Raising prices on alcohol

through excise taxes & pricing policies

AND

Earmarked tax for health & well-being

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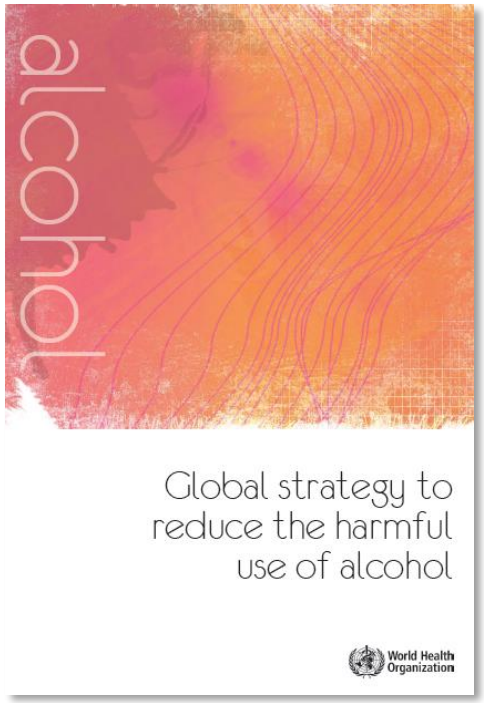
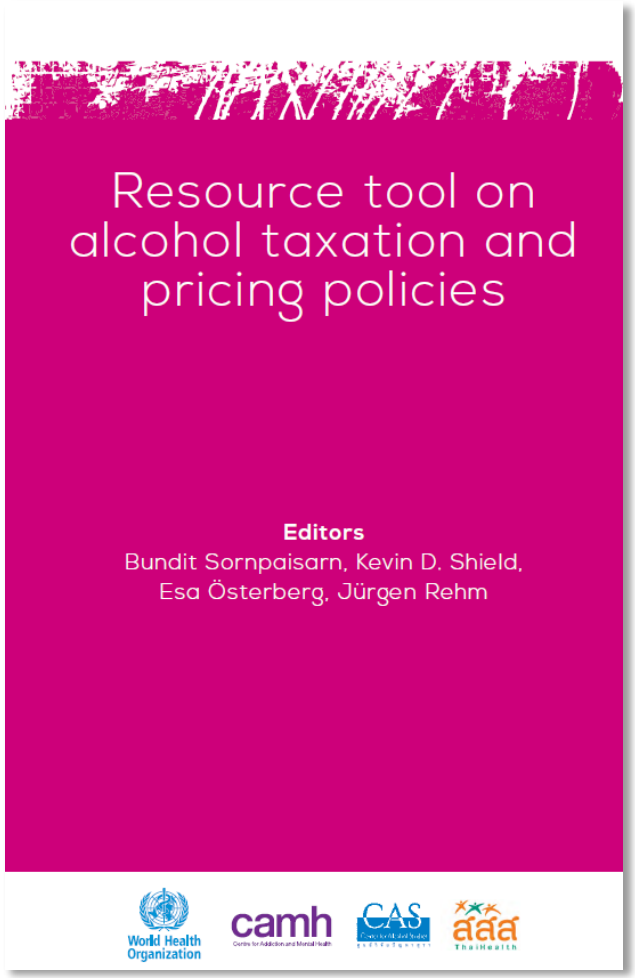
WPRO Training for leadership and advocacy teams to reduce alcohol harm in young people
18-20 June 2019, Phnom Penh



Area 7 Pricing policies

a) **establishing a system for specific domestic taxation** on alcohol accompanied by an effective enforcement system, which may take into account, as appropriate, the alcoholic content of the beverage;
b) **regularly reviewing prices** in relation to level of inflation & income;
c) **banning** or restricting the use of direct & indirect **price promotions**, discount sales, sales below cost & flat rates for unlimited drinking or other types of volume sales;
d) **establishing minimum prices for alcohol** where applicable;
e) providing price incentives for non-alcoholic beverages;
f) reducing or stopping subsidies to economic operators in the area of alcohol.


Resource tool on alcohol taxation and pricing policies
Editors
Bundit Sornpaisarn, Kevin D. Shield,
Esa Österberg, Jürgen Rehm
World Health Organization
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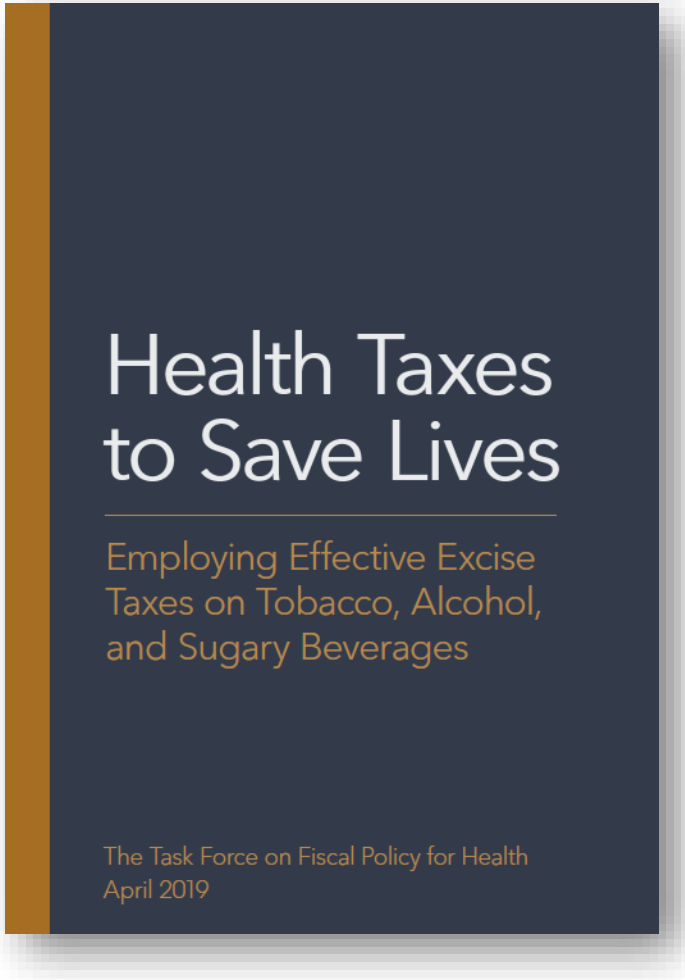
ThaiHealth

