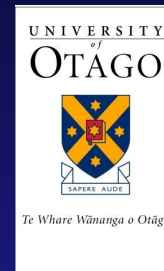


# Getting a tied tobacco tax policy in New Zealand



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# Aim

- **To explore:**

- ◆ Some context for tobacco tax revenue
- ◆ The arguments that can be used for tied tobacco taxes
- ◆ The tactics and strategies for getting a tied tobacco tax

- **To make recommendations about the use of tobacco tax revenue**

# New Zealand background

- Tobacco tax revenue:
  - ◆ \$900-1000m/year
  - ◆ goes into general government revenue

# NZ health sector mistakes

- Allowing health sector arguments to be used as a cover for revenue collection that is used for general purposes
- Insufficient focus by government health agencies/NGOs on tax *revenue*

# Generalisations across all governments?

## Governments:

- *Assume use:* Will assume that tobacco tax revenue can be used for general purposes
- *Resist preventive use:* Will resist using more than a small % of the revenue to reduce smoking

# Part 1: Arguments for tied tobacco taxes

- Chronic underspending on tobacco control in terms of potential lives saved compared to (eg):
  - ◆ Road death prevention
  - ◆ Meningococcal disease prevention
- 20/1 ratio of tax revenue to spending on tobacco control
- \$1400/year revenue from smokers to govt, \$60/year per smoker for tobacco control

# Equity and ethical issues

- Use of a lethal, addictive drug to raise general revenue
- Disproportionate extraction of tobacco tax revenue from Māori, Pacific, low income families



# Tied taxes work in NZ and elsewhere

- Other tied taxes in NZ
  - ◆ Alcohol, petrol, and vehicle registration levies
  - ◆ Accident Compensation scheme
  - ◆ Gambling levy
- Successful use of tied tobacco taxes in 10 countries, 8 US states

# Successful tied tobacco taxes?

- California: Tied tax since 1988: 'Daily smoking' prevalence 9.8% in 2005, compared to NZ's 22% - Causation?
- Canada: Tied tax since 1994: 'Daily smoking' prevalence for over 15 yrs: 14% in 2006

## Less successful

- Arizona – program compromised, funds raided

# Tobacco tax more popular if tied to solutions to smoking

- Survey evidence in US, Australia, Thailand – often doubles support
  - ◆ Example: Massachusetts - 81% support for a tied tax for tobacco control, 31% for using for any government purpose
- Voting results in US states

# Part 2: Getting tied tobacco taxes

## Using referendums to get tied taxes

- Efforts in at least 6 US states - California, Arizona, Massachusetts, Oregon, Colorado, and Montana

## Experience:

- The greater the proportion of a tobacco tax rise going to tobacco control, the greater is support for the rise
- Greater support if the revenue goes to an independent body that is perceived to be able to spend the revenue effectively, more support<sup>12</sup>

# Lessons to learn from elsewhere

- The use by the tobacco industry of ‘victim groups’ and front groups
- The dedicated revenue needs to be actively defended from diversion and erosion
  - ◆ Examples: Arizona, Massachusetts

# How much \$ on tobacco control?

- At the rate used for land transport health promotion per preventable death:  
\$276m/year for health promotion

Thomson G, Wilson N, Howden-Chapman P. *NZ Med J* 2005, 118

or

- Providing Quitline resources to help a 1/7<sup>th</sup> of NZ smokers (100,000) to quit/year: at least \$319m

O'Dea D. *Economic evaluation of the Quitline NRT service*. The Quit Group: 2005

# Summary

- Major resistance by govt and industry
- Health focus has been on tax rates, not revenue
- Tied taxes work in NZ
- Tied tobacco taxes work elsewhere in getting smoking prevalence down
- Tied tobacco taxes are more popular

# Recommendations

- A tobacco tax strategy
- An *increasing* portion of the tobacco tax revenue be dedicated to tobacco control
- \$100 million to tobacco control, increased to \$200m within five years
- Aim of tied tax: under 10% prevalence for all groups within 10 years, under 1% within 20 years



# Full report

Thomson G.

*Dedicated tobacco taxes - experiences and*

Wellington: Smokefree Coalition and  
ASH NZ, November 2007.

<http://www.uow.otago.ac.nz/academic/dph/research/heppru/research/DedicatedTaxNovember%2007.doc>

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