

Standardised tobacco retail pricing



George Thomson, Louise Delany Richard Edwards

University of Otago, Wellington, New Zealand

Cynthia Callard

Physicians for a Smoke-Free Canada, Ottawa, Canada

george.thomson@otago.ac.nz

IUHPE Conference, Rotorua, April 2019

Background:

Tobacco tax increases are effective in:

- decreasing smoking prevalence
- reducing inequities



But tobacco companies undermine this policy by:

- introducing ‘budget’ brands,
- differentially increasing prices (e.g., lower increases for budget brands),
- offering price discounts
- gradual retail price increases

Background

Tobacco price regulation is possible by:

- *Minimum* tobacco retail price laws (allows price range)
- *Maximum pre-tax price* (profit cap on manufacturers – still allows price range and uncontrolled retailer profits) *Gilmore et al*
- Capping profits at all stages including retail (still allows price range of products)
- Fixing retail prices – the intervention examined today



Background

- Price regulation systems are widely used to:
 - control ‘excessive’ commercial profits
 - protect communities faced with private monopolies or restricted markets (eg, power or other networks)

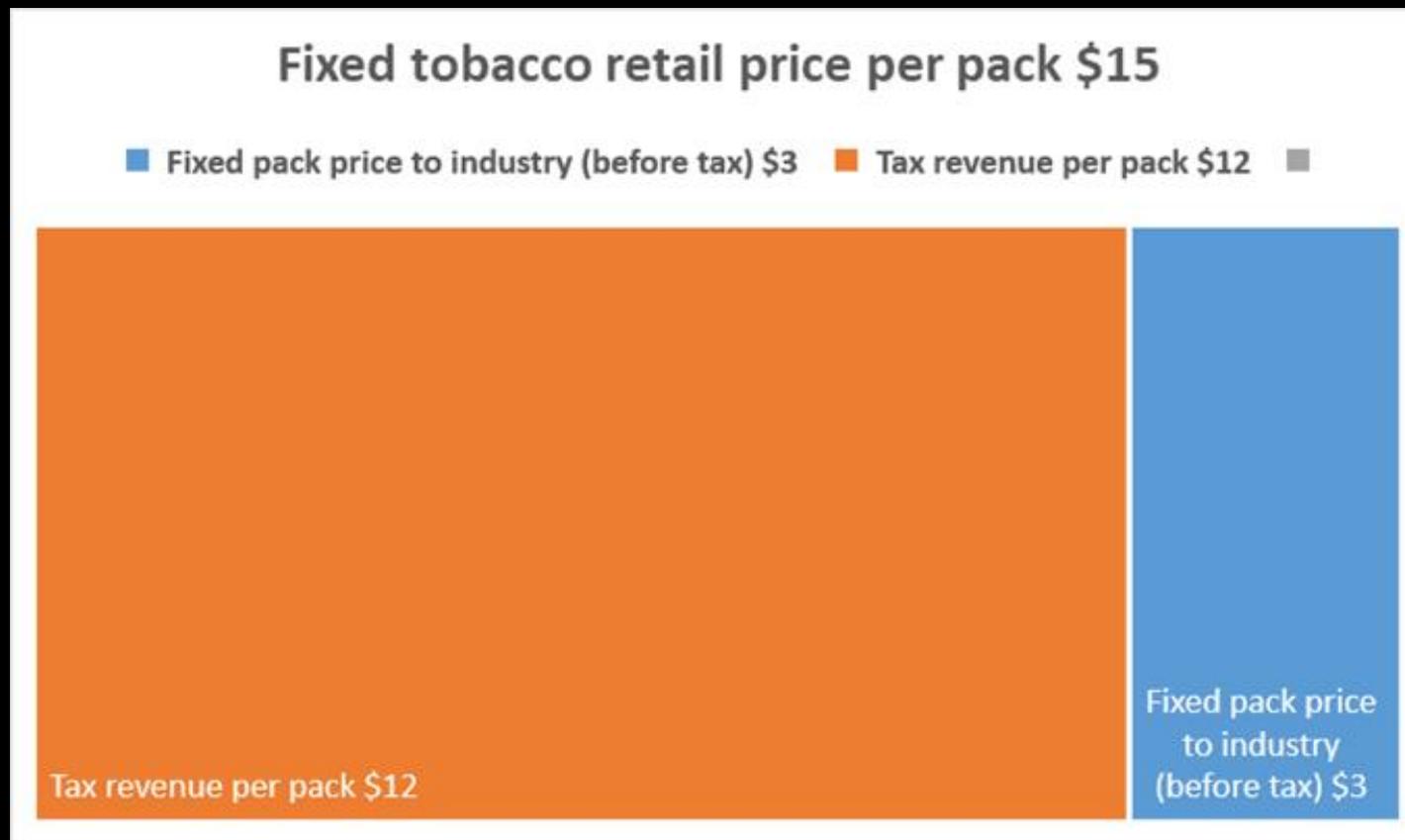
Intervention: *Fixed* tobacco prices

Tobacco retail price standardisation by law would:

- *Fix* a retail price per weight of tobacco *including* tax, regardless of brand
- And thus fix a price/weight *before* tax for the whole industry (shared by the whole chain of manufacturers, wholesalers and retailers)

Example of a fixed retail price per pack (20 cigarettes) of \$15

with \$12 tax revenue and the \$3 industry share



How to fix the price?

The basis for the fixed price calculation by government could be:

- The costs involved to the industry (production, distribution)
- *Not* including marketing costs (including brand value)
- A much smaller profit than now
- Legislation would put the onus on industry to prove greater costs



Necessary additional policies



Along with the standardised retail price per weight, it would be necessary to have a regulated standard:

- Cigarette *pack weight* (for a standard number of cigarettes)
- Weight of loose tobacco per *pouch* (eg, 50gm)

This would ensure that the industry could *not* market lower priced *products* by reducing pack or pouch weights

Part of a comprehensive tobacco policy

The intervention should also be accompanied by a comprehensively supportive environment for smokers to quit, including:

- The recycling of tobacco tax revenue
- Removal of other tobacco marketing, eg:
 - Limited and/or non-profit retail dispensing
 - Removal of flavours
 - Requiring standard cigarettes



Implications

Active control of tobacco retail prices would

- Move **financial and political power** from the tobacco industry to governments
- Make **tobacco tax increases** more effective
- Prevent **marketing by price**

Further implications

- The control of profits would encourage the movement of investors away from tobacco companies



- The strategy would allow a greater ability to raise tobacco tax revenue than in the conventional unregulated retail price system

(from the same price, the industry would have less revenue and the government more)

Summary

Governments

- Need to control tobacco prices
- Could *fix* a standard retail price per weight

This could prevent tobacco marketing by price and limit industry profits

