

Let's get
it right

Price and the Alcohol Reform Bill

Alcohol is cheap as chips in New Zealand. We need to increase the price of alcohol to decrease the amount of harm it causes. Let's get it right.

Does price matter?

Yes. Increasing the price of alcohol is the most effective way to reduce alcohol-related harm.

- Cheap products are favoured by heavy, harmful and young drinkers.
- Widespread availability of cheap alcohol products encourages excessive and harmful consumption.

Evidence from New Zealand and international studies shows that, as the price of alcohol rises, consumption and the harm caused by it falls.

- Comparisons of tax rates and prices across US states show that increases of as little as 10c a drink are reflected in decreased levels of domestic violence, sexual diseases and road crashes.
- Increasing the price of alcohol helps prevent moderate drinkers from becoming problem drinkers.

Is New Zealand getting it right?

No. Alcohol is really, *really* cheap in New Zealand. It is our most popular recreational drug but is also a potentially dangerous and addictive substance that does a lot of harm in our communities.

- In the last decade, alcohol has become much more affordable relative to income.
- It takes someone on an average wage just over seven minutes to earn enough to buy the alcohol required to reach the legal limit for intoxicated driving.
- A 3-litre cask of wine can be bought for as little as \$19.99 (74 cents per standard drink).

- Supermarkets engage in 'deep discounting' in an effort to get more people into their stores. This involves selling alcohol at a cheap price because they buy in bulk from the manufacturer.

Minimum pricing v excise tax

Excise tax and minimum pricing have strengths and weaknesses. Excise tax is the most effective way to reduce alcohol-related harm. However, it is easy for retailers to absorb small increases in excise tax and not pass on costs to consumers.

Minimum pricing is better than taxation at linking price to harm. It does not change the price of every drink, just the cheapest ones. However, it may allow profits from cheap alcohol products to go to the retailer or producer.

Because of these factors, it makes sense to use both mechanisms to raise the price of alcohol.

What did the Law Commission recommend?

The Law Commission recommended increasing the excise tax on alcohol by 50 percent. This would lead to an average increase in retail prices of 10 percent. They advised this was the most effective way to reduce alcohol-related harm.

It estimated increasing the excise tax by 50 percent would save us \$72 million a year in costs to prisons, health services and the Police.

It also recommended the Government investigate a minimum pricing scheme and make it an immediate legal requirement for retailers and producers to provide sales and price data.

Does the Alcohol Reform Bill get it right?

No. The current bill does not include the key recommendations by the Law Commission relating to price.

The Government was quick to reject any increase in excise tax, although they have recently stated that they won't rule it out.

The current bill does contain provisions that require alcohol retailers to provide data on the price and quantity of all the alcohol they sell. This data will be used to investigate a minimum price.

FACTSHEETS

1	What you need to know
2	Alcohol pricing
3	Alcohol advertising
4	Alcohol availability
5	Drink driving
6	Mythbusting the alcohol industry
→	drugfoundation.org.nz/alcohol-reform

Let's get it right

“ One thing there is literally no appetite for is to increase excise taxes. ”

Prime Minister John Key within hours of the Law Commission's report being released in 2010

“ Well, that's something we might do in the future. ”

Hon Judith Collins on Q+A 3 June 2012

Let's get it right

Seventy-five percent of submissions to the Law Commission supported increasing the price of alcohol. A majority of submissions to the Justice and Electoral Select Committee on the Alcohol Reform Bill also supported increasing the price of alcohol.

To get it right, the Alcohol Reform Bill needs to:

- increase excise tax by 50 percent to achieve a 10 percent average increase in retail prices
- ring-fence revenue from excise tax on alcohol to pay for harm prevention, addiction treatment and rehabilitation services
- include a definite timeframe for the introduction of a minimum price for alcohol.

ABOUT US



The New Zealand Drug Foundation has long been interested in how the law governing the sale and supply of alcohol could be strengthened to reduce alcohol-related harm and create a healthier drinking culture in New Zealand.

We provide leadership and representation of our nationwide membership of organisations and individuals working on alcohol and other drug issues.

This factsheet is one of a number we have developed as part of a toolkit to support Members of Parliament, the media, communities and individuals to engage in evidence-based discussion on the Alcohol Reform Bill.

Let's get it right

FAST FACTS



\$0.74

THE PRICE FOR ONE STANDARD DRINK FROM A CASK OF WINE



7 minutes

HOW LONG IT TAKES FOR SOMEONE ON THE AVERAGE WAGE TO EARN ENOUGH TO BUY THE ALCOHOL REQUIRED TO REACH THE LEGAL LIMIT FOR INTOXICATED DRIVING



\$72 million

THE ESTIMATED SAVINGS TO POLICE, CORRECTIONS AND HEALTH IF EXCISE TAX ON ALCOHOL IS RAISED BY 50%

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