Prohibition or profit motive?
Competing visions for the endgame

Global Forum on Nicotine
6th June 2015

Clive Bates
Counterfactual

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Global cigarette consumption - still rising

Global cigarette consumption - still rising

Global cigarette consumption 1980-2012

Developing countries

Developed countries

The Big Idea
Tobacco-free world 1

A tobacco-free world: a call to action to phase out the sale of tobacco products by 2040

Robert Beaglehole, Ruth Bonita, Derek Yach, Judith Mackay, K Srinath Reddy

The time has come for the world to acknowledge the unacceptability of the damage being done by the tobacco industry and work towards a world essentially free from the sale (legal and illegal) of tobacco products. A tobacco-free world by 2040, where less than 5% of the world's adult population use tobacco, is socially desirable, technically feasible, and could become politically practical. Three possible ways forward exist: so-called business-as-usual, with most countries steadily implementing the WHO Framework Convention on Tobacco Control (FCTC) provisions; accelerated implementation of the FCTC by all countries; and a so-called turbo-charged approach that complements
2040 ‘endgame’ – the story so far

Global cigarette consumption - phase out by 2040

2040 ‘endgame’ – eliminating tobacco

Global cigarette consumption - phase out by 2040

2040 ‘endgame’ – reducing to 5 percent adults

Global cigarette consumption - phase out by 2040

The standard kit bag (FCTC)

Tobacco control policy

**Monitor** tobacco use and prevention policies

**Protect** people from tobacco smoke

**Offer** help to quit tobacco use

**Warn** about the dangers of tobacco

**Enforce** bans on tobacco advertising, promotion and sponsorship

**Raise** taxes on tobacco

- Smoke-free laws
- Reimbursement cessation campaign
- Campaigns
- Health warning labels
- Marketing bans
- Tax increases
Endgame through prohibition
Endgame: How tobacco control sees it...
1. Prohibition
Prohibitions

- No quality standards
- No consumer protection
- Limited or bad consumer info
- No ‘marketing’ controls
- No tax revenue
- Enforcement costs
- Police credibility / compliance
- Disproportionate penalties
- Corruption in law enforcement
- Users harmed by criminalisation
- Ultimately regulated by violence
- Criminal supply chain diversifies
- Gateway?
2. Smoke free generation

Doctors back cigarette ban to those born after 2000

24 June 2014
It may be prohibited but is definitely not gone

Marijuana and cigarettes
US high school prevalence 2013

<table>
<thead>
<tr>
<th></th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>Cigarettes</td>
<td>15.7</td>
</tr>
<tr>
<td>Marijuana</td>
<td>23.4</td>
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</tbody>
</table>

Source: CDC MMWR Youth Risk Behavior Surveillance — United States, 2013
Current use: used at least once in last 30 days
Approximately age 14-18 – grade 9-12
3. Sinking lid

![Diagram showing the effect of a tax on the market for a sinking lid.](image)

- **Quantity**
- **Price**

- **Lid**
- **Tax**

- **$P_0$**
- **$P_1$**
- **$Q_0$**
- **$Q_1$**
4. Reduce nicotine in cigarettes
5. Expropriation
Big Tobacco: half a trillion dollars

Market capitalisation – April 2015 (billion US dollars)

Total = $550 billion
Charter of Fundamental Rights of the European Union

Everyone has the right to own, use, dispose of and bequeath his or her lawfully acquired possessions. No one may be deprived of his or her possessions, except in the public interest and in the cases and under the conditions provided for by law, subject to fair compensation being paid in good time for their loss. The use of property may be regulated by law in so far as is necessary for the general interest.

Fifth Amendment: Takings or Just Compensation Clause

...nor shall private property be taken for public use without just compensation.
What’s the right thing to do?

Right thing to do?
- Legitimate objective
- Appropriate relationship between citizen and state
- Respect for rights, property, liberty
- Harm principle

Right way to do it?
- Unintended consequences
- Proportionate
- Non-discriminatory
- Evidence based
Endgame through profit
Much safer recreational nicotine delivery

1st generation device  2nd generation device  3rd generation device

vapour products  Inhalers  Smokeless tobacco

+ 25 years innovation to come

‘Heat not burn’ tobacco  Novel nicotine products  ‘Crossover’ NRT
Multi-criteria estimate of nicotine product harms....

From analysis of the constituents of e-cigarette vapour, e-cigarette use from popular brands can be expected to be at least 20 times safer (and probably considerably more so) than smoking tobacco cigarettes in terms of long-term health risks.

Professor Robert West
Professor Ann McNeill
Professor Peter Hajek
Dr Jamie Brown
Ms Deborah Arnott
Value proposition: a smoker’s cost-benefit analysis

1. Keep smoking
   - Benefit: nicotine, sensory, taste, ritual, brand-related
   - Cost: illness, money, stigma, addiction

2. Quit smoking
   - Benefit: avoid smoking harm, take control, cash savings
   - Cost: withdrawal, craving, sustained willpower, lost smoking benefits

3. Switch to e-cigs
   - Benefit: most smoking benefits*, no/minor smoking harms, personalisation, buzz, cash saving
   - Cost: addiction?

* Full benefits – subject to continued innovation

“Quit or die”
Global cigarette consumption - still rising

Global cigarette consumption – trend to 2030

Global cigarette consumption and trends – parabolic trend

Cigarette consumption continues on trend

Extrapolation of trend (parabolic curve)

Global cigarette consumption

Hypothetical introduction of new nicotine products

![Graph showing global cigarette consumption and new non-combustible nicotine consumption over the years 2010 to 2030. The graph illustrates a parabolic trend projection from 1908-2012 data from Ng M, Freeman MK, Fleming TD, et al. Smoking prevalence and cigarette consumption in 187 countries, 1980-2012. JAMA 2014; 311: 183–92.]

Hypothetical introduction of new nicotine products

New non-combustible nicotine with high initial but declining growth

This boundary is harder to move.

This boundary is easier to move.

In the long term it may displace smoking

New non-combustible nicotine with high initial but declining growth

Not if, how?
Regulations should protect competition, create conditions for start-ups and modernizing disrupters everywhere.
Diminishing and negative returns to regulation

Net health

Value to society

Net harm

Builds confidence

Compromises design & consumer appeal

Destroys viable firms and products

Sweet Spot

Regulatory costs, burdens and restrictions
Morgan Stanley on FDA deeming regulations

The greater barriers to entry (slower approval process, higher costs, higher product standards), will ultimately take a toll on the number of available products and rationalize the category.

This could result in the larger tobacco companies dominating the category in the future, given the burden it would place on smaller manufacturers.
Opportunity not threat

Regulator
Find that sweet spot

Business
Innovative, competitive
not predatory

Government
Big vision, win big

Consumers
Fight for your interests
and spread the word

Public health
Tell the truth,
focus on disease
Enjoy the disruption!

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