

Short-term dollars at what cost? Repealing New Zealand's Smokefree Aotearoa 2025 plan would sacrifice lives and longer-term economic gain

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More than 10 years ago, Māori politicians in Aotearoa/New Zealand started a movement to end the tobacco epidemic in the country.¹ In December 2022, the then Labour Government finally introduced a comprehensive, evidence-based plan to achieve that vision. Smokefree Aotearoa 2025 prioritised Māori leadership and support to help people who currently smoke to quit. It also contained three game-changing components: reducing nicotine in cigarettes to non-addictive levels, reducing retail outlets that sell tobacco by more than 90% and a smoke-free generation policy that meant it would never be legal to sell combustible tobacco products to people born after 2008.²

Smokefree Aotearoa 2025 provided an exemplar precedent with the potential to change the course of the global tobacco epidemic forever,³ with attendant environmental, economic and social benefits.⁴ Modelling showed that the combination of measures would rapidly reduce smoking to negligible levels.⁵ The plan was lauded by public health experts around the world as groundbreaking and long overdue, more than 70 years after the harms of cigarettes were definitively established.^{6–8} However, on 24 November 2023, as steps were already underway to start implementing the policies, New Zealand's new Coalition Government, led by the centre right National Party, the far right ACT Party and the populist NZ First Party, announced that they intend to repeal the legislation. The new prime minister has drawn on arguments favoured by the tobacco industry, including that the legislation will fuel the illicit tobacco market, to justify its repeal.⁹ The National Party incoming Minister of Finance also confirmed that a key reason for repealing the legislation was to cover a revenue gap to cover the costs of other election promises.¹⁰

Ait Ouakrim *et al's* timely simulation model evaluates the potential fiscal consequences of Smokefree 2025.¹¹ Their projections highlight the substantial economic *benefits* that would result from the legislation. Citizens would see a cumulative gain in post-tax income of US\$1.8 billion by 2050, resulting from reduced tobacco-related morbidity and mortality in the working-age population. They would also see a cumulative gain in disposable income of US\$29 billion by 2050, due to reduced expenditure on tobacco. These results are consistent with a large body of international

evidence about the economic benefits of reduced tobacco consumption and the economic costs of tobacco use.^{12–18} Ait Ouakrim *et al's* findings highlight the pro-equity income transfer that the legislation would achieve, given the high prevalence of smoking among Māori and people on low incomes in Aotearoa/New Zealand.

From a government revenue perspective, both gains and losses were observed. For example, health-care expenditure would reduce by US\$1.3 billion, and there would be a combined increase of US\$1.9 billion in both income tax, and goods and services tax revenue. As expected, the sharp reduction in smoking resulting from the legislation coincides with a significant reduction in tobacco excise tax revenue for government. Importantly, however, the authors note that the reduction occurs also under the business-as-usual scenario in the model as a logical consequence of the underlying downward trend of smoking prevalence. Smokefree Aotearoa 2025 would simply accelerate the rate of decline.

Combining government revenue and expenditures, the authors report an overall shortfall of cumulative revenue for government estimated at US\$11.5 billion by 2050. This shortfall is largely driven by the foregone excise tax under the plan. Critically, in a sensitivity analysis designed to capture key demographic trends in the Aotearoa/New Zealand labour force—that is, healthier people living and working for longer—the authors demonstrate that the government can achieve a positive net fiscal position by 2037, only 14 years after implementation. This is despite the reductions in excise tax revenue associated with the endgame policy package.

Repealing the Smokefree Aotearoa 2025 policies would be short-sighted economically. Surely, a government honestly working to improve the lives of people—particularly in a high-income country—can manage to plan a budget that does not depend on revenues derived from selling addictive, lethal products. More importantly, no dollar value can adequately capture the gains in healthy life years and avoided early deaths, particularly among groups such as Māori, who have among the highest smoking prevalence in Aotearoa/New Zealand. Politicians with foresight can create great societies by 'planting trees whose shade they will never enjoy'. Implementing Smokefree Aotearoa 2025 will benefit tens of thousands of New Zealanders alive today—and cement the legacy of its political custodians.



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