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Submission on The Budget Policy Statement 2020

For the attention of

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Finance and Expenditure Committee
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The Cancer Society wish to speak to our submission.

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Introduction

The Cancer Society of New Zealand is a non-profit organisation (hereafter “the Cancer Society”) that is committed to reducing the incidence and impact of cancer in the community and reducing cancer inequities. . We work across the cancer continuum with a focus on prevention, supportive care, provision of information and resources, and funding of research.

The Cancer Society congratulates the Government on developing New Zealand’s second Wellbeing Budget. We fully support the Government’s focus on wellbeing, and its stated commitment to look beyond economic measures to focus on priorities that require both urgent and longer-term attention.

The Cancer Society supports the Government’s five key budget 2020 priorities, in particular:

- **Child Wellbeing** - Reducing child poverty and improving child wellbeing
- **Physical and Mental Wellbeing** - Supporting improved health outcomes for all New Zealanders.
- **Māori and Pacific** - Lifting Maori and Pacific incomes and opportunities which will also have a big impact on cancer.

The Cancer Society strongly recommends that the Government strengthens investment in evidence-based prevention strategies that will improve the health and wellbeing of all New Zealanders. Currently less than 0.5% of the health budget is spent on the prevention of harm from tobacco, alcohol and unhealthy food, which cause 32% of premature death and disease in New Zealand. Investment in prevention is essential to stop cancer before it starts.

We recognise that tobacco smoking, alcohol consumption, obesity, and exposure to UV radiation are key risk factors for cancer and other non-communicable diseases.

Implementing recommended interventions for the prevention and control of NCDs will increase the Government’s ability to achieve its Budget Policy Statement priorities. There is substantial evidence that many health promotion and disease prevention interventions delivered within the health sector, and in partnership with other sectors, can reduce the burden of NCDs and are highly cost-effective.

Cancer is the single biggest cause of death in New Zealand

Cancer is the single biggest cause of death in New Zealand and accounts for nearly a third of all deaths.¹ More than 30 percent of cancers are potentially avoidable.²

Cancer affects many of us, and is a major cause of disease, disability and death in New Zealand. In 2017, there were more than 24,000 new cancer registrations³ and more than 9,600 cancer deaths.⁴ However, the cancer burden is not shared equally, and it is unacceptable that Māori are more likely than non-Māori to be diagnosed with cancer and are more likely to die from cancer than non-Māori.⁵

Cancer inequities for Māori and Pacific peoples are a major concern for the Cancer Society and for communities across New Zealand. The socio-economic conditions in which people live and work are key drivers of cancer inequities e.g. stomach cancer and overcrowding, poverty and smoking, occupational exposure of carcinogens in low paid work, alcohol and the proliferation of alcohol outlets and marketing in low income areas .

A substantial proportion of inequalities in cancer are preventable through the control of tobacco, obesity, alcohol and infectious diseases and through equal access and quality of health care. Māori experience consistent disadvantages throughout the cancer care pathway including poorer access to preventive care, differential referral pathways and treatment options, delayed treatment and ultimately have a higher cancer-mortality rate⁶.

The burden of cancer is significant and growing. As the population ages and more people are diagnosed with cancer, there will be increasing demand on health services to support the population. According to the International Agency for Research on Cancer, there will be 34,000 cancer cases and more than 15,000 cancer-related deaths in New Zealand in 2035.⁷

Tobacco smoking, obesity, alcohol consumption,, occupational exposures, UVR exposure, poor nutrition, physical inactivity and chronic infection are leading preventable risk factors for cancer and other non-communicable diseases (NCDs). Lung cancer is the leading cause of cancer death in New Zealand, with 1,758 deaths recorded in 2016.

Cancer is estimated to cost the New Zealand public health system more than \$800 million a year.⁸ The cancer burden and other negative health effects brought about by tobacco use impose a significant financial burden on the health system and the economy. In 2010, the estimated cost of tobacco to the New Zealand health system was \$1.9 billion.⁹

The Cancer Society supports efforts to prevent cancer and its wide impacts through additional investment in effective, targeted prevention strategies based on scientific evidence. These strategies should address the environments in which we live and work in including sugar and alcohol levies. Action and investment to reduce inequities in health outcomes will reduce the burden of cancer in New Zealand.

Purpose of submission

The Cancer Society offers both overarching comments on the Budget Policy Statement 2019 and outlines specific evidence-based recommendations on excise taxes and budget allocations to:

- Reduce preventable cancers caused by tobacco, alcohol, UVR and reduce cancer inequities
- Improve the health and wellbeing of New Zealanders
- Contribute to the objectives of the key priorities in the Budget Policy Statement 2020.

As smoking is still the leading preventable cause of death in New Zealand, the Cancer Society submission emphasises investment in effective tobacco control strategies including continuing to reduce the affordability of tobacco products and carefully monitoring to ensure this

measure continues to increase cessation rates, restrict youth uptake and does not exacerbate inequities. We suggest revenue from tobacco excise is dedicated to support smokers to quit (at least \$100 million annually).

Recommendations to reduce obesity and harmful alcohol consumption align with those made in our submission to the Budget Policy Statement last year (2019), and with Health Coalition Aotearoa's policy priorities (of which the Cancer Society is a founding member).¹⁰

Recommendations to reduce cancer from UV exposure are also included. We summarise key points from this submission below.

The Cancer Society has not yet seen clear Government actions to address these areas, and we strongly recommend that the budget be allocated to address key risk factors that threaten New Zealanders' health and wellbeing.

Summary of Cancer Society Recommendations

Skin cancer, obesity-related and tobacco-related cancers are preventable if proven interventions are put in place. There is strong evidence health levies will reduce consumption of these harmful commodities,¹¹ ultimately reducing the cancer burden.

