Inland Revenue Department* and the retailer, taking GST off fresh fruit and vegetables is likely to benefit high-income families the most and the revenue cost of such a policy requires extra taxes elsewhere or spending cuts that may harm low-income households more.

Recommendations

- The status quo prevails regarding GST on fruit and vegetables.
- Taxation remedies that improve the "purchasing power" of low income whānau are given high consideration in preference to removing GST from fresh fruit and vegetables.

---

[3] Public Service Association, Progressive Thinking: ten perspectives on tax, Sourced: https://www.psa.org.nz/assets/Campaigns/stand-together/Tax-booklet/Tax-book-2017-LOW-RES.pdf

[4] Came H et al, *The New Zealand Health Strategy 2016: whither health equity?* New Zealand Medical Journal, 16th December 2016, Volume 129 Number 144. Sourced: https://www.nzma.org.nz/journal/read-the-journal/all-issues/2010-2019/2016/vol-129-no-1447-16-december-2016/7107

[5] Child Poverty Action Group, Will removing GST on fresh fruit and vegetables achieve its stated aim? 2010. Sourced: http://www.cpag.org.nz/resources-2/tax-policy/

Tobacco tax

The goal of *Smokefree 2025* requires measures that will reduce smoking prevalence rates to <5% of current smokers. Tobacco tax has largely being the tool of choice to reduce the number of smokers in New Zealand. Of late, taxation on tobacco has seen a series of 10% increases since 2010 (legislated through until 2020) with a corresponding decline in overall smoking prevalence rates from 18–21% in 2006–08 to a 2013-15 level of 15%.[6]

In support of the *Smokefree 2025* goal *Regional Public Health* would like the *Tax Working Group* to consider two measures:

1. That a 2-3% portion of additional tobacco tax is appropriated to further support already budgeted tobacco control spend.
2. That there is consideration for significant tobacco tax increases of 20% per annum to lower the smoking prevalence rates.

In terms of the first measure regarding the use of earmarking tax revenues, the *World Bank* notes:

> *…"soft" earmarking of funds — for example, linking increased taxes to increased health spending — has helped generate grassroots support for the tax hikes. This has been shown by experience in other sectors, and it has worked for tobacco taxes in countries like Australia, Philippines, and the United States.* [7]

There is evidence that New Zealand smokers would accept tobacco tax rises if they were dedicated specifically for tobacco control use.[8] [9] Note, earmarking tobacco tax for tobacco control is already common practice in various jurisdictions overseas (e.g. Iceland, California, Switzerland and Vietnam).[10] [11] The most notable use of earmarking, in New Zealand, is the alcohol levy.

The second measure, also promoted in the recent *World Bank* publication[12], notes that tax strategies should focus on health gains first, then on fiscal benefits. The *World Bank* endorses larger tobacco excise tax rate increases as a response to the high mortality and morbidity rates caused by tobacco use.

Significant work undertaken by the *University of Otago*[13] indicates that smoking prevalence rates at the current tax hikes will not meet the 2025 goal of <5%; current modelling predicts this goal to be reached in 2035 and 2040. Substantially higher tax levels are required to assist with driving the smoking prevalence rates down. The *University of Otago* also state that other strategies are required

---

[6] Blakely T et al, *Smoking prevalence in New Zealand from 1996-2015: a critical review of national data sources to inform progress toward the Smokefree 2025 goal.* The NZ Medical Journal, Vol 129 No 1439: 5 August 2016.
[7] World Bank Group, *Tobacco Tax Reform: At the Crossroads of Health and Development*, 2017. Sourced: http://www.worldbank.org/en/topic/tobacco and http://blogs.worldbank.org/health/tobacco-tax-reform-crossroads-health-and-development
[8] Wilson N, Weerasekera D, Edwards R, et al. Characteristics of smoker support for increasing a dedicated tobacco tax: national survey data from New Zealand. Nicotine Tob Res 2010;12:168–73
[9] Wilson N, Weerasekera D, Edwards R, et al. Smoker support for increased (if dedicated) tobacco tax by individual deprivation level: national survey data. Tob Control 2009;18:512.
[10] Chaloupka FJ, Yurekli A, Fong GT. Tobacco taxes as a tobacco control strategy. Tob Control 2012;21:172–180.
[11] World Health Organization. WHO report on the global tobacco epidemic, 2015 - raising taxes on tobacco. Geneva, Switzerland: World Health Organization; 2015.
[12] World Bank Group, Ibid.
[13] Cobiac L J et al, *Modelling the implications of regular increases in tobacco taxation in the tobacco endgame*, University of Otago, 2014.

to support a comprehensive approach that reduces smoking prevalence rates i.e. cessation and health promotion programmes.

