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Study of tobacco company RRPs reveals tax increases applied unequally

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New Zealand's largest tobacco company is not keeping the recommended retail pricing for its leading budget brand in line with tobacco excise tax increases, according to a new University of Otago study.

From 2010, the government has introduced annual excise tax increases of 10% each year until 2016 to reduce smoking prevalence and support the goal of becoming a Smokefree nation by 2025.

The new Otago study collected price data from more than 450 tobacco retailers throughout New Zealand on three British American Tobacco factory-made cigarette brands (premium, mainstream, and budget) and one roll-your-own tobacco brand. The prices were checked before and after the 2014 10% tax increase.

Study lead author Dr Louise Marsh says that when she and her colleagues examined the recommended prices for these products they found that the dominant tobacco company in New Zealand had not increased these evenly across their product range.

"The net effect is that some smokers would not have faced the tax increase the government intended. Specifically, our findings show the full excise tax increase was not applied to the retail price of British American Tobacco's budget brand—which increased only 3%—while brands in other price partitions showed higher than expected price increases."

"The increasing price differential between budget brands, and mainstream and premium brands, in the New Zealand market may encourage smokers to move to cheaper brands rather than quit. This reaction would work against New Zealand's Smokefree 2025 goal," says Dr Marsh.

"Excise taxes can be highly effective in reducing smoking prevalence and should play a pivotal role in supporting the nation's Smokefree goal. However, uneven application of tax increases to budget brands will not encourage quitting but simply sustain smokers' behaviour."

The study suggests that ongoing excise tax adjustments may benefit from modification.

"First, larger increases of at least 20% could make the current cross-subsidisation between brands more difficult to sustain. Second, a surprise one-off large tax increases of 40% would not allow tobacco companies to plan ahead as they currently may. These modifications would accelerate achievement of a Smokefree Aotearoa by 2025," Dr

Marsh says.

The article is published in the prestigious international journal *Tobacco Control*.

More information: "The impact of an increase in excise tax on the retail price of tobacco in New Zealand." *Tob Control* tobaccocontrol-2015-052259Published Online First: 2 July 2015 DOI: 10.1136/tobaccocontrol-2015-052259

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