The Government's 2020 Wellbeing budget is an opportune time to adequately fund effective prevention initiatives that reduce cancer risk related to tobacco, alcohol, obesity and UV exposure.¹²

These proven interventions will assist Government to achieve priorities set out in the Budget Policy Statement 2019.

In particular, the Cancer Society argues that dedicating funds obtained through taxes or levies is a way of getting buy-in from the public for increased excise taxes. The World Health Organisation recommends establishing foundations funded by levies on unhealthy commodities that can focus resources on prevention and treatment efforts. Hypothecated excise taxes were referred to by the Government's Tax Working Group as 'corrective taxes'. These are required to reduce consumption and mitigate the huge harms and impacts of tobacco, alcohol and unhealthy food and drink. The Tax Working Group supported the implementation of a sugar tax in particular, stating that "If the Government wishes to reduce the consumption of sugar across the board, a sugar tax is likely to be an effective response" (Final Report Vol 1 p13)

Tobacco

1. Continue annual tobacco excise tax increases (10 percent above inflation) but carefully monitor to ensure this measure continues to increase cessation rates and does not exacerbate inequities. Evaluate the impact on reduced tobacco consumption, cessation, and displaced purchases.

2. Dedicate additional revenue from tobacco excise to support smokers to quit (at least \$100 million annually). Revenue should support initiatives designed to reach people in areas of high smoking prevalence.
3. Government mandated tobacco retail prices and maximum prices before tax to reduce smoking prevalence and remove price marketing.
4. Differential increase in loose tobacco tax and roll your own tobacco (RYO) to ensure RYO cigarettes are not a cheaper option to factory made cigarettes

Alcohol

5. Increase alcohol taxes to reduce affordability.
6. Increase the budget for implementing government-led policies and strategies that meaningfully reduce the promotion of alcohol in New Zealand communities. For example, regulate to restrict marketing, including in social media (particularly to children); ban alcohol sponsorship of events open to the public as outlined in the 2010 Law Commission report and by the 2014 Ministerial Forum on Alcohol Advertising and Sponsorship; and remove right of appeal to allow local authorities to establish Local Alcohol Policies following consultation in their community.

Obesity

7. Allocate adequate budget to implement a mandatory comprehensive healthy food environment policy in all schools and early childhood education centres.
8. Introduce a 20 percent levy on the manufacturers and importers of sugar sweetened drinks to encourage the reformulation of products.
9. Allocate budget to establish a government-led regulatory regime to restrict marketing of unhealthy foods, especially to children and Government-led healthier food reformulation, focusing on the serve size, energy, sodium and sugar contents of fast foods and supermarket products
10. Increase budget for evidence-based obesity prevention initiatives, including mass media physical activity campaigns.

Skin cancer

11. Allocate significant budget for the effective implementation of sun prevention policies, including adequate shade, in all primary schools and early childhood education centers, to prevent skin cancer.

Section One: Recommendations and Rationale for the Wellbeing Budget 2020

This section will focus on the Cancer Society of New Zealand's specific recommendations for the Wellbeing Budget 2020.

Tobacco Recommendations and Rationale

Tobacco: Budget Recommendations

1. Continue annual tobacco excise tax increases (10 percent above inflation)
2. Carefully monitor impact to ensure this measure continues to increase cessation rates, restrict youth uptake and does not exacerbate inequities.
3. Tobacco excise is dedicated to support smokers to quit (at least \$100 million) Allocate more revenue to support evidence based comprehensive strategies to support people to quit including reducing the availability, appeal and addictiveness of tobacco. Funding could also support initiatives designed to reach people in areas of high smoking prevalence.
4. Government to mandate tobacco retail prices.
5. Increase tax on loose tobacco.

Rationale

Impact of tobacco

Smoking remains a significant threat to New Zealanders' health and places an inequitable burden on Māori and Pacific communities.

Smoking is the leading cause of preventable death in New Zealand. It is estimated that 5,000 people die prematurely every year in New Zealand from smoking-related illness.¹³ That means 13 New Zealanders die every day from smoking, many of them from cancer.

Every year more than 5,000 New Zealand children start smoking, on average at 14.8 years of age.¹⁴ Māori are the youngest to start smoking, at just over 14 years old on average.¹⁵ In 2018 the daily smoking rate for 14-15 year olds fell to 1.9 percent, the lowest rates ever.¹⁶ However amongst New Zealand 18-24-year-olds, 19 percent are currently smoking.¹⁷

Māori, Pacific and low-income groups¹⁸ bear a disproportionate share of the cancer burden, compounding health inequities. Despite a decrease in smoking prevalence over the last decade, Māori and Pacific peoples continue to bear a disproportionate burden of harm from tobacco use. According to the NZ Health Survey data, 31 percent of Māori are regular smokers and 21 percent of Pacific peoples, compared to just 11 percent of European New Zealanders.¹⁹ Māori have significantly higher rates of some cancers and smoking-related disease and lower life expectancy, compared with the rest of the population.²⁰

Recommendation 1: Continue annual tobacco excise tax increases (10 percent above inflation) and carefully monitor impact to ensure this measure continues to increase cessation rates, restrict youth uptake and does not exacerbate inequities.