2017


Health Taxes to Save Lives
Employing Effective Excise Taxes on Tobacco, Alcohol, and Sugary Beverages
The Task Force on Fiscal Policy for Health
April 2019

2019

Why people drink: understand its determinants





Social norms

Availability of alcohol (financial, physical, social)

Marketing and other pro-drink forces

Individual factors/ vulnerability

Drinking initiation

Alcohol consumption

Modified from Birckmayer et al, A general casual model to guide alcohol, tobacco and illicit drug prevention: assessing the research evidence (2004),

The price of alcohol is the main factor influencing alcohol consumption & its related harms.

$ PRICE

: affordability & financial availability of alcohol

↓

Alcohol consumption

(Volume + Drinking patterns)

↓

Alcohol-related harms

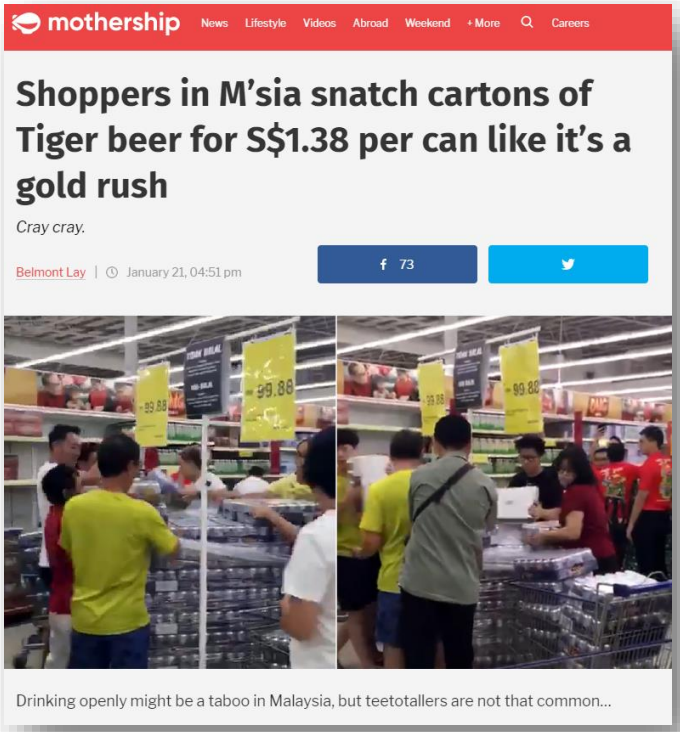
(1) Chronic diseases	(2) Injury, accidents & acute diseases	(3) Acute social consequences	(4) Chronic social consequences

Modified from Birckmayer et al, A general casual model to guide alcohol, tobacco and illicit drug prevention: assessing the research evidence (2004),

The price of alcohol matters.
Lower prices >>> higher demands

The more affordable alcohol becomes, the more people drink, & the more harm to society.
To control the price of alcohol in order to reduce consumption & harm.

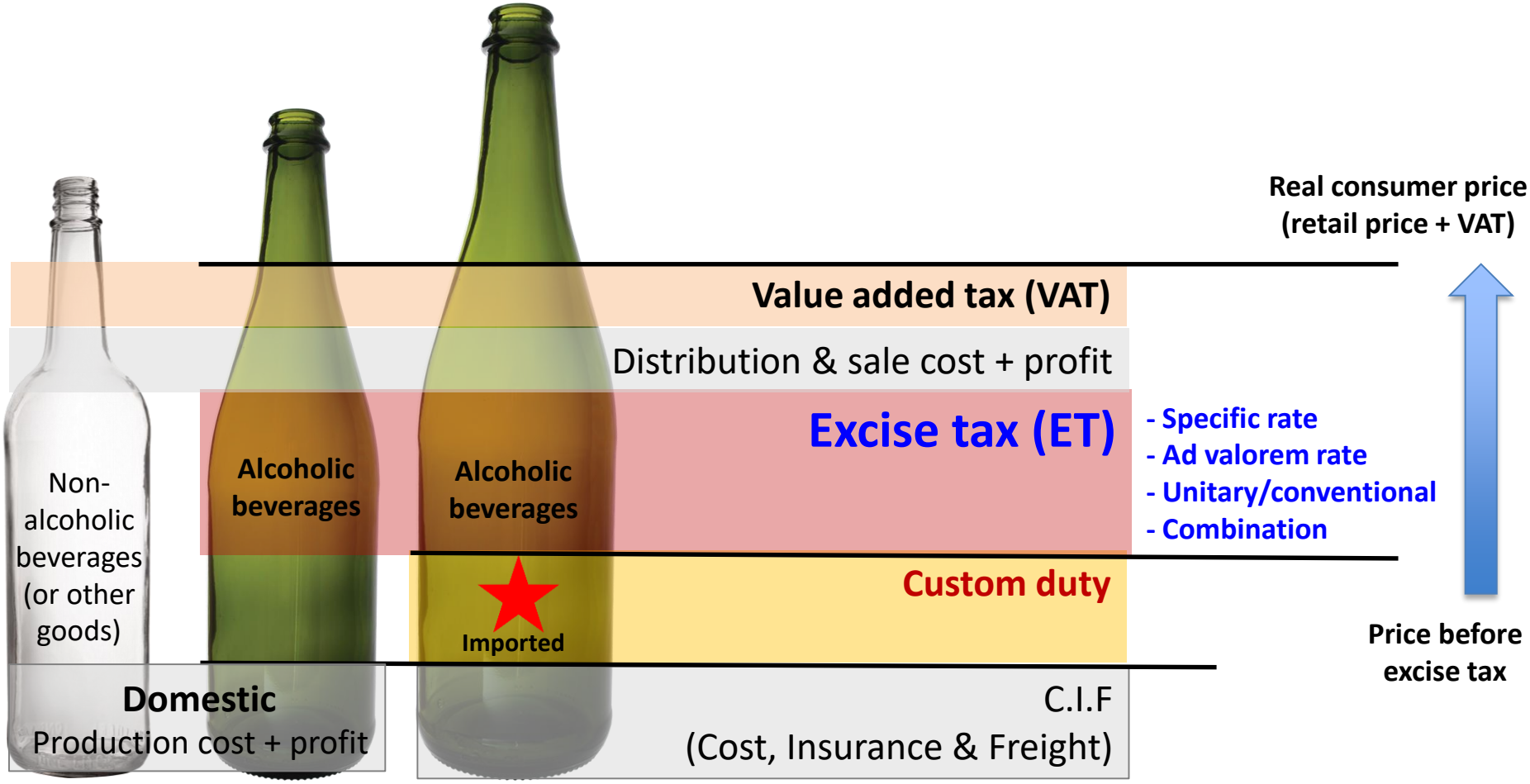
During pre-Chinese New Year, a carton of 24 cans of beer was retailing for RM99.88, or S$33 as price promotion



