

Price of alcohol

Position statement

Increasing the price of alcohol is one of the most effective strategies for reducing alcohol-related harm. Higher prices that make alcohol less affordable lead to lower demand, lower consumption, and lower harm. Te Hīringa Hauora supports increasing excise tax on alcohol by 50% and introducing a legislative requirement for a minimum price per standard drink¹ of \$1.50 or more to reduce the harm caused by cheap alcohol.

Alcohol causes harm to people, whānau and communities and drives health and social inequities, as well as significant costs in the health, welfare and justice sectors.

Despite this, alcohol is increasingly affordable, easy to access, widely promoted and highly visible to young people and whānau. Progress to minimise alcohol-related harm is limited by a regulatory framework that could be more effective. Te Hīringa Hauora supports a review of the regulatory approach to alcohol to better measure up to Te Tiriti o Waitangi and the WHO SAFER Initiative, with a focus on reducing disproportionate harm to Māori.

Action is needed because:

- Alcohol is a leading risk factor for global disease burden².
- Raising prices on alcohol through excise taxes and pricing policies is considered the most effective approach for reducing alcohol-related harm³. The World Health Organization (WHO) includes excise taxes and pricing policies as one of the five 'best buys' for reducing alcohol-related harm⁴.
- Young people are particularly sensitive to price and raising the price of alcohol is especially effective for preventing youth drinking⁵.
- Alcohol has become increasingly more affordable over time in Aotearoa New Zealand⁶.
- Availability of cheap alcoholic beverages, in particular higher strength beverages, are known to facilitate heavy drinking sessions, including pre-drinking. Pre-drinking and side-loading⁷ have a significant effect on drunkenness in the night-time economy and have been associated with higher levels of intoxication and alcohol-related risks and harm⁸.

- The cost of alcohol-related harm is contested and depends on assumptions about what to include and what price for each input is appropriate. However, in 2018 Business and Economic Research (BERL) economists suggested that harmful alcohol use cost Aotearoa New Zealand \$7.85 billion annually⁹. By comparison, alcohol excise revenue was \$1.064 billion in 2020, and the current levy on alcohol products, which funds alcohol harm reduction activities carried out by Te Hiringa Hauora, is \$11.5 million per year (~1% of the alcohol excise revenue).
- A number of reviews have consistently recommended stronger action on alcohol price, including:
 - Law Commission's report: *Alcohol in our lives: Curbing the Harm* (2010)
 - Ministry of Justice research report *The Effectiveness of Alcohol Pricing Policies Reducing harmful alcohol consumption and alcohol-related harm* (2014)
 - New Zealand Medical Association's *Reducing Alcohol-related Harm* (2015)
 - *He Ara Oranga – the Government Inquiry into Mental Health and Addiction* (2018)
 - Te Tiriti o Waitangi Healthcare claim Wai 2624 (Wai 2575)
 - Alcohol Healthwatch's *A Road Map for Alcohol Pricing Policies: Creating a fairer and healthier Aotearoa New Zealand* (2020)
 - Mental Health and Wellbeing Commission report *Mā Te Rongo Ake / Through Listening and Hearing* (2021)
 - Alcohol Healthwatch's *Evidence-based alcohol policies: Building a fairer and healthier future for Aotearoa New Zealand* (2021).
- A 2019/20 survey found that 33% of respondents supported raising prices on alcohol through excise taxes, and pricing policies¹⁰ and 61% of respondents to a 2019 UMR public opinion polling supported increasing the price of alcohol if the revenue was used to fund mental health and addiction services¹¹.

Current legislative framework

Excise tax

- Excise tax is levied on the domestic manufacture of alcoholic beverages and an excise equivalent duty is imposed on imported alcoholic beverages, under the Customs and Excise Act 1996. Excise rates are adjusted annually based on movements in the Consumer Price Index.
- As a general principle, excise is proportional to the volume of alcohol so that low alcohol beverages accrue less excise than higher alcohol beverages. Approximately 15-20% of the price of most beers, wine and ready-to-drinks is excise tax, whereas for high strength spirits around half the price of the bottle is excise tax.

Other measures

- Under the Act it is an offence to promote or advertise deals that may encourage excessive consumption of alcohol. Examples include discounts on alcohol of 25% or more below the price at which the alcohol is ordinarily sold (anywhere that can be seen or heard from outside the licensed premises) or promotions involving free alcoholic beverages.

Endnotes

- 1 As investigated by the Ministry of Justice in 2014, and based on recent successful implementation in parts of the United Kingdom and in Australia's Northern Territory.
- 2 GBD 2016 Alcohol Collaborators. Alcohol use and burden for 195 countries and territories, 1990–2016: a systematic analysis for the Global Burden of Disease Study 2016. *The Lancet*. 23 Aug 2018. doi:10.1016/S0140-6736(18)31310-2.
- 3 Chisholm, D., Moro, D., Bertram, M., Pretorius, C., Gmel, G., Shield, K., & Rehm, J. (2018). Are the “Best Buys” for Alcohol Control Still Valid? An Update on the Comparative Cost-Effectiveness of Alcohol Control Strategies at the Global Level. *Journal of studies on alcohol and drugs*, 79(4), 514–522.
- 4 WHO 2019. *Discussion Paper: Implementation of the WHO Global Strategy to reduce the harmful use of alcohol since its endorsement, and the way forward*. Geneva: Switzerland, WHO.
- 5 Fairman, B. J., Simons-Morton, B. G., Haynie, D. L., Liu, D., Goldstein, R. B., Hingson, R. W., & Gilman, S. E. (2019). State alcohol policies, taxes, and availability as predictors of adolescent binge drinking trajectories into early adulthood. *Addiction* (Abingdon, England), 114(7), 1173–1182. <https://doi.org/10.1111/add.14600>
- 6 Aron, A., Allen, K., & Jones, A. (2021). *Monitoring alcohol affordability in Aotearoa New Zealand: 2020 update*. Wellington, New Zealand: Te Hiringa Hauora/Health Promotion Agency
- 7 The consumption of alcohol during a night out or event, occurring at a location other than a licensed venue.
- 8 Cameron, M.P., Droste, N., Miller, P.G., & Roskrug, M. (2020). *Pre-drinking behaviour of people in the night-time economy*. Wellington: Health Promotion Agency.
- 9 Nana, G. (2018). *Alcohol costs – but, who pays?* Presented at the Alcohol Action NZ Conference, Wellington, New Zealand.
- 10 Aron, A. & Allen, K. (2021). *Public attitudes on policy interventions to reduce alcohol harm: Results from the 2019/20 Alcohol Use in New Zealand Survey (AUiNZ)*. Wellington, New Zealand: Te Hiringa Hauora/Health Promotion Agency.
- 11 Alcohol Healthwatch. *UMR Public opinion poll: Support for alcohol policies*. Auckland: Author, 2019.