

TOBACCO CONTROL- THE ROLE OF PRICE

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TOBACCO FREE SOCIETY

TOBACCO AND HEALTH EFFECTS

- Sickness and Disease
- Poverty and Disadvantage
- Addiction and Inequality

DISEASES RELATED TO SMOKING

- Coronary Heart Disease
- Cancer
- Chronic Obstructive Pulmonary Disease
- Cerebrovascular Disease (Strokes)
-
- Abdominal Aortic Aneurysm
- Atherosclerosis
- Pneumonia
- Respiratory Effects in Uteri
- Respiratory Effects in Childhood

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US Surgeon General's Report, 2004



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CANCERS RELATED TO SMOKING

Lung

Bladder

Cervix

Esophagus

Kidney

Larynx

Acute Myeloid Leukemia

Oral Cavity and Pharynx

Pancreas

Stomach

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DISEASES RELATED TO SMOKING

- **Reproductive Effects:**
 - Fetal Death and Stillbirths
 - Reduced Fertility
 - Low Birth Weight
 - Pregnancy Complications

DISEASES RELATED TO SMOKING

- **Other Effects:**
- Macular degeneration
- Cataract
- Diminished Health Status
- Hip Fractures
- Low Bone Density
- Peptic Ulcer Disease



PRICE AND TOBACCO TAXATION

TAXATION OF TOBACCO

- Easy to administer
- Easy to justify
- Low price elasticity

ROLE OF TAXATION IN TOBACCO CONTROL

- To raise revenue
- To discourage consumption
- To recoup 'externalities'

TAXES

Consumption or Indirect taxes-

Excise -specific fixed based on quantity
-ad valorem- % of some price

Value added tax (VAT)-of price (21%)