Tiger beer, which originates from Singapore, is sold for about S$2.70 per can here. Malaysia's pre-Chinese New Year prices are about half that of Singapore's regular price for Tiger beer.

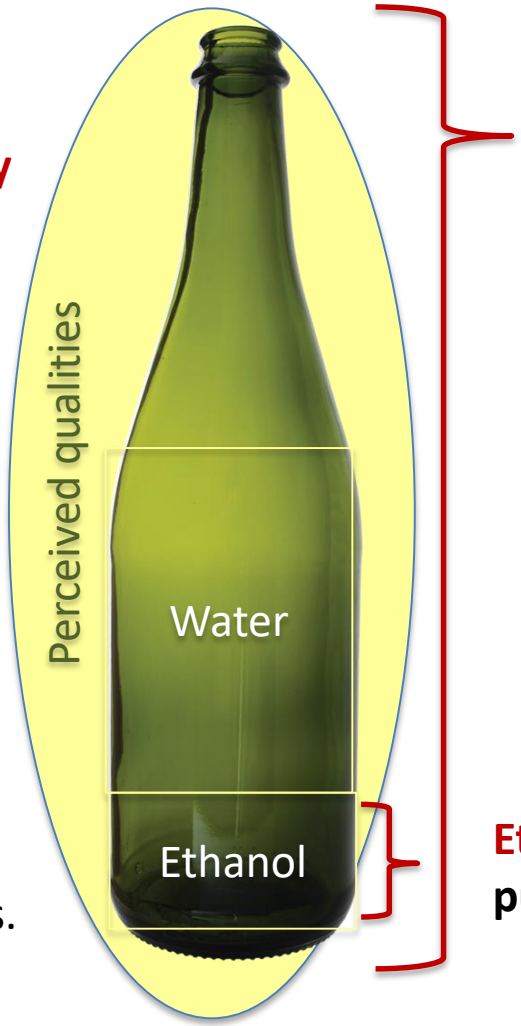
Source: https://mothership.sg/2019/01/tiger-beer-cheap-malaysia/

Price & tax systems for alcoholic beverages



A hypothetical structure of the price of an alcoholic beverage

Perceived quality (value): all other components & attributes, *such as years of brewing, colour, taste, container, image* (***determined by advertising***), and transportation & distribution costs.



Beverage price is the total price of an alcoholic beverage, which already includes the price of **all perceived qualities.**

Beverage price per unit of ethanol is defined as beverage price divided by the total amount of ethanol of the beverage ($/ethanol).

Ethanol price is the price of one unit of pure alcohol (ethanol).

Taxation has a win-win-win solution.

A WIN for public health

- reduce volume of alcohol consumed among drinkers & heavy drinkers
- encourage drinkers to quit
- reduce harms from consumption
- prevent drinking initiation among young people (↓ underage drinking)

A **WIN** for **domestic resources/revenue**

- reliable & predictable source for national development (i.e. for better health, education, sanitation, etc.)
- crucial in LMICs

A **WIN** for **society**

- reduce social inequality & protect the poor
- reduce/pay for social costs of consumption

Alcohol demand is inelastic.

Price elasticity <1: if price changes by 10%, demand falls by less than 10%.
Beer is least elastic (0.4-0.5); wine & spirits have elasticity around 0.7-0.8.

