

Welcome to the seventh edition of *Tobacco Facts for MPs*, a regular newsletter to highlight the latest in tobacco legislation, research and litigation.

## Focus

The latest evidence on the cost effectiveness of tobacco control and why tobacco company arguments just don't add up.



### Premier to phase in smoking bans before Olympics

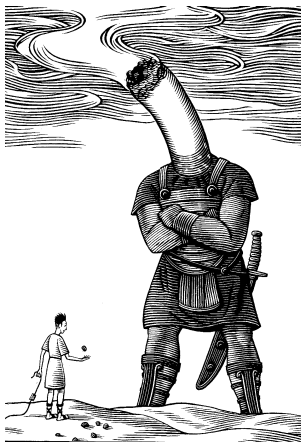
NSW Premier Bob Carr has announced great news that smoking bans will commence in hospitality venues before the Sydney Olympic Games. The phase-in is expected to start with restaurants followed by eating areas in clubs and hotels within 12 months. Health groups, the LHMU and the Restaurants and Catering Association welcome the move but are calling for inclusion of bars on health, legal and economic grounds. Not only are bans widely supported in opinion polls but economic evidence shows bans are good for business, including tourism.

<http://tc.bmjournals.com/cgi/content/full/9/1/111a>



### Taxpayers fund "better cigarettes"

Taxpayers are funding tobacco industry efforts to target third world markets and to produce cigarettes that taste better, are lit more easily and deliver bigger hits of nicotine. The full story of tobacco R&D grants for high tar cigarettes for Africa and mega cigarette machines are contained in documents obtained by the AMA, following an FOI application. Tobacco industry handouts worth up to \$500,000 a year are in stark contrast to the low level of government funding for tobacco control. We urge governments to reassess their priorities and commit to reducing smoking rates by fully funding tobacco action plans in this year's budgets.



## Economic "Myths" of tobacco

**Myth 1 – Tobacco products are crucial to the nation's economy.**

**Reality** – According to a US Dept of Agriculture economist "tobacco plays a minor economic role in most local economies where it is grown". Where resources are no longer devoted to a given economic activity they are redirected to other economic functions. They don't simply disappear.

**Myth 2 – Specific tobacco control policies will cause severe economic hardship in specific non-tobacco industries.**

**Reality** – The industry claim that a specific policy such as a ban on smoking in restaurants will hurt tourism within that community is unfounded. Empirical evidence shows that no adverse effect of smoking restrictions occur and in fact, several studies have found a tendency for smoking restrictions to increase profits.

**Myth 3 – A large tax increase is undesirable because it will reduce government revenues by decreasing legal cigarette sales. This will also increase smuggling of lower priced cigarettes.**

**Reality** – Nearly all politically conceivable tax increases will generate increased revenues in virtually all countries. Smuggling does remain a legitimate concern yet the determinants of smuggling are far more complicated than one might expect – with price differences not necessarily the dominant influence.

**Myth 4 - An increase in tax would be unfair, as its burden would fall disproportionately on the poor.**

**Reality** – Poorer smokers are more price responsive than more affluent smokers – a tax increase will cause more poorer smokers to quit thus reducing their risk of disease and premature death.

(Source: *Tobacco Control*, Spring 2000)

<http://tc.bmjournals.com/cgi/content/full/9/1/78>

### Smoking costs a staggering \$12.7B each year and guess who pays?

- **Smokers** – Half of all long-term smokers will eventually be killed by tobacco and half will die during productive middle age losing 20-25 years of life.
- **Non Smokers** – The cost includes health damage from passive smoking (ETS). In addition, babies born to smoking mothers have lower birth weights, more risk of SIDS and respiratory disease.
- **Businesses and governments** – Health care costs, absenteeism, social security payments and lost productivity are major costs.
- **Of the \$12.7B costs nationally, smoking is costing NSW an estimated \$4.2B per annum.**

(Source: Collins, DJ and Lapsley HM *The social costs of drug abuse in Australia in 1988 and 1992. National Drug Strategy Monograph Series No. 30, Cmth Department of Human Services and Health 1996.*)

## Comment: Economics of tobacco

The tobacco industry's justification for its existence and present size is based on a set of economic assertions which are subject to evaluation by economists interested in this field. The culmination of this movement came last year with the production by the World Bank of a major report on tobacco, addressing many of these issues. This writer was one of many economists involved in the production of that report. So what key conclusions have economists drawn in evaluating industry arguments? There is little evidence to suggest that partial advertising bans reduce cigarette demand however, it does appear that **comprehensive advertising bans can be very effective**. Tobacco taxes certainly are regressive but the level of expenditure on tobacco by the poor typically appears particularly sensitive to increases in price. Thus, **higher tobacco taxes appear to be an effective way of improving their health status**.

