

Consultation Submission – Response from the Institute of Economic Affairs to the Independent review into the Standardised Packaging of Tobacco

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Executive summary

Claims made about the efficacy of standardised packaging as a health measure fail to distinguish between stated preferences and revealed preferences.

There is no evidence that the surveys and experiments that indicate that people find standardised packaging to be less attractive have translated into reduced smoking uptake or increased smoking cessation in Australia.

Emerging real world evidence indicates that standardised packaging leads to a rise in counterfeit cigarette production and sale which are likely to damage health by (a) making cigarettes more available to minors, (b) making cigarettes even more hazardous to smokers.

Purely from a health perspective, it is likely that the net effect of standardised packaging will be negative or, at best, zero.

The claims

Proponents of standardised packaging argue that the policy will lead to consumers being repelled by the imagery on cigarette packs and therefore deterred from smoking. It is also claimed that smokers' attention will be increasingly drawn to the graphic warnings and they will therefore be inspired to quit. A number of experiments, and one real world survey, have been cited to support these beliefs. Unfortunately, the proponents make the mistake of confusing stated preferences (what people say they will do) with revealed preferences (what people actually do).

Each time the anti-smoking lobby has wanted warnings on tobacco packaging enlarged or made more gruesome, they have pointed to evidence from surveys and behavioural experiments which show that people find the new pack design more off-putting than the old. In a typical study, members of the public are shown the latest prototype and their reactions are recorded. Nonsmokers are asked to imagine how they would feel about the warnings if they were smokers and smokers are asked if the new packs make them "think about quitting". Invariably, the majority of respondents say that they noticed the new warnings more than the old warnings. This is not surprising—they have long since become accustomed to the old ones.

It does not require a focus group to tell us that large things are more noticeable than small things or that photos of rotting teeth and gangrene tend to elicit feelings of disgust. The question is not whether gory warnings grab people's attention when they first see them,

nor whether they make smokers think about quitting (smokers often think about quitting), but whether smokers actually quit and nonsmokers do not start. But when the changes have been brought in, there has been little or no measurable effect on behaviour.

A comprehensive study in Canada, the first country to introduce graphic warnings, found that “the warnings have not had a discernible impact on smoking prevalence.”¹ A similar study in Britain found that those who saw the warnings said that it put them off smoking, and some smokers said that it made them think about quitting, but when it came to actually increasing the quit rate, the warnings made no difference. As the researchers noted: “With the exception of an increase in avoiding the messages, there were few behavioural changes post implementation of the pictures.” They continued: “There were few changes post implementation of the picture health warnings in the number of health effects recalled or participant’s perception of risk... There were no differences post implementation of the picture health warnings in the number of smokers reporting forgoing a cigarette when about to smoke one or stubbing out a cigarette because they thought about the health risks of smoking... Among young people, the impact of picture health warnings was negligible.”²

The studies cited as evidence for standardised packaging are of exactly the same calibre as those used as evidence for graphic warnings. In a typical experiment, researchers do little more than show branded and unbranded cigarette packs to a focus group and ask them for their thoughts. A number of studies involve images of different packs being flashed up on a screen and participants being asked to recall what the warning labels said. Some find that plain packaging improves recollection of warnings³, others do not.⁴

One problem with the survey-based approach of the plain packaging ‘science’ is that respondents can easily guess the purpose of the experiment and are therefore more likely to give what they think is the ‘right’ answer. A more fundamental flaw is the implicit assumption that people who prefer branded packs to plain packs will not buy cigarettes if branding is banned. This is a leap of faith, to say the least—even the Department of Health describes the evidence as “speculative”⁵—and the young people who participate in these surveys know it. A study of Canadian and American school children found that the majority agreed that standardised packaging made cigarette packs look “more boring” and

¹ Gospodinov, N. and I. Irvine (2004), ‘Global health warnings on tobacco packaging: Evidence from the Canadian experiment’, *Topics in Economic Analysis & Policy*, 4 (1), Article 30

² Wardle, H. (2010), ‘Evaluating the impact of picture health warnings on cigarette packets’, *Public Health Research Consortium*, June

