Cheap alcohol at the cost of health equity

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The price of alcohol and its affordability are major drivers of alcohol use and harm in Aotearoa New Zealand. In 2020, alcohol products were found to be more affordable than ever before, driven by the high availability of cheap alcohol from off-licences (eg supermarkets, bottle stores, online sales) where at least 80% of all alcohol is now sold. The preference for low-price alcohol by heavy drinkers, daily drinkers, and Pasifika and Māori drinkers contributes to substantial inequities in the burden of alcohol harm.

This letter summarises the findings of an exploratory audit of prices for the cheapest alcohol for sale from off-licences across Tāmaki Makaurau Auckland. In brief, findings revealed that most beverage types had a budget-end range of products available for less than $1 per standard drink, and many of New Zealand’s most popular alcohol brands across a range of beverage types could be purchased for less than $1.30 per standard drink.

Low prices are facilitated by the low rates of tax applied to New Zealand’s most harmful drug, and the absence of a minimum unit pricing policy (that sets the lowest price a standard drink can be sold). Despite the lifelong, wide-ranging and serious externalities from alcohol use, excise tax comprises a relatively small proportion of the retail price. Approximately 15–25% of the price of an average off-licence beer, wine and Ready-to-Drink (RTD), and ~50% of the price of spirits, is excise tax. In comparison, excise tax comprises more than 60% of the price of cigarettes. New Zealand’s excise structure represents a hybrid approach, whereby beverage types are taxed according to their ethanol content (eg beer, spirits) or by beverage volume (eg wine, higher-strength ciders and RTDs). Goods and Services Tax and the Health Promotion Agency Levy are also imposed on all alcohol products sold in the domestic market.

Population-based policies that address the price and affordability of alcohol represent the strongest, most cost-effective measures to reduce alcohol use and harm. Higher prices can delay alcohol initiation among adolescents and support drinkers to purchase less alcohol, thus hindering the progression from moderate drinking to heavy drinking to dependent drinking. All this adds up to less harm to the drinker and others, and more healthy life years gained given the duration of an alcohol use disorder for many New Zealanders is long-lasting.

Increasing the overall price of alcohol by 10% is estimated to reduce annual consumption by 5%, representing an absolute reduction in consumption in New Zealand of around 25 million litres of alcoholic beverages. Previous Government-commissioned reviews, by the Law Commission and the Government Inquiry into Mental Health and Addiction, have strongly recommended alcohol price increases to address the rising affordability of alcohol. The Ministry of Justice has also modelled the effects of excise tax increases, showing annual reductions in health loss and crime, improved productivity, and substantial increases in Government revenue from excise tax in the order of hundreds of millions of dollars.

To investigate the low price of alcohol products, we conducted an exploratory audit of alcohol prices at off-licences across Tāmaki Makaurau Auckland. From 25 March to 5 May 2021, we collected online price data of 743 alcohol products from 22 off-licences (12 bottle stores and 10 licensed supermarkets) located in, or near, deprived areas (data zones in quintiles 4–5 of the New Zealand Index of Multiple Deprivation 2018). The aim was to identify up to five of the cheapest products for sale, across 11 beverage types. As supermarkets are only permitted to sell beer, wine (cask and bottled red/white) and cider, the analysis for these outlets was restricted to these five beverage types. In total, 498 of the cheapest alcohol products and 245 of the cheapest, most popular products (ie products that belonged to brands with high brand share in New Zealand) were identified. This comprised cask wine (42/12), bottled red (28/30) and white (16/30), RTDs (73/30) and four types of spirits (190/21). The total count of the cheapest and most popular products is shown in parentheses, respectively. For each product, the price per standard drink (10g pure alcohol) was calculated. Further details are published elsewhere.
In relation to the cheapest alcohol products, we found that five of the 11 beverage types had one product or more being sold for less than $1 per standard drink (US$0.66, GDP£0.49). Cask wine was the cheapest product available, sold for 77c per standard drink, followed by bottled red wine (85c), bottled white wine (88c), light spirits (91c), beer (98c), and cider ($1.08). The cheapest spirits and RTDs were sold for $1.20 or less per standard drink. Of the five lowest price products for each beverage type, all five cask wines were for sale at less than $1 per standard drink, followed by beer (four of the five lowest price products), red wine (three products), white wine (two products) and light spirits (one product). Based on the lowest price in the current study, a woman would only need to pay $3.85 and a man $4.62, to exceed the Health Promotion Agency's low-risk drinking advice for a single drinking occasion.16

In relation to New Zealand’s most popular alcohol brands, the study found that the lowest price to purchase any top five (by brand share) cask wine, bottled red or white wine, beer, cider, RTDs, gin, vodka and bourbon was less than $1.30 per standard drink. Of particular concern, three of the five lowest price popular beers were sold in large quantities, ie as a 24 pack.