Tobacco tax increases are effective

There are compelling reasons to continue tobacco tax increases beyond 2020. Tobacco tax increases are the most effective way of reducing smoking prevalence, initiation, consumption and inequalities in smoking-related health outcomes.²¹ Numerous studies have concluded that increasing tobacco prices is the most effective way of reducing smoking prevalence.²²

In 2018, the Ministry of Health commissioned Ernst & Young to evaluate the tobacco excise increases as a contributor to Government's goal of Smokefree 2025. Their report²³ concluded that:

- *“There is strong evidence both international and from within New Zealand that demonstrates changes in consumer behaviour as a result of tax increases – reducing uptake, cutting down consumption and increasing quit attempts...”*
- *“the weight of evidence shows that **increasing the price of tobacco continues to be the single most effective tool for reducing tobacco use.***
- *The “weight of the evidence is that **excise tax increases are an essential part of a package of interventions needed to reduce tobacco consumption and daily smoking prevalence.**”*
- *“Evidence shows that multiple tobacco control strategies aimed at reducing the supply, demand and exposure of tobacco work synergistically.”*

The Ernst & Young report on tobacco tax recommends **that the government continue with the scheduled increases in tobacco excise beyond 2020, as price maintains its position as an effective tool for reducing tobacco use.**²⁴ They also recommended continued tax increases be accompanied by enhanced monitoring and evaluation of its effectiveness and adverse effects that may arise.

Ernst & Young²⁵ found that *“Nine years into the policy of increasing tobacco excise by CPI + 10% annually, smoking rates in New Zealand have decreased across all demographics, including all age groups, ethnicities, genders and deprivation quintiles. ...In particular, there has been a large decline in the proportion of youth who have ever smoked, or who are daily smokers.”* New Zealand academics point to annual excise tax increases as key to underpinning this shift.²⁶

Tobacco consumption per person reduced in the period between 2010-2016 (when taxes were increased annually by 10% +CPI) at a rate double that of 2000-2010 (when taxes adjusted for CPI only).

The Cancer Society recognises that continued annual tobacco tax increases are an important and essential component of a suite of comprehensive tobacco control strategies to achieve

Government's Smokefree 2025 goal and recommends continued decreasing affordability of tobacco. However, we strongly support careful monitoring of the impact to ensure this measure continues to increase cessation rates and does not exacerbate inequities.

There is strong evidence that tax increases not only encourage smokers to quit but also discourage smoking initiation in young people.^{27,28,29} Measures that prevent youth uptake of tobacco are vitally important.

Smoking rates in New Zealand continue to reduce with 12.5 percent of adults smoking daily³⁰ (down from 16.3% in 2011/12³¹ and 25% in 1996/7).³² Smoking rates for Māori are now 30.9 percent (down from 37.7% in 2011/12 and 39.2% in 2006/07). Pacific rates are now 21.4 percent (down from 22.6% in 2011/12 and down from 24.8 in 2006/07).³³

The NZ Health Survey 11/12 reported 18.2 percent currently smoked (i.e. smoking at least once a month among people who reported smoking more than 100 cigarettes), while this had reduced to 14.2 percent in the 2018/19 NZ Health Survey. Academic experts³⁴ responded to this decrease stating, *“By any standards, reducing the prevalence of a highly addictive behaviour by an absolute four percent within seven years (a 22% drop relative to 2011-2012) is an excellent achievement.”* They noted that although other measures, including plain packaging and the removal of in-store tobacco brand displays, contributed to these declines, excise taxes have certainly played an important role in this outcome.³⁵

Taxes reduce uptake of youth smoking

The NZ Health Survey found youth smoking has significantly decreased with daily smoking for 15-17-year-olds now at 3 percent down from 6.4 percent in 2011/12 and 13.7 percent in 2006/07.³⁶ Young adults 18-24 years were 15 percent, down from 24.3 percent in 2010/11. In 2018, the daily smoking rate for 14- and 15-year-olds fell to 1.9 percent, down from 5.5 percent in 2010.³⁷ down from 5.5 percent in 2010.³⁸

Tobacco tax increases have had a positive effect on reducing youth uptake and therefore smoking prevalence in this age bracket, and continuing tobacco price increases are expected to further reduce this group's consumption.³⁹ Research shows that young people who do not start smoking in adolescence are unlikely to ever become regular smokers.⁴⁰

Reducing uptake of smoking among young people is an essential component of reducing overall population smoking prevalence over time and sustaining minimal prevalence. Reducing uptake has a much longer-term impact on prevalence than increasing quit rates among current smokers.⁴¹

People are smoking less

In addition to smoking prevalence steadily decreasing, the amount of tobacco smoked per person has decreased by 39 percent between 2010 and 2018 when annual 10 percent tobacco excise tax increases have been applied.⁴² Heavy smoking (at least 21 cigarettes per

day, among daily smokers) has decreased to 6.8 percent in 2018/19 down from 9.6 percent in 2011/12. This reduction occurred alongside the annual 10 percent + CPI excise tax increases that were introduced in 2010. Significant health benefits are associated with absolute cessation; however, evidence suggests that reducing smoking is associated with greater probability of future quitting^{43, 44, 45} and may be considered the first step towards smoking cessation.^{46, 47}

There has also been a statistically significant reduction in the average number of cigarettes consumed per day across all ethnic groups.⁴⁸

While reducing consumption has minimal direct health benefits, it has been suggested that individuals who reduce their cigarette consumption may be more likely to quit smoking in the future.⁴⁹

Addressing inequities

It is widely acknowledged that smoking is a major contributor to inequalities and health outcomes observed between ethnic groups in New Zealand. Smoking prevalence among Māori and Pacific continues to be significantly higher than among people of European descent.