³ Goldberg, M., J. Liefeld, J. Madill and H. Vredenburg (1999), ‘The effect of plain packaging on response to health warnings’, *American Journal of Public Health*, 89: 1434. Munafo, M., N. Roberts, L. Bauld and U. Leonards (2011), ‘Plain packaging increases visual attention to health warnings on cigarette packs in non-smokers and weekly smokers but not daily smokers’, *Addiction*, 106 (8): 1505-10

⁴ Rootman, I. and B. Flay (1993), ‘A study of youth smoking’, University of Toronto: 9. Beede, P. and R. Lawson (1992), ‘The effect of plain packaging on the perception of cigarette health warnings’, *Public Health*, 106 (4): 315-22

⁵ Department of Health (2008), *Consultation on the future of tobacco control*: 41

“uglier”, but when asked what impact it would have on youth smoking rates, 71 per cent said that it would make no difference at all.⁶

Most studies which involve direct questioning find that the majority of respondents expect standardised packaging to have no effect on smoking prevalence and cigarette consumption even though they generally find the packs less attractive. This includes ASH’s own “citizen’s jury” who were “sceptical that branding encouraged people to start smoking or to continue smoking and so did not believe that plain packaging would reduce the number of smokers significantly.”⁷

If there were a direct link between packaging design and smoking uptake, we would expect people who take up smoking to purchase the packs that they find attractive. In fact, the opposite occurs. A recent study commissioned by the Irish Cancer Society, which was cited as evidence that standardised packaging ‘works’, actually showed that young smokers do not purchase the cigarettes that have the ‘best’ branding, but consume whichever cigarettes they can obtain from friends and family.⁸ If they are able to buy cigarettes, they tend to buy cigarettes which have - by these smokers’ own admission - “cheap looking”, “garish” and “dull” designs (because these brands are cheaper). The study noted that “limited spending power means most have to settle for realistic, affordable choices rather than their desired luxury brands. Examples of brands that fall within this category include Mayfair and Amber Leaf tobacco. Both brands were the most widely smoked brands by the teens who took part in the focus groups. The packaging for both of these brands was generally considered to be cheap looking and poorer quality. Amber Leaf was described as old fashioned, with cheap looking on pack imagery, garish yellow colours and packaging style being the primary drivers of this impression. Mayfair packaging was considered plain and dull.” Confronted with the standardised packs, the smokers in the sample group said “that they will eventually become desensitised to the on pack messages and many claim they will just purchase tins/personalised boxes to carry their cigarettes in.”

Since Australia introduced standardised packaging, campaigners have made much of a survey which, they say, show that the policy ‘works’.⁹ This telephone survey of smokers, which was conducted just before and just after the new packs were introduced, found that 57.1 per cent of those smoking from branded packs were “seriously considering quitting in the next 6 months”, whereas this rose to 68.8 per cent for those smoking from standardised packs. Considering the size and expense of the policy intervention, the difference between these two figures is very small and a careful reading of the study shows that the smokers who had never tried to quit - and who were therefore more committed smokers - were much more likely to buy branded packs than ‘plain’ packs. In

⁶ Rootman, I. and B. Flay (1993), ‘A study of youth smoking’, University of Toronto: 7

⁷ ASH, *Beyond Smoking Kills*, p. 38

⁸ Irish Cancer Society (2013), ‘The impact of tobacco branding and standardised packaging on young people’, September

⁹ Wakefield, M., L. Hayes, S. Durkin and R. Borland (2013), ‘Introduction effects of the Australian plain packaging policy on adult smokers: a cross-sectional study’, *BMJ Open*, 22 July

other words, there was reverse causation - those who were less likely to quit either stockpiled branded packs or continued to seek out branded packs while they were still available. Perhaps still more important is the fact that all the people in the survey were smokers and therefore, by definition, the policy had not 'worked' on any of them—unless by 'worked' we mean changing the stated preference of 11 per cent of smokers without changing their revealed preference. Stated preferences are never more meaningless than in the field of smoking where around 97 per cent unassisted quit attempts end in failure and there is strong social pressure to express anti-smoking sentiments. We trust that the government is more interested in whether people actually quit (or never start) than in whether it briefly makes a few smokers express an aspiration.

