Standardised Tobacco Packs: The Australian Experience (January 2014)

Australia became the first country to introduce standard packs in December 2012. Early research shows that they appear to make cigarettes less appealing.

It will take time to see the full impact of standardised packaging. The removal of branded packs will not erase overnight the years of exposure many young people have had to tobacco marketing.

The tobacco industry has commissioned and funded reports misrepresenting the size of the illicit tobacco market. The latest by KPMG LLP uses questionable methodology, which is likely by design to overestimate the illicit market in Australia.

Background

On 1st December 2012 Australia became the first country in the world to introduce standardised packaging for tobacco products.

In August 2012, Australia’s High Court dismissed constitutional challenges brought by tobacco companies, awarding costs in favour of the Australian Government. The industry is encouraging further challenges through the World Trade Organisation (WTO) and under the Australia-Hong Kong Bilateral Investment Treaty, but these are also considered likely to fail.

Legal challenges from the tobacco industry are designed to make governments submit to ‘regulatory chill’. As the Director-General of the World Health Organisation (WHO), Margaret Chan has said: “High-profile legal actions ... are deliberately designed to instil fear in countries wishing to introduce similarly tough tobacco control measures”. The WHO strongly backs standard packs and standard packs are recommended under Article 11 of the WHO Framework Convention on Tobacco Control (WHO FCTC). The UK is one of 177 nations that have ratified this unique global health treaty.

Evidence of impact since implementation in Australia

It will take time to see the full impact of standardised packaging as the removal of branded packs will not erase the years of exposure young people have already had to tobacco marketing. Standard packs are not a ‘silver bullet’, but rather a vital measure which forms part of a comprehensive tobacco control strategy.

Early research from Australia revealed that smokers using standard packs were 70% more likely to say they found their cigarettes less satisfying. Furthermore, smokers using standard packs were 81% more likely to rate quitting as a higher priority in their lives than smokers using branded packs.

A survey conducted on behalf of the British Heart Foundation was undertaken in the UK and Australia, comparing the attitudes of 2,500 under-18s to cigarette packs and the health warnings they carry. The polling found that:

- Only 36% of UK teenagers are deterred from smoking by current [branded] cigarette packs, compared to 48% of teenagers in Australia, where packs are almost entirely covered by graphic warnings (i.e. standardised packaging).
- In Australia 59% of under-18s thought the new packs would make people their age less likely to smoke and 66% of Australian teens think that standard packs should be introduced elsewhere in the world.
- 10% of teenagers in the UK make the incorrect assumption that certain cigarette brands are healthier than others – twice as many as Australian teens.

In the days after the introduction of standard packaging, Australian Health Minister Tanya Plibersek reported a “… flood of calls ... accusing the Government of changing the taste of cigarettes. Of course there was no reformulation of the product. It was just that people being confronted with the ugly packaging made the psychological leap to disgusting taste.”
Evidence of impact on retailers in Australia

A study which looked at product retrieval time in small tobacco retail outlets before and after the implementation of standard packs in Australia showed that product retrieval time (i.e. the time taken for a retailer to serve a customer their tobacco product) returned to the baseline level by the second week of implementation. The study found that retrieval times in December 2012 - when standard packs were implemented - did not differ to June 2012 (pre-implementation) or February 2013 (post-implementation).

These findings are coupled with those from an earlier Australian study published in the journal BMJ Open, which showed that between October 2012 and January 2013 - as shops transitioned from branded to standard packs - the average staff selection times for packs decreased from 8.94 to 7.39 seconds. These results back-up earlier peer-reviewed research. In Australia standard packs have been introduced alongside the removal of tobacco displays, making the situation comparable with the UK, which will complete the removal of tobacco displays (in small shops) by April 2015.

Further studies from Australia

A study published in the journal Addiction surveyed 1203 adult smokers on their rating of cigarette brands, smoking attitudes and intentions and purchase intent. Compared to branded packs, standard packs reduced smokers’ ratings of ‘positive pack characteristics’, ‘positive smoker characteristics’ and ‘positive taste characteristics’. Presentation of only standard packs increased the likelihood that smokers would not choose to purchase any pack (20.3%) compared to presentation of only branded packs (15.3%).