In LMICs, an increase of 10% in the alcohol price is associated with a 6.4% reduction in its consumption (5% for beer & 7.9% for wine and spirit)

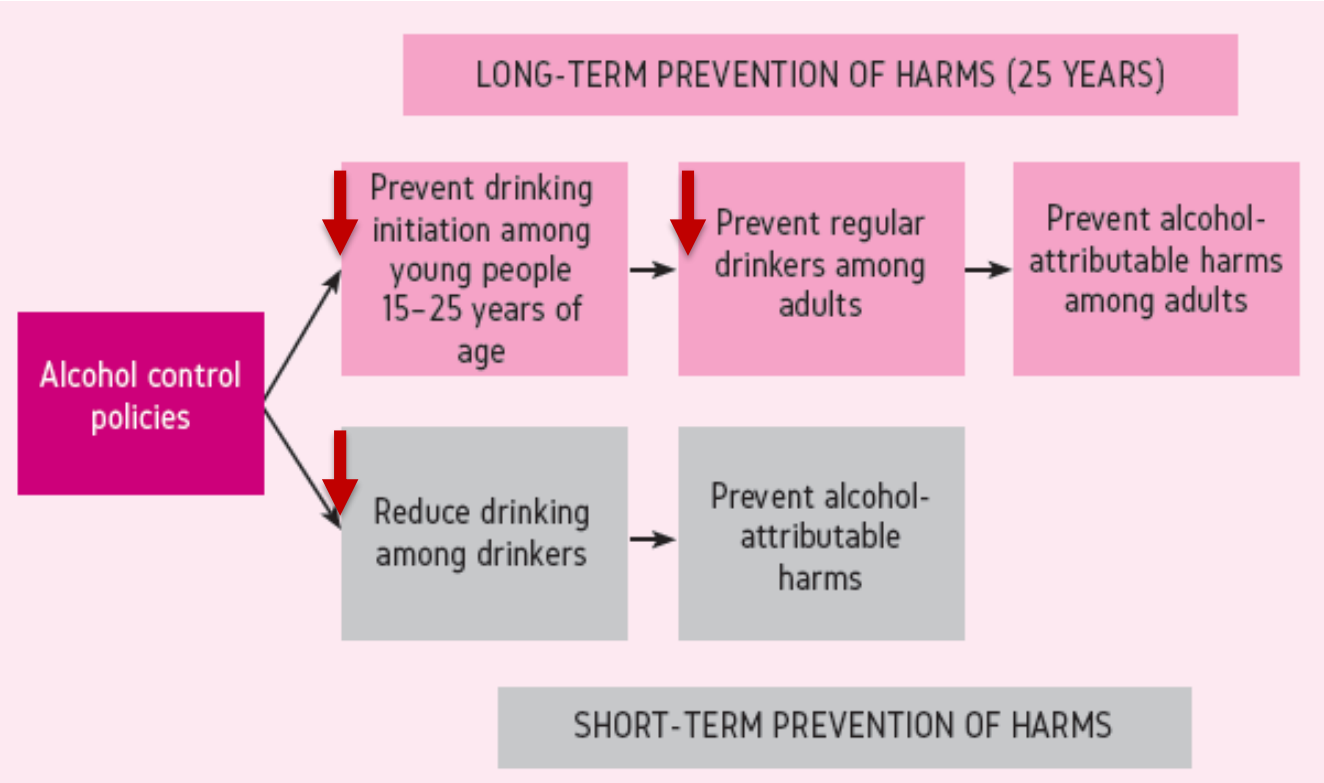
$$\text{Price elasticity of demand} = \frac{\text{X \% change in demand}}{\text{1 \% change in price}}$$

	The price elasticity of demand		
	HICs		LMICs
	Review of 112 studies (Wagenaar et al., 2009)[a]	Review of 72 studies (Elder et al., 2010)	Review of 10 studies (Sornpaisarn et al., 2013)
Beer	-0.46	-0.50	-0.50
Wine	-0.69	-0.64	-0.79
Spirits	-0.80	-0.79	
Total	-0.51	-0.77	-0.64

[a] Results are pooled estimates of both price and tax elasticity.

Source: Sornpaisarn B, Shield KD, Österberg E, Rehm J, editors. Resource tool on alcohol taxation and pricing policies. Geneva: WHO; 2017

Alcohol taxation & pricing policies can prevent the initiation of drinking



a 10% increase in the inflation-adjusted tax rate of the total alcohol market from 2001 to 2011 was associated with a 4.3% reduction in the prevalence of lifetime drinking among Thai people aged 15-24 (as a surrogate of drinking initiation prevention).

Source: Sornpaisarn B et al (2015). Can pricing deter adolescents and young adults from starting to drink: an analysis of the effect of alcohol taxation on drinking initiation among Thai adolescents and young adults. Journal of Epidemiology and Global Health. 5(4 Suppl 1):S45–57

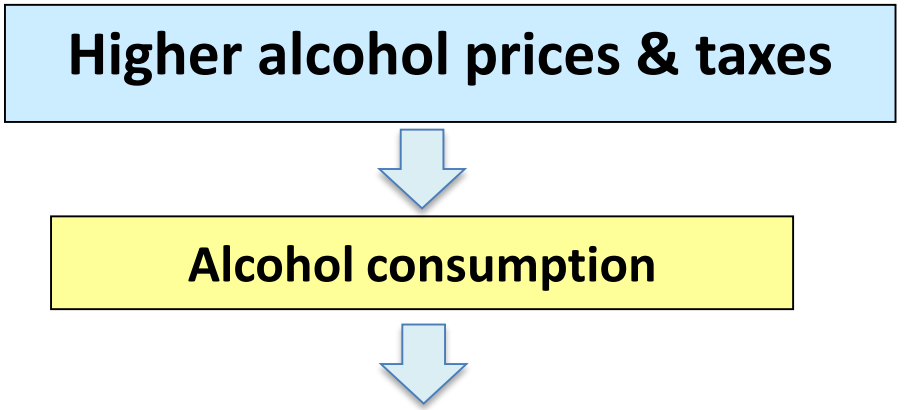
Alcohol taxes protect the poor

- Alcohol taxes are particularly effective in preventing or reducing alcohol consumption **the poor**, who are more affected by price increases.
- Tax increases **help the poor to drink less or stop drinking**. This allows drinkers who quit to reallocate their money to essential goods, including food, shelter, education & health-care.
- Higher taxes also help poor families improve productivity and wage-earning capacity by decreasing alcohol-related illness & death.

