Policies on access and prices

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Access policies

• Youth access laws: designed to limit the availability of tobacco from commercial sources to minors.

Tax and price policies

• Designed to decrease tobacco products’ Affordability

Cost of cigarettes relative to per capita income
Youth access policies

• **FCTC (Art. 16.1)**

Each Party shall adopt and implement effective legislative, executive and administrative or other measures at the appropriate government level to prohibit the sales of tobacco products to persons under the age set by domestic law.
Effectiveness of access policies

- Youth access interventions are not associated with a consistent reduction in youth smoking prevalence
  - Low compliance?
- Fichtenberg and Glantz (2002): no evidence that increased compliance is associated with decreased prevalence
• No statistically significant relationship between merchant compliance and 30-day smoking prevalence
• No evidence that an increase in compliance is associated with a decrease in 30-day smoking prevalence

More than half of adolescent smokers rely exclusively on social sources

Commercial sources vs Social sources

• Youth restrictions: relatively inexpensive to legislate but costly to enforce and **no solid evidence of effectiveness**
FCTC (Art. 16.4)

The parties recognize that in order to increase their effectiveness, measures to prevent tobacco product sales to minors should, where appropriate, be implemented in conjunction with other provisions contained in this Convention.
Tax and Price Policies

Affordability:
Cost of cigarettes relative to per capita income

Goal: To make tobacco less affordable
To keep affordability at the same level:

- Price should increase with **inflation rate**
  - tobacco does not become cheaper than rest of products

- Price should increase with the rate of real per capita **income growth** in the economy
  - tobacco does not become cheaper in relation to one’s earnings
• When taxes are increased, manufacturers transfer the increase to the consumer by increasing the price

• When facing a higher price, consumers react by reducing their consumption.
Increasing taxes to increase price

- The single most cost-effective measure
  - The cost of implementing a price increase of 10% ranges from $10 to $87 per saved DALY (disability-adjusted life years) in Latin America and the Caribbean

- Cost-effectiveness of other public health interventions:
  - Child immunization: $25 per saved DALY
FCTC (Art. 6)

– The Parties recognize that price and tax measures are an effective and important means of reducing tobacco consumption by various segments of the population, in particular young persons.
Higher taxes …

✓ Induce quitting
✓ Prevent relapse
✓ Reduce consumption
✓ Prevent starting

In USA, 10% increase in price reduces …
• smoking prevalence among youth by nearly 7%
• conditional demand (Q smoke by a tobacco user) among youth by over 6%
• probability of any initiation by about 3%
• probability of daily smoking by nearly 9%
• probability of heavy daily smoking by over 10%
• An increase of 10% in prices causes the quantity demanded to fall by:
  – 4% for high-income countries, 8% for low-income countries
  – Argentina, Brasil, Chile & Uruguay: 4.2% – 4.9%
  – Bolivia: 8.5%

*Price-elasticity of demand: change in quantity consumed because of a variation in prices (everything else unchanged)*
The effect is greater among young people and low income population.

- 4% for whole population vs 6% for young persons (US)
- Lower disposable income
- (some) be less heavily addicted
- More present oriented behavior
- More susceptible to peer influence
How affordable are tobacco products worldwide?

Are they becoming more or less affordable?

- Real Price, Price in dollars, Price adjusted for purchasing power
- Price in relation to income
  - % of Income (GDP per capita) necessary to buy 100 packs of cigarettes
In countries where tobacco taxes have been used as public health instruments, cigarettes are less affordable than one would expect: in UK and New Zealand cigarettes are less affordable than in Brazil and Mexico.
Figure 1 Cost of 100 packs of cigarettes as a percentage of per capita GDP, average for 1999-2001. Source: EIU and World Bank.
What matters is making sure cigarettes don’t become more affordable, taxes should be adjusted to keep up with:
- income increases
- inflation

Poor economy
Healthy Economy + tax/price policies

Less affordable

South Africa

UK

New Zealand

More affordable

Healthy economy
In most developed countries, tobacco taxes (excise + VAT) represent 70 to 80% of the retail price.

Especially high in countries where taxes had been used as public health instruments.

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Cigarette Tax\(^1\) as Percentage of Retail Price

Selected European (03), Latin American (03) and Caribbean (99) Countries

\(^1\)Includes Excise + VAT taxes.

From 1990 to 2001, slight evidence that cigarettes have become:

– less affordable in high income countries and
– more affordable in low and middle income countries.

As economy improves in middle and low income countries, governments should impose sufficient excise tax increases to ensure cigarettes are not becoming more affordable.
Summary

• **Youth Access policies**
  – Costly to enforce
  – No consistent evidence regarding their effectiveness
  – Should be implemented in conjunction with other policies that have proven effectiveness (taxes and smoke-free workplaces and homes)

• **Tax and price policies**
  – Proven effectiveness particularly in reducing consumption among young population
  – Highly cost-effective (reduce consumption with relatively small amount of money)
1. Trevor Woollery, Samira Asma and Donald Sharp (2000). Clean indoor-air laws and youth access restrictions
http://www1.worldbank.org/tobacco/tcdc/273TO286.PDF

http://pediatrics.aappublications.org/cgi/reprint/109/6/1088


4. Power point presentations on Tobacco Taxation and Youth Smoking, by Frank Chaloupka, Impact Teen
http://www.paho.org/english/ad/sde/ra/Tobmeasures.htm#Tobacco%20Taxation

5. Ranson, Jha, Chaloupka and Nguyen (2000). The effectiveness and cost-effectiveness of price increases and other tobacco-control policies
http://www.paho.org/english/ad/sde/ra/Tobmeasures.htm#Tobacco%20Taxation
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Pan American Health Organization