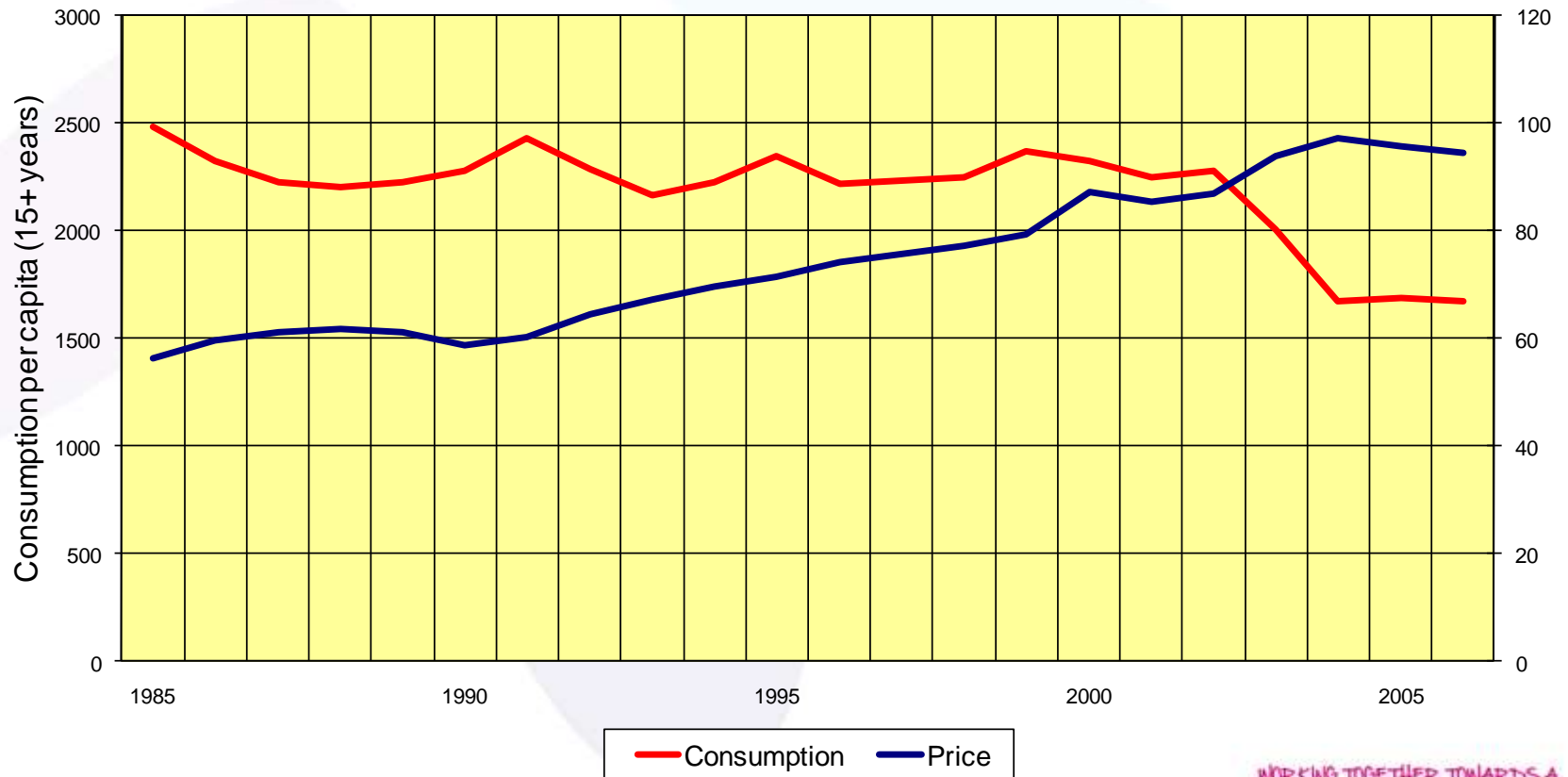
Customs duties

EFFECTS OF PRICE RISE

Price increase of 10% would

- reduce consumption by 3.5%
- increase smuggling marginally (1-2%)
- increase tax revenues by 10%

Cigarette consumption & Real price Ireland 1985-2006



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COSTS OF SMOKING

- Private costs
- Quasi-external Costs
- ‘Externalities’

PRIVATE COSTS

- Cost of cigarettes
- Mortality costs
- Disability costs
- Medical care costs
- Social security costs
- Pension outlay
- Life insurance outlay

QUASI-EXTERNAL COSTS

- Spouse mortality cost
- Spouse disability costs
- Social Services Survivor benefit
- Pension spouse benefit
- Infant deaths
- Medical expenditure

EXTERNAL COSTS

- Work loss
- Productivity losses
- Social Services outlays
- Income taxes
- Life insurance

PROBLEMS WITH INCREASED TAXES

- *CPI*
- *Inflation*
- *Regressive*
- *N D D P*
- *Smuggling*

REMOVAL OF TOBACCO FROM CPI

- Denormalisation of smoking
- Anti – inflationary
- Freedom to use Taxation as a P.H. instrument
- Marker of Tobacco Control intent

REGRESSIVE TAX

Cessation services

Social reliefs

Transport

Child care

Tobacco Smuggling

Issues and Evidence

Joy de Beyer
World Bank
International Conference
on Illicit Trade
New York, July/Aug 2002



METHODS OF MEASURING SMUGGLING

1. Comparison of tax paid sales and individually reported consumption measures
2. Survey of tobacco users' purchase behaviours – representative surveys of tobacco product users collecting information on various aspects of purchase behaviour, including purchase source and price
3. Observational data collection – in representative surveys, tobacco products can be examined through tax stamps, local warning labels, other pack markings
(Show your pack, Empty pack survey)

CAUSES OF SMUGGLING

- Corruption
- Ready supply of poorly controlled cigs
- Industry complicity
- Price

SMUGGLING AND THE INDUSTRY

- Lowers prices to consumer directly
- Keeps prices lower by pressure on Government
- Does not matter to industry if seized as price paid and more demand.
- 30% of Tobacco exports not accounted for in imports!

PRICE RISE- INCREASE IN TAX

- Price elasticity results in :
- Increase in revenue
- Some Increase in smuggling
- BUT
- Decrease in consumption

Social Cost

\$40 per pack
of cigarettes

CONCLUSIONS

- Tobacco smoke cause disease, disability and death
- Adverse social effects can persist long after a person has stopped smoking
- The economic costs persist even after death