International review studies have found that price increases have the potential to reduce health inequities, as they have a greater impact on quit rates and smoking uptake among those in lower socioeconomic groups.⁵⁰

The Cancer Society acknowledges that significant non-communicable disease inequities remain for Māori and Pacific populations. Until recently, smoking rates for Māori have declined more slowly than other populations. Daily smoking among Māori fell by only 1.5 percent from 2006/7 to 2011/12 (from 39.2% to 37.7%). However, following the introduction of the increase in excise tax in 2010, Maori smoking prevalence began to reduce more quickly - by 5.2 percent between 2011/12 and 2016/17 (from 37.7% to 32.5%).⁵¹

It is important to note that since 2010, the tobacco excise tax increased by 10 percent + CPI each year while taxes were only adjusted for CPI prior to 2010. Modelling from Otago University suggests that these benefits to Māori are likely to continue.⁵²

A recent analysis of NZ Health Survey data⁵³ showed that in 2018/19, 34 percent of Māori adults were current smokers (smoking at least once a month among people who reported smoking more than 100 cigarettes) down from 40.2 percent in 2011/12. While inequities remain unacceptably high for Māori, smoking prevalence among Māori has reduced by an absolute six percent within the past seven years compared with only four percent in the general population. This suggests that the annual excise tobacco tax increases have reduced inequities between Māori and non- Māori.

NZ Health Survey data has shown however, that prevalence of current smoking for Pacific peoples has not decreased (24%) since 2011.⁵⁴

New Zealand research⁵⁵ found that tobacco tax increases on 1 January 2012 and 2013 in NZ resulted in 14 percent of the sample of people quitting smoking, a rate that was similar for Māori/Pacific and NZ European/ Other smokers, and an average reduction in consumption of seven cigarettes per day. Māori and Pacific reduced the number of cigarettes per day at a greater rate than NZ Europeans who smoked following the two tobacco excise tax increases, which may indicate that tax increases are particularly effective at reducing smoking in Māori and Pacific populations.

Māori are likely to have much higher per capita health gains from tobacco tax increases.⁵⁶ This is consistent with international work indicating overall pro-equity benefits of tobacco tax increases.⁵⁷

Mitigating financial hardship to low-income smokers

The Cancer Society recognises that lower income groups of people who smoke and who do not quit or cut down in response to tobacco tax increases may potentially experience increased financial hardship (potentially along with their household).

The population survey and community focus groups undertaken by Ernst & Young found evidence that high tobacco prices imposed adverse financial impacts on some smokers. For example, some focus group participants reported purchasing cheaper food or less petrol so that they could buy cigarettes. Others switched to budget brands or to roll your owns.⁵⁸ This aligns with another qualitative study which found some people who smoke respond to higher prices by displacing food purchases or reducing heating costs to manage bills.⁵⁹

In the longer term the financial hardship of paying more for tobacco and being incentivised to either cut down or quit, is likely to be balanced by fewer costs associated with the harm from smoking - including doctor's visits, loss of income/productivity and other health costs.

The adverse impacts on low-income populations who continue to smoke can be minimised if the Government combines taxation with other comprehensive measures that promote quitting. This is likely to negate any increase in adverse effects on smokers who do not give up.⁶⁰

Recommendation 2: Allocate more revenue to support evidence based comprehensive strategies to support people to quit including reducing the availability, appeal and addictiveness of tobacco. Funding could also support initiatives designed to reach people in areas of high smoking prevalence.

The Ernst & Young report (2018) recommended annual tax increases continue post-2020 and greater hypothecation of tax revenue to fund complementary tobacco control measures. Otago University academics state “there is a strong social justice and equity case for hypothecation i.e. since tobacco excise taxes can impose a financial burden on disadvantaged people who smoke who don't quit or cut down, the revenue gathered should be used to fund measures to help those people to quit and remain smokefree.”⁶¹

This recommendation aligns with evidence that New Zealanders who smoke find tax increases much more acceptable if more of the revenue collected is used to support people to quit or prevent young people starting.^{62,63} A dedicated tax revenue to support and facilitate quitting, would ensure the communities that currently contribute most via tobacco excise taxes receive something in return.⁶⁴

The Cancer Society strongly recommends that Government increases the allocated budget for effective tobacco control activities and supporting smokers to quit. We are concerned about the imbalance between the revenue collected in cigarette excise tax (\$1.5 billion per year) and the lack of resourcing allocated to tobacco control initiatives (\$61 million).⁶⁵ Less than three percent of tobacco tax revenue is spent on tobacco control despite the cancer and non-communicable disease impact including 5,000 deaths a year, as well as the large costs to the health system of smoking.

A suite of effective strategies is needed to achieve Smokefree 2025. These include making tobacco products less affordable, less available, less appealing and less addictive.

The excise tax increases must be a part of a wider package of tobacco control interventions to reduce cancer, improve the health of New Zealanders, reduce the long-term burden of smoking on the health system and contribute to Government's goal of a Smokefree Aotearoa by 2025 in which fewer than five percent of adults smoke, and smoking prevalence falls to as close to zero as possible **among all population groups**.

Make tobacco products less available

Currently tobacco can be sold widely by retailers in New Zealand with few restrictions aside from the minimum age of purchase and sale of single cigarettes. Greatly reducing tobacco retail availability will support people to quit and is likely to be an effective intervention to reduce smoking prevalence and may help reduce disparities in smoking.⁶⁶

There are nearly four times more tobacco outlets in low-income communities, perpetuating high smoking prevalence in these communities.⁶⁷ Cigarettes are more widely available than bread and milk⁶⁸ yet smoking results in the premature death of half of those who smoke. Reducing the availability of tobacco to only specialist tobacco R18 shops for example could not only reduce crime but have the additional benefit of encouraging quitting and reducing the likelihood of young people starting to smoke. Reducing the availability of tobacco is an essential component of a comprehensive approach to achieve Smokefree 2025.

Reduce the appeal and addictiveness of tobacco products by:

- Mandating reductions in the nicotine content of all tobacco products to non-addictive levels.