Almost all of the five lowest price beers, wines and ciders (budget end and most popular) were sold by supermarkets. Across all off-licences, more than one third (35%) of the 498 cheapest alcohol products were being sold using some form of price-based promotion, most commonly being sold at a consistently low price (eg ‘Everyday Low Price’). Wine had the highest proportion (89% and 94% for white and red wine, respectively) of products on promotion. In relation to the most popular alcohol products, one half (50%) were found to be on promotion. Although multi-buy promotions were relatively rare (only 5% of the cheapest products were also sold in this way), they offered the lowest prices per standard drink found in the study (81c for wine and 85c for beer).

The results of the audit represent online prices only, from a selection of off-licences in New Zealand’s largest city. It is likely possible that lower prices can be found for products on promotion in-store, especially from bottle store franchises that are known to sell very cheap alcohol but are not currently located in Tāmaki Makaurau Auckland. Further studies are required to examine the variability in prices across the country, and in particular, to identify inequities in the distribution of cheap alcohol sales across communities. In 2010, the Law Commission noted that the budget end of the alcohol retail market had witnessed only minimal price increases over the previous two decades.12 Given the very low price of wine in the current study (in part due to it being under-taxed compared to other beverage types), it should be of no surprise that New Zealand research found that almost one half of a sample of dependent drinkers exclusively consumed wine,17 and that cheap wine was a key beverage consumed in very heavy drinking occasions.5

In 2021, the Minister of Justice Hon Kris Faafoi announced that a review of the Sale and Supply of Alcohol Act 2012 will take place, to be scoped this parliamentary term. Failure to address the high affordability of alcohol in this review will compromise the effectiveness of any future amendments to the Act and therefore maintain the unacceptably high levels of, and inequities in, alcohol harm. The recommended increase to excise rates by 50% would see $3 added to the price of a 12 pack of beer, $1.35 to a bottle of wine, and $12 to a bottle of spirits. As excise tax comprises a greater proportion of the price of the cheapest alcohol products, these products will be most affected by higher excise rates. It is likely that tax increases will need to be complemented by minimum unit pricing to sufficiently raise the price of the cheapest alcohol products in the market. An increasing number of countries and jurisdictions have mandated a minimum price, showing pro-equity impacts on alcohol use and health harms.18,19

The benefits from New Zealanders drinking less are vast, not the least being greater child wellbeing, safer homes, roads and communities, improved physical and mental health, and higher productivity and economic wellbeing. The communities that experience the greatest inequities will benefit the most from reduced harm. This includes New Zealanders living in the most deprived neighbourhoods, where 30% of adults do not drink.20 This large group of non-drinkers will experience safer communities for their children to thrive at no additional cost. For drinkers, the regressive financial effects of higher alcohol taxes and minimum pricing are negligible, and concentrated among the heaviest drinkers.21 These drinkers stand to gain substantial health benefits from reductions in consumption. Beyond health benefits, reduced consumption can also alleviate the negative financial harms from drinking that are reported by more than one in twenty New Zealand drinkers (including 14% of Māori drinkers).22 To mitigate regressive

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effects, we recommend that the increased revenue generated from excise increases be directed to alcohol harm reduction and addiction services, particularly Māori-led programmes and services to honour the Crown’s commitment to Te Tiriti o Waitangi and provide active protection of Māori health.

The costs of alcohol harm have hefty personal, collective and economic price tags, paid by every member of society in this generation and the next. Addressing the affordability of alcohol is a public health necessity—not an option—in our efforts to lift inter-generational wellbeing and eliminate health inequities.
COMPETING INTERESTS
Nil.

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