Ultimately, benefits are accrued through a strong tobacco tax strategy. These include higher productivity in the labour market and better health, resilience through lower risk of breadwinners falling ill or dying prematurely, as well as cost saving (both private and public health expenditure) in the treatment of tobacco-related illness.[14]

Recommendations

- That 2-3% of the current total tobacco tax is earmarked for health promotion programmes, smoking cessation courses and resources to support the *Smokefree Aotearoa 2025* goal.
- The current annual 10% tax is increased to 20% per annum to reach the *Smokefree Aotearoa 2025* goal and to see a significant drop in smoking prevalence rates.

Sugar Sweetened Beverage (SSB) Tax – Levy

The *World Health Organization (WHO)* has indicated that evidence regarding the consumption of SSBs, and the adverse change in population health outcomes, warrant the imposition of Pigovian taxes or levies on sugar-sweetened beverages.[15] *WHO* research also specifies that interventions will see a reduction in children's dental caries, weight decreases and lowering of non-communicable diseases.[16] [17]

In the New Zealand context, public health researchers provide the necessary and compelling evidence that requires a strong public heath response that includes a SSB Tax - Levy:

> *High sugar intakes are linked to obesity, type 2 diabetes and cardiovascular disease; a strong case can, therefore, be made for efforts to reduce consumption. There is particular concern about sugar-sweetened beverages because they are nutrient poor, and energy from beverages is less satiating than that obtained from solid foods, resulting in increased consumption. Almost one-fifth of the total sugar intake of New Zealand adults (17%) comes from non-alcoholic beverages.*[18]

On the balance of the current evidence *Regional Public Health* specifically supports a SSB Tax – Levy because of:

1. Increased number of dental caries in children and the number of tooth extractions being performed by dental services in New Zealand.
2. The increase in type II diabetes.
3. The association with an increased consumption of SSBs with weight gain (obesity).

The aim is to curb the consumption rate of SSBs that will result in positive health gains in the New Zealand population. From an inequalities viewpoint these health gains will:

---

[14] World Bank Group, P.136.
[15] World Health Organization, *Report of the Commission on Ending Childhood Obesity Implementation Plan: Executive Summary.* Sourced: http://apps.who.int/iris/bitstream/handle/10665/259349/WHO-NMH-PND-ECHO-17.1-eng.pdf?sequence=1
[16] World Health Organization, Reducing free sugars intake in children and adults, Sourced: *http://www.who.int/elena/titles/free-sugars-children-ncds/en/*
[17] World Health Organization, *Reducing consumption of sugar-sweetened beverages to reduce the risk of childhood overweight and obesity,* 2014. Sourced: http://www.who.int/elena/titles/commentary/ssbs_childhood_obesity/en/
[18] Murchu N et al, *Twenty percent tax on fizzy drinks could save lives and generate millions in revenue for health programmes in New Zealand. University of Otago.* 2014.

…likely be larger amongst Māori and Pacific consumers due to their greater responsiveness to changes in food prices, and amongst children and young people due to their higher consumption of such drinks.[19] [20]

Recommendations

- A Sugar Sweetened Beverage Tax is introduced by the Government as part of a comprehensive public health plan.
- A portion of the SSB tax is earmarked for:
    - Comprehensive health promotion programmes/social marketing campaigns.
    - Resources and support for dental care interventions for infants and youth.
    - Investment in research to measure effectiveness.

[19] Murchu N et al. Ibid.

[20] Blakely T et al, *Analysis of a new NZ Treasury Report on soft drink tax,* Sourced: *https://blogs.otago.ac.nz/pubhealthexpert/2017/02/28/analysis-of-a-new-nz-treasury-report-on-soft-drink-tax/#more-2373 , 2017.*