One review of 50 studies that examined the impact of taxes & prices on various harms caused by alcohol:

a 10% increase in alcohol taxes was associated with a 3.5 % decline in all harms associated with alcohol-related disease & injuries

(Wagenaar et al. 2009).



- ↓ motor vehicle crashes & fatalities
- ↓ deaths from liver cirrhosis
- ↓ deaths from alcohol dependence
- ↓ sexually transmitted diseases
- ↓ suicide, violence & crime (rape, robbery, child abuse & spousal abuse)
- ↓ workplace accidents

Source:

- Wagenaar et al (2009) Effects of beverage alcohol price and tax levels on drinking: a meta-analysis of 1003 estimates from 112 studies. Addiction. 104:179–90.
- Elder RW et al. (2010) The effectiveness of tax policy interventions for reducing excessive alcohol consumption and related harms. American Journal of Preventive Medicine. 38:217–29.

Alcohol taxation & pricing policies are the most cost-effective alcohol control measures.

Updated Appendix 3 of the WHO Global NCD Action Plan 2013-2020	Low & Lower-Middle ICs			Upper-Middle & High ICs		
WHO-CHOICE economic analyses for interventions for NCD prevention and control	Average cost-effectiveness ratio **(I$/DALY averted)**	Health Impact/year **(DALY averted/1M)**	Economic Cost of implementation/year **(I$ per capita)**	Average cost-effectiveness ratio **(I$/DALY averted)**	Health Impact/year **(DALY averted/1M)**	Economic Cost of implementation/year **(I$ in millions/1M)**
Increase in excise taxes on alcoholic beverages (current rate + 50%)	**22 [<100]**	**568**	**0.01**	**41 [<100]**	**1,128**	**0.05**

A 50% increase over current rates of excise taxes was characterized by a low implementation cost (<I$0.10 per capita), a moderate to high level of health impact (>500 healthy life years gained per one million population), and a highly favorable ratio of costs to effects (<I$100 per healthy life year gained in both lower and higher income settings).

Source: https://www.who.int/ncds/governance/technical_annex.pdf

Chisholm D, Moro D, Bertram M, Pretorius C, Gmel G, Shield K, Rehm J. Are the "Best Buys" for Alcohol Control Still Valid? An Update on the Comparative Cost-Effectiveness of Alcohol Control Strategies at the Global Level. J Stud Alcohol Drugs, 2018. 79(4): p. 514–522.

Alcohol taxes can bring in
the most additional revenue in large part
because alcohol taxes are currently low & consumption is widespread.

Over 50 years, a tax that increases alcohol prices by 50%
could generate almost US$17 trillion in additional revenues
(about *3 times more than the BRICS country governments collected in revenues in 2017 (US$5.4 trillion)*

Projected Health and Revenue Impact of Tax Increases on Alcohol over a 50- year period (2017-2067)

Price increase due to higher tax	Deaths averted (millions)	Years of life gained (millions)	Change in tax revenue (trillions, $2016 discounted)
20%	9.4	238.7	8.9
30%	13.7	348.7	12.2
40%	17.9	455.0	14.8
50%	21.9	557.8	16.7

Source: Summan & Laxminarayan (2018) Estimating Global Effects of Tobacco, Alcohol, and Sugary Beverage Taxation." Background Paper for the Task Force on Fiscal Policy for Health. New York: Bloomberg Philanthropies.

Alcohol in economy perspective

losses weigh heavier than gains

73.4 – 150.07 = -77.3 Billion Baht

- The price of alcohol should reflects its externalities.
- Tax rates should be considered to cover social costs of alcohol.

Gains:

Employment, revenue from excise taxes, economy booster

73.4 Billion Baht

Lossess/externalities:

Social costs of alcohol use accounted for 1-6% of GDP.

1.92% of Thai GDP(2006)

150.07 Billion Baht

10 Positive Effects Of Alcohol Taxation

A win-win measure for fiscal space, health promotion and sustainable development

IOGT INTERNATIONAL · AIAP · EAST AFRICAN ALCOHOL POLICY ALLIANCE

- Saving Lives — 3 GOOD HEALTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- Making Roads Safer — 3 GOOD HEALTH; 11 SUSTAINABLE CITIES AND COMMUNITIES
- Preventing And Reducing NCDs — 3 GOOD HEALTH; 12 RESPONSIBLE CONSUMPTION
- Preventing Infectious Diseases Like Tuberculosis, HIV/ AIDS — 3 GOOD HEALTH
- Sexual Reproductive Health And Rights — 3 GOOD HEALTH; 5 GENDER EQUALITY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- Promoting Well-Being Of Children, Adolescents And Young People — 2 NO HUNGER; 4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH
- Boosting Economy And Workplace Productivity — 8 GOOD JOBS AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
- Preventing Criminality And Hospitalizations — 5 GENDER EQUALITY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 16 PEACE AND JUSTICE
- Reducing Inequalities — 1 NO POVERTY; 10 REDUCED INEQUALITIES
- Ending Gender-Based Violence — 5 GENDER EQUALITY

Alcohol taxation and pricing policies in ASEAN countries & Mongolia

Alcohol taxation policies	Brunei	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam	Mongolia
Excise taxes											
-Beer	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
-Wine	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
-Spirit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Taxation system											
Combination					Yes				Yes		
-Ad valorem rate	n/a	Yes	Yes	Yes	Yes	Yes	n/a	n/a	Yes	Yes	n/a
-Specific rate	n/a	No	No	No	Yes	No	n/a	n/a	Yes	No	Yes
Average prices of alcoholic beverages (US$)	?	?	?	?	?	?	?	?	?	?	?