Nicotine content can be regulated to reduce its addictiveness which helps people who smoke to cut down or quit and prevents people new to smoking becoming addicted.

- Mandating removal of all flavours and flavouring components from tobacco products, including menthol, other flavouring agents, and designs that flavour inhaled smoke, such as capsules.

Tobacco products contain numerous additives other than tobacco leaf, such as menthol, flavours, sugar and ammonia. Some of these additives enhance the appeal and addictiveness by facilitating deeper inhalation. Government could mandate the removal of additives, including menthol, and products used to increase addictiveness.

- Investing more in mass media quit campaigns

A significant increase in funding for mass media quit campaigns and smoking cessation support particularly around the time of tax increases would maximise successful quitting.

These are important investments as part of comprehensive tobacco control programmes to educate about the harms of smoking, change smoking attitudes and beliefs, increase quitting intentions and quit attempts, and reduce adult smoking prevalence.⁶⁹ Quit campaigns are needed that effectively reach and support Māori and Pacific people who smoke.

The Cancer Society recommends Government increase funding of mass media and social media campaigns that promote smokefree lifestyles, stimulate quit attempts, and support cessation.

Support other initiatives to support people to quit

Providing cessation support for people to quit. This funding could support initiatives designed to reach people in areas of high smoking prevalence.

Recommendation 3: Government to mandate tobacco retail prices

There is international evidence that the full public health benefit of tobacco taxation is not always reached because of industry circumvention.⁷⁰ Analysis shows that New Zealand's tobacco companies have also been undermining the impact of tax increases.^{71,72}

Internationally and in New Zealand, tobacco companies have subsidised cheaper tobacco products by failing to pass on tax increases to all brands. Studies show they have minimised price increases on budget brands and instead strategically shifted price increases onto

premium products. This ‘under-shifting’, differential pricing and the introduction of budget and super-budget brands are all attempts to minimise the impact of tax increases on smoking prevalence and consumption.⁷³

A key concern about industry pricing strategies is that they have introduced ultra-budget brands to attract new smokers and keep poorer customers addicted. For example, despite 10 percent excise tax increases in 2014 the median increase in price from before to after the tax change was only 3 percent for the budget brand. This contrasted with the median of 8 percent for the premium brand and 11 percent for both mainstream and roll-your-own brands.⁷⁴ This strategy undermines the tax increases intended to motivate people to quit.

Recent New Zealand research⁷⁵ found the tobacco industry also used annual tax increases as cover for significant voluntary price increases. These tactics have significantly increased their profit margin while introducing cheaper ultra-budget brands or subsidising cheaper products to attract new smokers and keep poorer customers addicted as long as possible. The research found ultra-budget brands like Phillip Morris’ Choice and British American Tobacco’s Winfield Select are \$4 cheaper than the average pack of cigarettes.

Industry tactics undermine annual tobacco excise tax increases by enabling people who smoke to minimise the financial impacts of excise taxes, hence reducing the stimulus to quit and facilitating continued smoking. The resulting price differential between cheap and premium tobacco may maintain or widen health inequalities. Increasing price differential between budget brands, and mainstream and premium brands, may undermine cessation, and impede the realisation of New Zealand’s Smokefree 2025 goal.

The Ernst & Young population survey and community focus groups found that people who smoke switch to budget brands or to roll your own tobacco to reduce costs. This finding aligns with a previous qualitative study.⁷⁶ In addition, there are anecdotal accounts from dairy owners who say that people are buying cheaper cigarettes rather than quitting.⁷⁷

National Health Scotland have undertaken a recent rapid evidence review on the strengths and limitations of tobacco taxation and pricing strategies.⁷⁸ The report identified that tobacco floor pricing has significant potential to reduce health inequities by limiting the price strategies used by tobacco companies to circumvent current excise tax increases. Floor pricing is an alternative form of minimum pricing however it differs from minimum mark-up policies as it is based on the final retail price and establishes a minimum price below which sales are prohibited by law (e.g. on a per stick or per – pack basis).

Experts recommend that alongside tax increases, the Government legislates to ensure that tobacco companies cannot sell below the tax level. Cancer Society along with other key health agencies recommend Government-mandated tobacco retail prices. This would mean that all brands would be the same price per cigarette or tobacco weight. Combined with a maximum price before tax it would enable Government to control the effect of tax rises. It would remove the tobacco industry’s current ability to smooth or minimise the effects of excise tax increases, enable the Government to reduce the profits tobacco companies make from a highly addictive and dangerous product and prevent potential windfall profits from a minimum price system alone.

In summary, a maximum price before tax and a government mandated retail price would 1) prevent tobacco marketing based on prices; 2) enable government to limit industry profits; 3) enable government to better address externalities imposed on society by the tobacco industry.

Recommendation 4: Increase tax on loose tobacco (Roll-your-own tobacco)

There is evidence that loose tobacco provides a lower-priced means to continue smoking, with many people who smoke (particularly Māori and young people) rolling thinner roll-your-own (RYO) cigarettes to minimise cost. It is important that RYO cigarettes are not a cheaper alternative to factory made cigarettes and do not encourage smokers to switch between products as an alternative to quitting.

A further differential tax increase for RYO tobacco (the last such increase was in 2010) would help improve this price incentive.

Alcohol Recommendations and Rationale

Alcohol Budget Recommendations

5. Increase alcohol excise tax to reduce affordability.
6. Increase the budget for implementing government-led policies and strategies that meaningfully reduce the promotion of alcohol in New Zealand communities. For example, regulate to restrict marketing, including in social media (particularly to children); ban alcohol sponsorship of events open to the public as outlined in the 2010 Law Commission report and by the 2014 Ministerial Forum on Alcohol Advertising and Sponsorship; and remove right of appeal to allow local authorities to establish Local Alcohol Policies following consultation in their community.