There is little evidence that smokers, almost all of whom acquire their highly addictive habit in their teens or pre-teens, are either rational or well informed at the time at which they take up smoking. Later, it is too late. Thus **smokers themselves, as well as the rest of the community, bear smoking costs and these costs are extremely high**.

*Professor David Collins, Adjunct Professor Economics Macquarie University*

## World Bank calls on governments to curb epidemic

According to a landmark World Bank report, policymakers have been slow to act on tobacco control because of unfounded fears. Overall, tobacco control is cost effective resulting in health benefits without harming economies. "*Curbing the Epidemic. Governments and the Economics of Tobacco Control* can be seen at <http://who.int/toh/worldbank/wbr.html>

## World Bank Recommendations:

### Recommendation 1. Raise taxes

Price increases on cigarettes are highly effective in reducing demand, according to evidence from countries of all income levels. Higher taxes induce some smokers to quit and prevent other individuals from starting. On average, a price rise of 10 percent on a pack of cigarettes would be expected to reduce demand for cigarettes by about 4 percent in high-income countries. As children are more price responsive, it's estimated that a 10 percent price rise would reduce demand by 14 percent.

### Recommendation 2. Subsidise nicotine replacement

It is cost effective for governments to widen access to nicotine replacement and other cessation therapies according to a new report. The Royal College of Physicians in London last month said cigarette smoking should be seen first and foremost as a manifestation of nicotine addiction and every bit as addictive as "hard" drugs such as heroin. The report says that all actions aimed at curbing smoking should flow from this recognition of nicotine's central role in the compulsion to smoke. [http://www.rcplondon.ac.uk/pubs\\_nicotine\\_summary.htm](http://www.rcplondon.ac.uk/pubs_nicotine_summary.htm)

## Recommendation 3. Adopt comprehensive advertising bans and increase education

A recent report indicated that tough anti-smoking measures such as using cigarette taxes to fund aggressive anti-smoking media campaigns can help reduce smoking rates. In 1989, California implemented a comprehensive tobacco control program known as Proposition 99, which was funded through an increase in the state cigarette tax. Proposition 99 was associated with an acceleration in the rate of decline of per capita cigarette consumption in California and produced a 10% to 13% long-term reduction in cigarette smoking. (Source: *American Journal of Public Health* 2000; 90:p372-377)

## Aggressive campaigns work

The National Academy of Sciences Institute of Medicine report *State Programs Can Reduce Tobacco Use* showed that the best evidence for the effectiveness of state tobacco control programs came from comparing states with different intensities of tobacco control, as measured by funding levels and "aggressiveness". (Source: [http://books.nap.edu/html/state\\_tobacco/](http://books.nap.edu/html/state_tobacco/))

## Kids less likely to smoke if price high

A NSW Cancer Council funded study shows that high school students who smoke are more likely to have more than \$20 a week pocket money confirming the price sensitivity of teen smoking. (Source: *Australian and New Zealand Journal of Public Health, February 21, 2000*)

## Vic foots \$3.2B tobacco use bill

Tobacco use costs Victoria more than \$3.2B a year, according to a new report *The Social Costs of Tobacco in Victoria and the Social Benefits of Quit Victoria*. Authors David Collins and Helen Lapsley found the total smoking costs in 1992 were \$3.2 b, almost 5% more in real terms than the costs in 1988. The report found taxes paid by smokers were far less than the total costs of tobacco to Victoria with business bearing about 33% of the tangible costs, or over \$750 million. Expenditures on Quit Victoria were found to yield extremely high social rates of return.

## Instant healthcare savings

Effective anti-smoking programs would immediately pay for themselves by reducing the number of low birthweight babies and cutting the incidence of heart disease, according to a new study by UC San Francisco researchers. The research analysed the 1990 California Linked Perinatal Data showing the percentage of low weight births in the state for that year, and added short-term cost of caring for those babies. (Source: *Pediatrics*, December 1999)

## Hot Docs: Smoke giants collude over secret deal for 25 years

New documents reveal that at a 1977 meeting with representatives from all major international tobacco companies, UK tobacco companies wanted to admit the link between smoking and disease, but were overruled by their more powerful US counterparts. The conspiracy to deny the health effects through front groups set the scene for the next 25 years. (Refer [http://www.pmdocs.com/PDF/2024266422\\_6428.PDF](http://www.pmdocs.com/PDF/2024266422_6428.PDF)).

## Parliamentary Questions Service

If you would like assistance with a tobacco-related question please contact ASH on 02 93341876

Visit [www.ashaust.org.au](http://www.ashaust.org.au) for copies of newsletters, links to references, tobacco industry documents, fact sheets, media releases, tobacco and health policies and links to international, national and state organisations committed to tobacco control.

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