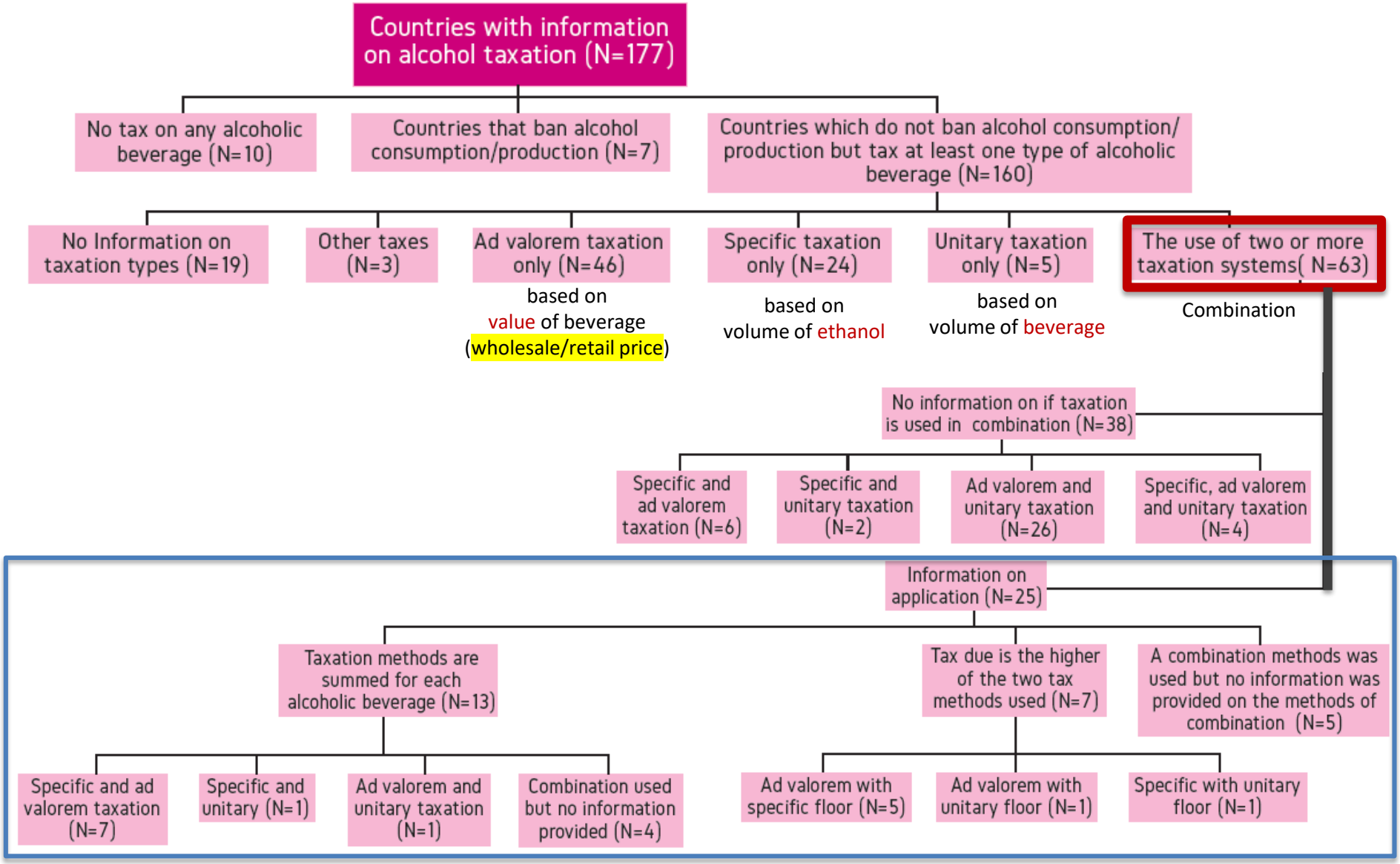
*n/a No data

Source: World Health Organization (2018) Global status report on alcohol and health 2018.

Source: World Health Organization. Global Information System on Alcohol and Health (GISAH). Alcohol Control Policies 2018 [cited 2019 Mar. 17]; Available from: http://apps.who.int/gho/data/node.gisah.A1119?lang=en&showonly=GISAH

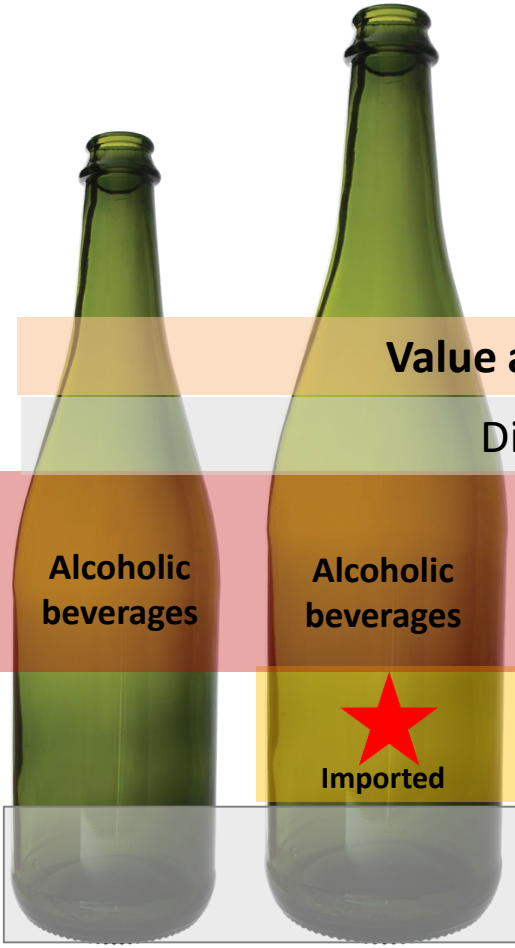
Alcohol excise taxation methods

reported by the 2012 Global Survey on Alcohol and Health



Alcohol tax structure in Thailand

(as of 2019)