Real world evidence

Prior to Australia bringing in standardised packaging, it was plausibly predicted that public health would suffer for two reasons. Firstly, that because cigarette manufacturers would not be able to distinguish their products on anything other than price, there would be a general lowering of prices which might lead to more cigarettes being smoked. Secondly, that because there would be essentially only one pack design to counterfeit, counterfeiters would be able to manufacture illicit products more cheaply and there would be lower barriers to entry for other black marketeers, thus increasing supply and lowering prices.

While both of these may have happened, the evidence that has so far appeared suggests that something else has also occurred. A report by KPMG showed how the black market for tobacco in Australia has changed since standardised packaging came in.¹⁰ The key points are that the illicit market has increased in size since 2012 (from 11.8 per cent of the market to 13.3 per cent) and there has been neither a rise nor a decline in overall tobacco consumption since standardised packaging was introduced. But perhaps the most interesting aspect of the report is what it says about how the black market has changed in response to standardised packaging.

Traditionally, the Australian illicit tobacco trade has revolved around smuggled cigarettes and 'chop chop' - bags of loose tobacco for hand-rolling. According to KPMG, sales of chop chop declined by 40 per cent in 2013, but this was more than compensated by a rise of 154 per cent in the sale of manufactured 'illicit whites' - ie. ready-rolled cigarettes that either imitate existing brands (counterfeit) or are completely fake brands. For example, there is a brand called Manchester in Australia that has a 1.4 per cent market share. This brand is illegal and completely fake. There has never been a legitimate brand called Manchester.

This raises the question of why counterfeiters are creating fake brands rather than imitating existing brands. Perhaps it is because smokers do not like the standardised

¹⁰ KPMG (2013), 'Illicit trade in Australia', October

packs - no one denies that they are less attractive - and prefer to have something that is more traditional (these brands tend to have no graphic warnings). Or perhaps there is some kudos in buying a brand that is patently illegal as a symbol of non-conformism. Whatever the reason, the decline of chop chop and the rise of the fake brands suggest that the illicit trade is changing in ways that cannot be explained by high taxes alone (although the report notes that the price of contraband tobacco has risen by 29 per cent since March 2010, thereby giving further incentives to smugglers and counterfeiters). The Manchester brand was not entirely unknown before standardised packaging came in - it had a 0.3 per cent share in 2012 - but it has grown at an uncanny pace since.

The dangers of counterfeit cigarettes are well known. Chemical analyses of these products show that they contain two, three or even ten times the level of heavy metals found in legitimate brands.¹¹ It has been estimated that smoking 20 of these cigarettes is as bad for one's health as smoking 100 legal cigarettes.¹² Furthermore, these brands are cheaper than legitimate brands and are distributed by criminals who have no qualms about selling to children. Therefore, in addition to the problem of lost tax revenue, there are serious health implications from a policy that encourages the production and purchase of counterfeit cigarettes.

Conclusion

The evidence that standardised packaging will reduce smoking by encouraging cessation or deterring uptake is unconvincing. It relies on the dubious premise that people start smoking because of cigarette packaging (much of which is already taken up with graphic warnings) and all existing studies have been hypothetical by nature. We are not aware of any evidence showing that smokers give up smoking as a result of this policy, nor are we aware of any evidence showing that would-be smokers have been deterred from purchasing cigarettes.

By contrast, there are plausible mechanisms by which standardised packaging could increase the risks of smoking, increase smoking prevalence and increase underage uptake by boosting the contraband and counterfeit cigarette market. This is supported by the emerging evidence from Australia.

¹¹ Pappas, R. S. (2007), 'Cadmium, lead, and thallium in smoke particulate from counterfeit cigarettes compared to authentic US brands', *Food and Chemical Technology*, 45: 202-209

¹² Seager, A. (2004), 'Poisoning risk from smuggled cigarettes', *The Guardian*, 16 December