Rationale

Alcohol causes cancer

Alcohol has been classified as a Group 1 carcinogen by the World Health Organisation's International Agency for Research on Cancer.⁷⁹ The risk of cancer increases with the level of consumption of alcohol.

Drinking alcohol increases the risk of cancers of the mouth, pharynx (upper throat), larynx (voice box), oesophagus (food pipe), bowel, breast (in women) and liver.⁸⁰

Alcohol consumption has been estimated to be responsible for around 240 cancer deaths each year in New Zealand.⁸¹ As well as impacts on health, alcohol use also has a huge

economic impact. In 2006 the estimated cost of alcohol-related harm to New Zealand society was \$5.3 billion.⁸² However, the annual external costs of alcohol-related harm have recently been estimated at \$7.85 billion.⁸³ Through direct health impact or costs to taxpayers, alcohol-related harm is a significant burden across New Zealand society, including lost productivity and costs to the justice and health systems.

In New Zealand 40 percent of alcohol is consumed in heavy drinking occasions.⁸⁴ Alcohol and cancer risk is a dose response relationship, so heavy drinking increases cancer risk. In 2017/18, about 20 percent of New Zealanders aged 15 or older (775,000) were classified as hazardous drinkers, with the highest prevalence among 18 – 24 year-old males, followed by 25-34 year old males (35%).⁸⁵ In 2017/18, Māori men and women were 1.4 times and twice as likely to drink hazardously than non-Māori men and women respectively.⁸⁶ From 2011/12 to 2015/16, Māori women showed some of the largest increases in hazardous drinking.⁸⁷

The 2018 Government Inquiry into Mental Health and Addiction *He Ara Oranga* recognised the major health impacts and costs of alcohol and recommended the Government:

"Take a stricter regulatory approach to the sale and supply of alcohol, informed by the recommendations from the 2010 Law Commission review, the 2014 Ministerial Forum on Alcohol Advertising and Sponsorship and the 2014 Ministry of Justice report on alcohol pricing."

The Cancer Society of New Zealand supports this recommendation.

Recommendation 5: Increase alcohol taxes to reduce affordability.

Alcohol excise tax is a highly effective, low-cost strategy to reduce alcohol consumption^{88,89} Increasing alcohol excise tax is endorsed by the World Health Organisation as a "Best Buy"⁹⁰ intervention and was recommended by the New Zealand Law Commission in 2010.⁹¹ Reducing alcohol consumption is an important and under-utilised strategy to reduce cancer risk and other harms. Raising the tax on alcohol provides an incentive to reduce consumption and the growing number of hazardous drinkers.

The annual external cost of alcohol-related harm (\$7.85 billion)⁹² greatly exceeds the revenue collected via alcohol tax (\$1billion in 2017).⁹³

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.⁹⁴ A 2014 Ministry of Justice report 'The Effectiveness of Alcohol Pricing Policies'⁹⁵ concluded that an increase in excise tax would result in a much larger benefit to society compared to a minimum price as it would affect the price of all alcohol (not just low alcohol) and therefore more significantly impacts consumer behaviour.

Raising the price of alcohol is associated with reductions in family violence.⁹⁶

Reducing Inequities

Alcohol tax could help prevent hazardous drinking in low socio-economic communities in New Zealand where cancer risk is highest. This is because “*Adult drinkers in the most deprived areas were 1.7 times more likely to be hazardous drinkers than adults in the least deprived areas, after adjusting for age, sex, and ethnic differences*”.⁹⁷ Low-income heavy drinkers are shown to benefit the most when prices of alcohol are increased.

The Cancer Society argues that the rates of alcohol excise tax should reflect the cost of alcohol-related harm to society, and therefore a much higher rate of excise is needed.

Recommendation 6: Increase the budget for implementing government-led policies and strategies that meaningfully reduce the promotion of alcohol in New Zealand communities

This could include regulating to restrict marketing, including in social media (particularly to children) and banning alcohol sponsorship of events open to the public, as outlined in the 2010 Law Commission report and by the 2014 Ministerial Forum on Alcohol Advertising and Sponsorship.

The industries role in marketing alcohol and thwarting public health efforts to reduce harm is significant. Removing the ‘right of appeal’ in the Sale and Supply of Alcohol Act to allow local authorities to establish Local Alcohol Policies following consultation in their community would also be helpful.

We need stronger restrictions on alcohol advertising and sponsorship to reduce alcohol consumption, particularly by young people. There is strong evidence that young people have greater exposure to alcohol marketing and are more likely subsequently to initiate drinking and engage in binge and hazardous drinking.⁹⁸ These are significant factors in increasing lifetime cancer risk from alcohol use.

Successive government inquiries have recognised the negative impact of alcohol marketing and sponsorship, particularly on young people. The Law Commission’s Inquiry in 2010, the 2014 Ministerial Forum on Alcohol Advertising and Sponsorship, and the 2018 Government Inquiry into Mental Health and Addiction have all recommended a much stricter approach to alcohol advertising and sponsorship.

The Law Commission’s 2010 inquiry⁹⁹ concluded that there was sufficient evidence for an association between alcohol advertising and sponsorship and early initiation to drinking and increased consumption patterns to warrant significant restrictions. The report stated that sports and cultural events such as music festivals should not be venues for alcohol advertising given their high use by young people. The report says: “*No producer or retailer should be able to provide alcohol-related branding, equipment or merchandise for any school or sporting, cultural or social club or activity or event where 10% or more of the participants are under the legal purchase age.*” The Law Commission recommended banning alcohol sponsorship of sports or other events where 10 percent or more of those attending were under the legal age of purchase.