A 2011 study which looked at the impact of pack shape on young adult smokers found that pack openings affected the perception regarding the quality of the cigarettes, and also the extent to which the impact of health warnings were detracted. The standard ‘flip-top’ was rated significantly lower in distracting from warnings than all other openings. Significant differences were found between the pack shapes on attractiveness, perceived quality and distraction from warnings.

Tobacco industry funded reports

A study by consultancy London Economics commissioned by Philip Morris International asserted that the adult smoking rate in Australia had not changed in the 8-months following implementation of standard packaging regulations. However, neither the Australian government nor the health community had expected a significant change in smoking prevalence so soon after the change in the law. The London Economics study did, however, find an increase in the proportion of smokers who noticed the health warnings, from 42.9% prior to implementation to 60.5% 4-months after the law took effect. This is in line with the expected outcome, demonstrating that standard packs have helped increase the saliency of the health warnings and reduced the appeal of smoking.

The illicit trade: the KPMG LLP report

In November 2013 KPMG LLP released its latest tobacco industry funded report on the subject of the illicit tobacco market in Australia. The report, Illicit Tobacco in Australia, was commissioned by British American Tobacco Australia (BATA), Philip Morris Limited and Imperial Tobacco Australia.

Following previous tobacco industry commissioned reports on this issue, the methodology used in this report is likely to produce an overestimation of the size of the illicit market in Australia. Importantly, the KPMG LLP study draws no conclusion about the impact of standard packaging on illicit tobacco, but this has not stopped BATA from drawing inferences that there is a connection between the illicit trade and the implementation of standardised packaging. In its media release BATA notes that “The first report on illegal tobacco released since the introduction of plain packaging last year shows the problem has worsened with the tobacco black market now booming ...”. Furthermore, the report itself notes that there has been a gradual increase in illicit tobacco consumption in Australia since 2007. So any increase in illicit tobacco predates the introduction of plain packaging.

The report’s conclusions are drawn from two surveys: an internet survey of smokers and a survey of discarded packs. A critique of the KPMG report by Quit Victoria found that the online survey appeared biased towards people who were more likely to use unbranded tobacco rather than being representative of all smokers. Furthermore, the Empty Packs Survey is unlikely to be representative of all packs used in Australia. Such surveys are flawed because the results are affected by the choice of venues for sample collections: in this case the packs were collected from parks and those
dropped in the street. The prevalence of foreign packs in litter may be due to an increase in travel and increase in legal overseas purchases rather than any increase in illicit purchases. All of these factors point towards a probable over-estimation of the size of the illicit tobacco market in Australia.

The report itself includes a disclaimer that it was written to meet “... specific terms of reference ...” agreed between its tobacco industry funders and KPMG LLP. It goes on to warn that:

“The Report should not therefore be regarded as suitable to be used or relied on by any other person or for any other purpose. The Report is issued to all parties on the basis that it is for information only. Should any party choose to rely on the Report they do so at their own risk [emphasis added]”.

Finally, a section of the report claims: “Since 2005, KPMG LLP has led a Pan European assessment of the scale of counterfeit and contraband tobacco on behalf of Philip Morris International Management S.A. (PMI) and the European Commission Anti Fraud Office (OLAF). ‘Project Star’ has been conducted annually since 2006 by KPMG for PMI, the European Commission and the 27 EU Member States”. This is misleading as the KPMG reports ['Project Star'] have been commissioned and financed only by PMI and not by the European Commission or member states.

In addition to claims about the illicit market, BATA has asserted that implementation of the Tobacco Plain Packaging Act has not affected legal sales, noting instead that smokers have traded down to cheaper brands. (By contrast, Imperial Tobacco reported that legal sales had fallen by 2-3% in the first six months after the law took effect). But the issue of trading down is not new: in common with other high tax countries such as the UK, the shift to lower cost brands had been increasing long before the introduction of plain packaging and is driven by the price strategies of the tobacco companies. The process may well have accelerated over the past year since, without the branding, high priced premium brands may have lost their appeal, leading smokers to make choices based on price.
References


4 Ibid