Value added tax (VAT) 7% of retail price

Distribution & sale cost + profit

Excise tax (ET)

Combination method since 2013

:Specific rate & Ad valorem rate

Custom duty

(60% or 0% for AFTA 2003)

C.I.F

(Cost, Insurance & Freight)

100% of excise tax

to Ministry of Finance

+ 17.5% (surcharged)

Earmarked tax

+ 2% to health promotion fund

+ 1.5% to Thai PBS TV

Public Broadcasting Service

+ 2% to sporting fund

+ 2% to the Elderly Fund

Local tax

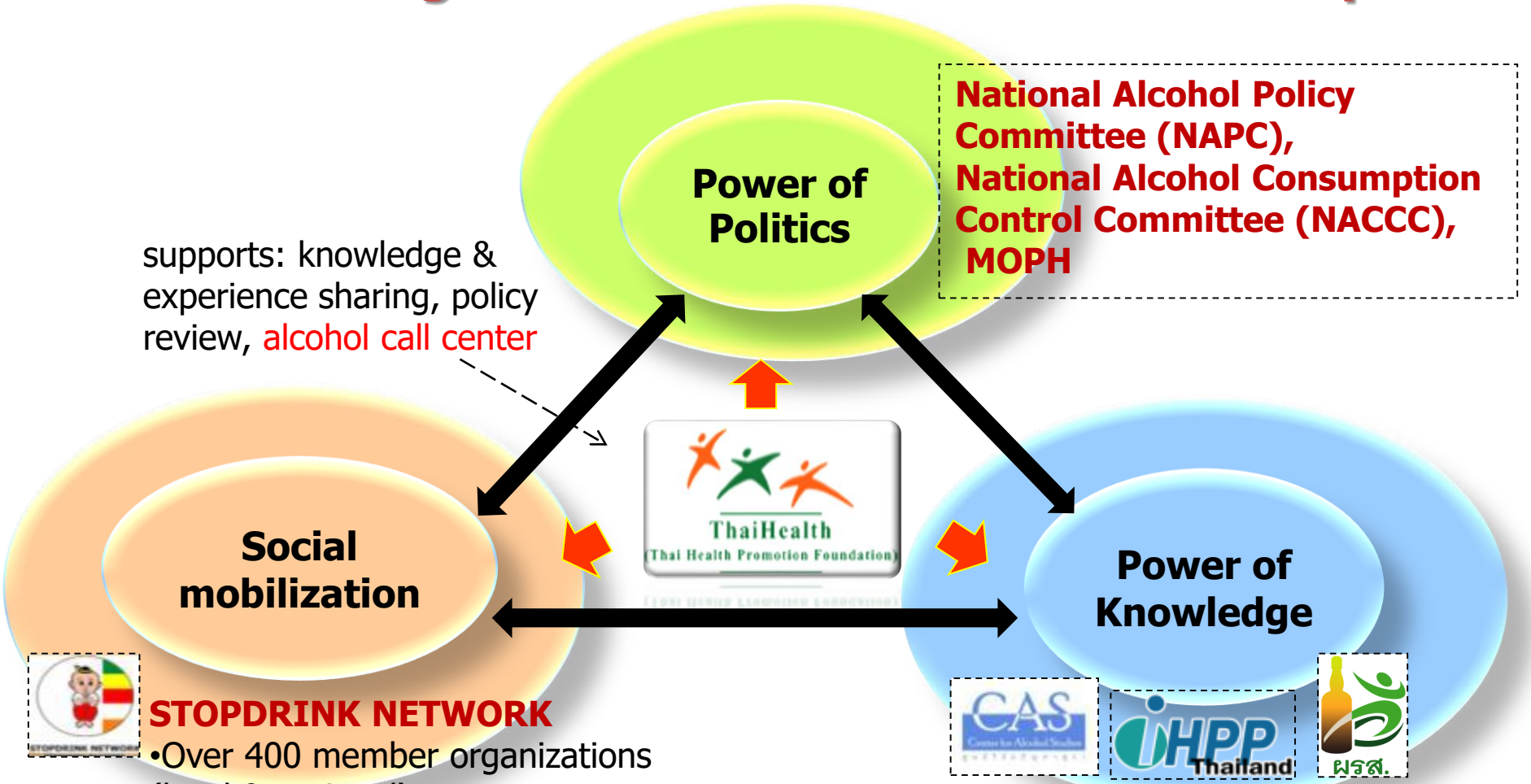
+ 10% to Municipal (Ministry of Interior)

Thai Health Promotion Foundation (ThaiHealth)

is an autonomous government agency established by **the Health Promotion Foundation Act in 2001**.

ThaiHealth's annual revenue of about 120 million USD is derived from surcharged 2% of the excise taxes on tobacco & alcohol collecting directly from tobacco & alcohol producers and importers.