The 2014 Ministerial Forum on Alcohol Advertising and Sponsorship¹⁰⁰ also made a number of recommendations including introducing a sponsorship replacement funding programme. The overarching objective of the Forum's recommendations is to reduce the exposure of minors to alcohol advertising. The Forum acknowledged a need to change the attitudes and behaviours associated with alcohol consumption in New Zealand. It said that young people's current level of exposure to alcohol advertising and sponsorship was unacceptable and should be reduced.

Cancer Society of New Zealand strongly recommends that the Government increases the budget for implementing policies that meaningfully reduce the promotion of alcohol in New Zealand communities including a buy-out of alcohol sports sponsorship as recommended by the Law Commission and Ministerial Forum on Alcohol Advertising and Sponsorship.

Obesity Recommendations and Rationale

Obesity Budget Recommendations

7. Allocate adequate budget to implement a mandatory comprehensive healthy food environment policy in all schools and early childhood education centres.
8. Introduce a 20 percent levy on the manufacturers and importers of sugar sweetened drinks to encourage the reformulation of products.
9. Allocate budget to establish a government-led regulatory regime to restrict marketing of unhealthy foods, especially to children and Government-led healthier food reformulation, focusing on the serve size, energy, sodium and sugar contents of fast foods and supermarket products
10. Increase budget for evidence-based obesity prevention initiatives.

Rationale

Impacts of obesity

After tobacco, obesity is the single biggest preventable cause of cancer and is a significant and growing problem in New Zealand.¹⁰¹ Obesity has been estimated to be responsible for around 1,200 cases of cancer in New Zealand each year.¹⁰²

Overweight or obesity are major risk factors for 12 cancers,¹⁰³ as well as many other chronic diseases such as cardiovascular disease and type 2 diabetes.¹⁰⁴

New Zealand has the third highest rate of adult obesity and the second highest rate of childhood obesity in OECD countries.¹⁰⁵ In New Zealand, a staggering two-thirds of adults (2.4 million) are obese or overweight. One third of children are obese or overweight.¹⁰⁶ Furthermore, our obesity rates are rising.

Obesity is particularly concerning in children as it increases cancer risk and is associated with a wide range of health conditions and premature death. Child poverty is associated with children being overweight, and children living in the most deprived areas are more than twice as likely to be obese, as children living in the least deprived areas.¹⁰⁷ Obese children are more likely to develop into obese adults, increasing the risk of cancer and other diseases.¹⁰⁸

Obesity disproportionately affects those living in more deprived communities who are 1.5 times more likely to be obese.¹⁰⁹ Half of all Māori are obese and nearly 70 percent of Pacific people are obese.¹¹⁰

Recommendation 7: Allocate adequate budget to implement a mandatory comprehensive healthy food environment policy in all schools and early childhood centres.

Healthy food and drink policies in schools and early childhood learning centres have been identified as a priority intervention by the Health Coalition Aotearoa, an umbrella organisation for the public health NGO sector, healthcare and academic sectors set up to achieve the collective vision of health and equity in Aotearoa/New Zealand.

New Zealand is not on track to meet the WHO targets of no increase in adult obesity and diabetes from 2010 levels. Childhood overweight and obesity rates continue at high levels with high disparities in New Zealand.

A comprehensive assessment undertaken on New Zealand food environments¹¹¹ (2014-2017) found only 40 percent of schools had a written food policy but these policies were weak and not very comprehensive. More than 40 percent of schools sold sugar sweetened drinks and only 23 percent of secondary schools reported being water/milk-only schools. There is substantial scope to improve schools' food policies and practices to create healthier school food environments.

Adequate budget is required to ensure healthy food and drink policies can be developed, implemented and evaluated in all schools and early childhood education centres nationally. This may include funding for water fountains to ensure water is the easiest choice of drink available in all school and early childhood centre environments.

Recommendation 8: Introduce a 20 percent levy on the manufacturers and importers of sugar sweetened drinks to encourage the reformulation of products.

Why tax/levy sugary drinks?

Government needs to urgently act to prevent the growing obesity epidemic in New Zealand. Introducing a tax on sugary drinks is the first key step to reducing obesity in New Zealand. WHO¹¹² and the World Cancer Research Fund,¹¹³ along with The New Zealand Medical Association, the New Zealand Dental Association and many other national organisations recommend a tax/levy on sugary drinks.

The Cancer Society of New Zealand endorsed the New Zealand Dental Association's Consensus Statement recommending introducing a sugary drinks tax in line with WHO recommendations.¹¹⁴ WHO states there is evidence that a 20 percent tax on sugary drinks can lead to a reduction in consumption of around 20 percent, thus preventing obesity and diabetes.¹¹⁵

It is well established that excess sugar is a major contributor to weight gain, obesity, diabetes and tooth decay. Sugary drinks are the main source of sugar for children and young people. Recent research found there is more sugar in New Zealand drinks compared with Australia, Canada and the UK.¹¹⁶ Sugary drinks are cheap, readily available and accessible, and are one of the most widely advertised products.¹¹⁷

Taxes or levies on sugary drinks have now been introduced in 47 jurisdictions worldwide.

A 2018 report 'On Taxing Sugar- sweetened Beverages as a Public Health Measure',¹¹⁸ written for the New Zealand Prime Minister's office, concluded that a 20 percent tax on sugary drinks would be effective. The report also concluded that households with the lowest disposable incomes were likely to see the greatest reduction in consumption, with Māori and Pacific households benefitting the most as the result of such a tax.

A sugary drinks levy should be the first food/drink levy in New Zealand as it:

- Has the strongest evidence base.
- Is focused on protecting children (from dental decay, obesity and diabetes in adolescence and cancers in later life).
- Is a product with no nutritional value and empty calories.
- Is likely to reduce health inequities.

The levy can be targeted at the beverage industry to promote reformulation of the sugar content of drinks, as has occurred in the UK. The UK introduced a two-tier soft drink industry levy with a higher levy on drinks with a higher sugar content. This resulted in many UK beverage manufacturers reformulating their products with a lower sugar content ahead of the sugar tax being implemented on 1 April 2018. One study reported a 10 percent reduction in sugar content of energy drinks in the UK in that time.¹¹⁹

Revenue generated by a sugary drinks tax could be used for obesity prevention initiatives particularly in low income communities. The majority of the New Zealand public support a tax on sugary drinks.¹²⁰ Public support would be strengthened further if revenue generated from a sugary drinks tax was used to support community wellbeing initiatives e.g. sports facilities in schools, fruit in schools, healthy school lunches, and school dental services. It should be noted that a sugary drinks tax is only one component of a comprehensive strategy needed to tackle obesity.

Recommendation 9: Introduce government-led restrictions on marketing of unhealthy foods, especially to children.

Marketing of unhealthy food and beverages is a significant issue in New Zealand. New Zealand research¹²¹ exploring how healthy New Zealand food environments were for children and young people found the following:

- an average of eight unhealthy food ads per hour during child peak viewing times
- 43 percent of branded food references in teen magazines were for unhealthy foods
- 18.6 percent of food company websites had a designated children's section
- Popular fast food and packaged food brands used promotion strategies (41% of posts) and premium offers (34% of posts) as marketing techniques to appeal to children and adolescents.
- 9.6 percent of the sponsors of clubs for popular children's sports were food or beverage companies

The World Health Organisation states there is unequivocal evidence that childhood obesity is influenced by marketing of unhealthy foods and drinks. WHO *Commission on Ending Childhood Obesity* recommends restrictions on marketing of unhealthy food and drinks to children, covering all media, including digital, and to close regulatory loopholes.¹²² WHO calls on Governments to “*devise ways to allow children to participate in the digital world without being targeted by marketers with immersive, engaging, entertaining marketing of products that have been demonstrated to be injurious to their health*”.¹²³

WHO has set out eight key components for effective policies to protect children from digital marketing of unhealthy foods and drinks.¹²⁴ The Cancer Society urges the Government to implement strong restrictions on all marketing (including online and digital) of unhealthy foods and drinks especially when it targets the young and vulnerable.

Recommendation 10: Increase budget for evidence-based obesity prevention initiatives

The drivers of nutrition and weight are complex and related to social, economic and environmental factors. Prevention strategies to effectively address nutrition will require a comprehensive population approach to improve the access and availability of healthy food rather than focusing on individuals.¹²⁵

Government experts interviewed in 2017 as part of the comprehensive assessment of New Zealand's food environments recommended funding be increased for population nutrition promotion to at least 10 percent of health care and productivity costs of overweight and obesity.¹²⁶

The World Cancer Research Fund International (WCRFI) is a leading authority on cancer prevention research related to diet, weight and physical activity. It developed the NOURISHING framework¹²⁷ which provides a comprehensive package of evidence-based policies to promote healthier eating and prevent obesity and non-communicable diseases globally.

The Health Coalition Aotearoa, a coalition of community, public health NGOs and academics have prioritised obesity prevention initiatives which line up with the internationally

recognised NOURISHING framework. The Cancer Society of New Zealand is a member of the Coalition and supports their prevention priorities to reduce obesity.

Skin Cancer Recommendations and Rationale

Skin Cancer Budget Recommendations

11. Allocate significant budget for the effective implementation of sun prevention policies, including adequate shade, in all primary schools and early childhood education centres to prevent skin cancer.

Rationale

Impact of skin cancer

Skin cancer is the most commonly occurring cancer and New Zealand has the highest skin cancer rates in the world. Melanoma is the most serious form of skin cancer with around 2,500 New Zealanders diagnosed with melanoma in 2015.¹²⁸ Around 350 New Zealanders will die of melanoma each year.¹²⁹ It's estimated there are around 90,000 cases of non-melanoma skin cancer diagnosed in New Zealand each year.¹³⁰ The total annual economic costs to New Zealand of skin cancer in 2006 was NZ\$123.1 million.¹³¹

Excessive exposure to ultraviolet radiation (UVR) causes skin cancer. Ultraviolet Radiation (UVR) is classified as a Class 1 Carcinogen by the International Agency for Research on Cancer.¹³² New Zealand's high prevalence of skin cancer is consistent with the fact that New Zealand experiences up to 50 percent higher levels of UVR in summer months than countries at comparable latitudes in the Northern Hemisphere.¹³³ Although excess exposure to UVR can be harmful at all ages, exposure during childhood and adolescence contributes significantly to lifetime skin cancer risk.¹³⁴

Recommendation 11: Allocate budget for skin cancer prevention in all primary schools and early childhood education centres

The NZ Skin Cancer Registry and Early Detection Strategy 2017 to 2022 identifies primary prevention as a key pathway for reducing skin cancer.¹³⁵ The Melanoma Network of NZ recommend a stronger commitment to funding primary prevention in New Zealand.

The best avenues for reducing skin cancer burden are primary prevention and early diagnosis.¹³⁶ Furthermore, public investment in skin cancer primary prevention and early detection programmes shows strong potential for economic as well as health benefits.¹³⁷

The Cancer Society strongly recommends Government prioritise the prevention of skin cancer particularly for young people. We urge the Ministry of Education to require sun prevention policies, including adequate shade, in all New Zealand primary schools and early education centres and for Government to allocate sufficient budget for effective policy implementation.

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