Tri-Power Model
: The Triangle that Moves the Mountain Concept



STOPDRINK NETWORK

•Over 400 member organizations (local & national)

• 4 approaches ;

1.Campaigning,

2. Policy process & industry watch

3. Denormalization: Alcohol free events

4.Community action

CENTER FOR ALCOHOL STUDIES (CAS) , INTREGATED MANAGEMENT FOR ALCOHOL INTERVETION PROGRAM (I-MAP)

1.Knowledge generation

2.Knowledge distribution

3.Technical capacity building

How countries use earmarking for health

9 Countries:
Colombia, Guatemala, India, Jamaica, Mexico, New Zealand, **Philipines, Thailand**, USA

Source: www.jointlearningnetwork.org/earmarking

Source: Sugar, Tobacco, and Alcohol Taxes (STAX) Group (2018) Sugar, tobacco, and alcohol taxes to achieve the SDGs. The Lancet.

"… as part of a broader public health approach to promote a life-course approach to prevention and to address commercial determinants of health, it is now time for governments to adopt **sugar, tobacco, and alcohol taxes (STAX)…**

… 'that despite industry efforts, taxation is gaining more attention from policy makers as **a win–win–win policy** and **a cost-effective fiscal policy to contribute to the SDGs**…"

https://www.malaymail.com/news/malaysia/2018/09/04/malaysia-mulls-soda-tax-already-imposed-by-other-asean-countries/1668975

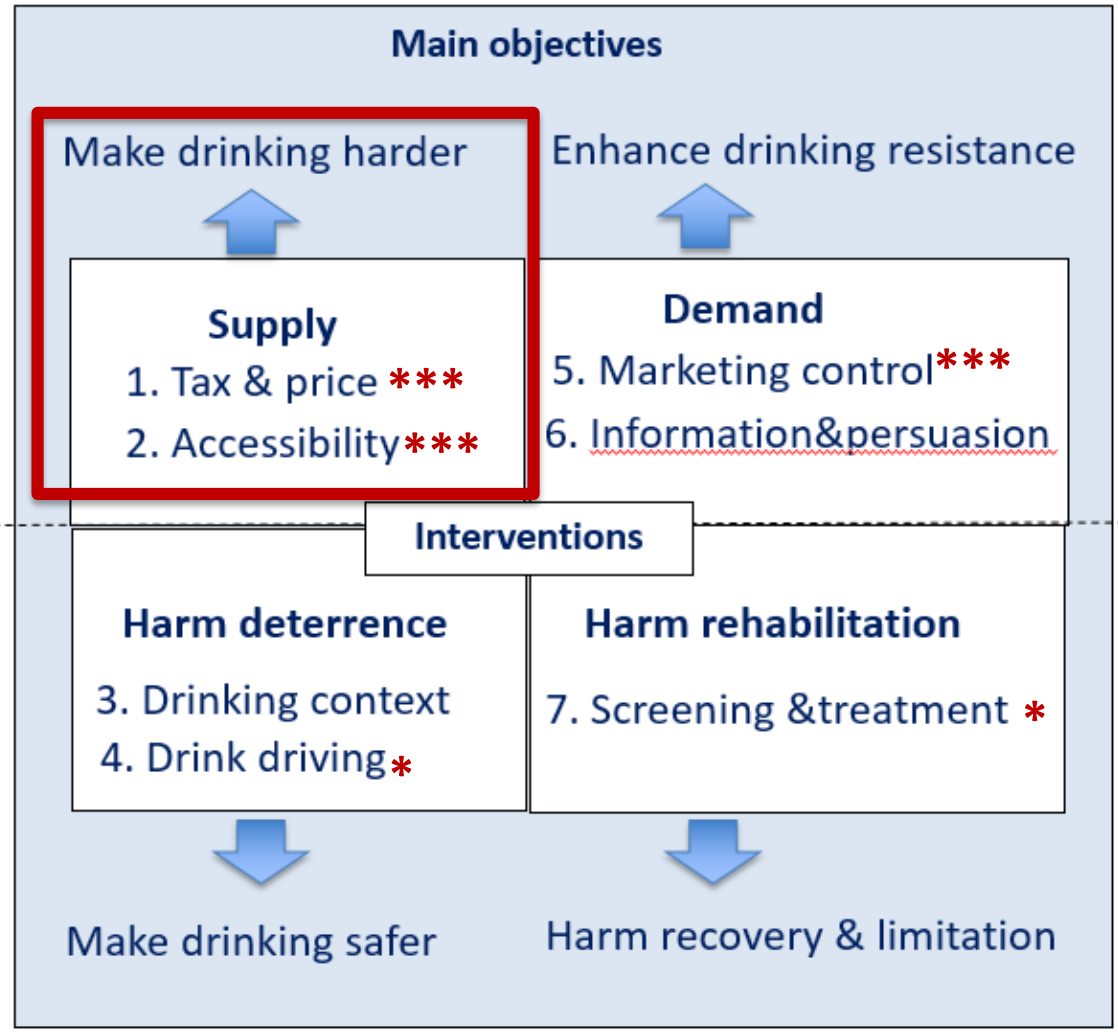
Take home messages

- **Alcohol taxes is a win-win-win solution.**
- **Every country can establish & design effective alcohol taxation systems for both health & development goals.**
  - **MOH and MOF can collaborate** (i.e. data and policy).
  - **Tax rates should affect the price of the ethanol** (the causes of harm)
  - **Increase taxes regularly & adjust for inflation by taking into account for changes in income** (affordability, consumer purchasing power) **& the price of other goods & services.**
  - **Design to avoid product substitution: control the cheapest alcohol**
  - **Linking tax increases to economic indices.**
- **Prepare for industry opposition!**
- **International trade always aims to lower alcohol taxes!**
- **Earmarked tax is trendy!**

Alcohol policy & intervention

*** Highly effective intervention

* effective intervention



Consumption control

(Targets: general population, high risk groups, & drinkers including new drinkers)

[primary prevention]

Harm deterrence & limitation

(Targets: Drinkers & problematic drinkers)

[secondary & tertiary prevention]

Thank you

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