

Submission to the Slovenian Restriction of the Use of Tobacco
(Products) and Related Products Act Inquiry

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1. Introduction

In March 2016 the Republic of Slovenia Ministry of Health announced a proposal to introduce a series of enhanced tobacco control measures. This submission addresses one of those proposals in detail – i.e. standardised packaging known as “plain packaging” in Australia where the policy was introduced in 2012 – and sets out a general theory of the costs associated with tobacco control. Related and previous versions of this paper have been submitted to the Australian Parliamentary Joint Committee on Law Enforcement Inquiry into Illicit Tobacco, and to the Public Consultation on Potential Measures to Enhance Singapore’s Tobacco Control Policies.

Plain packaging policies are often said to promote several objectives:

- Encouraging existing smokers to quit;
- Encouraging former smokers to remain quitters;
- Discouraging individuals from becoming smokers;
- Highlighting health warnings relating to tobacco consumption.

These objectives ultimately are aimed at improving public health and reducing public health expenditure relating to preventable causes of morbidity. While the objectives of the policy are worthy, the reality is that little evidence exists to support the notion that plain packaging as a policy meets those objectives. As I will demonstrate below, despite Australian government assurances and claims to the contrary, rigorous evaluation on the impact of the plain packaging policy in Australia has not shown that the policy met its stated objectives. To the contrary, there is evidence to support the view that smoking prevalence rose in Australia in the year after plain packaging was introduced and only fell after a massive excise increase was introduced in December 2013.

The remainder of this paper is set out as follows.

The model set out in section 2 explains the various trade-offs in tobacco control policy. An institutional theory of tobacco control is outlined that highlights the social costs of tobacco control policy. In environments of no or little tobacco control, consumers may be misled by tobacco companies as to the health consequences of tobacco consumption. An information asymmetry may result in smokers being unaware of the adverse health consequences of their tobacco consumption. Tobacco consumption imposes both internalities on the smoker, and externalities on society. By contrast increased government intervention in tobacco control imposes enforcement costs on the economy that may, or may not, reduce tobacco consumption.

Section 3 highlights over-enforcement of tobacco control in Australia demonstrating that increased tobacco control measures have had little impact on the downward trend of tobacco consumption in Australia.

Section 4 sets out the “official” evidence relating to the standardised packaging experiment in Australia. The standardised packaging policy (called plain packaging in Australia) was introduced in December 2012. Despite the Australian government and the Australian public lobby arguing that the policy has been successful, the evidence they have brought to bear shows no such outcome. Section 5 re-examines some of the evidence collected by the Wakefield tracking study – a AUD\$3 million project commissioned by the Australian Health Department to track the efficacy of the plain packaging policy before, during and after its implementation. This evidence is inconsistent with the plain packaging policy achieving its stated objectives. Finally section 6 concludes.

The evidence presented in this submission demonstrate that despite, and contrary, to the claims made by the Australian government, and the public health lobby, that standardised packaging does not

reduce the prevalence of tobacco consumption beyond any pre-existing trend. Tobacco control policies should focus on providing information to smokers and potential smokers as to the health risks associated with consumption and in levying appropriate taxes to finance any smoking related costs associated with tobacco consumption.

In this submission I have adopted an economic perspective on tobacco consumption as opposed to a public health perspective. The public health lobby views tobacco from a disease perspective. The World Health Organization, for example, talks about the “Global Tobacco Epidemic”. From this perspective it may be entirely sensible to wish to totally eliminate or eradicate tobacco consumption. This is a normative assessment – tobacco consumption is a very different “ailment” to, say, contracting small pox or polio. Unlike tobacco consumers, disease victims do not voluntarily contract their diseases.

Economics strives to be a positive science that investigates human action and choice. It is only through a careful analysis of incentives, constraints, costs, and benefits that choices and decisions can be fully understood. Economics provides a coherent and consistent framework to investigate the totality of any policy choice or decision. It provides, in principle, for a full accounting of the costs and benefits under differing institutional frameworks of different choices and decisions.

From an economic perspective, tobacco consumption is much like consuming any other good or service. There may be an informational asymmetry that results in market failure associated with the consumption of tobacco, but once that information asymmetry is overcome there is no further basis, in economic theory, for government intervention. Any other tobacco control policies are likely to impose unnecessary costs on the economy and distract attention from the primary policies that are likely to be successful.

2. An Institutional Theory of Tobacco Control

In a series of papers Andrei Shleifer (and various co-authors) has developed an institutional theory that posits (efficient) regulation as emerging from societal trade-offs between the costs of private disorder, and the costs of government dictatorship.¹ “Disorder” relates to the ability of private individuals to inflict harm on others, while “Dictatorship” relates to the ability of government and its bureaucrats to inflict harm on citizens. Behavioural responses to government intervention should also be classified as “Dictatorship” costs.

Depending on the relative costs of disorder and dictatorship, different regulatory approaches are more or less appropriate in different circumstances, for different industries, and for different goods and services. What is important to recognise is that government has a role to play in reducing private disorder when private solutions are unavailable, or too costly; subject, of course, to not imposing too high dictatorship costs itself.

This institutional model of regulation, following in the “new comparative economics” literature (see Djankov et al 2003), develops the notion of an “Institutional Possibility Frontier” that maps the various trade-offs in any set of institutions (which could be regulations or policies) aimed at social control in pursuit of some socially desirable end. These socially desirable ends could include, for example, Business Regulation to address negative externalities (Shleifer 2005), Productivity reform (Davidson

¹ Djankov, S., E. Glaeser, R. La Porta, F. Lopez de Silanes, and A. Shleifer, 2003, The new comparative economics, *Journal of Comparative Economics*, 31(4): 595-616.
Shleifer, A. 2005, Understanding regulation, *European Financial Management*, 11: 439 – 451.

2013), Environmental Policy (Davidson 2014), Media Regulation (Berg and Davidson 2015), or Innovation Policy (Davidson and Potts 2015, 2016).² In this submission I apply the same model to Tobacco Control.

The Djankov et al model frames social losses due to state expropriation and private expropriation on the x and y axes of Figure 1 below, and with four institutional orderings for social control (private orderings, independent judges, regulatory state, state ownership) mapped along the Institutional Possibilities Frontier (IPF). The position and shape of the IPF is given by the levels of “civic capital” in the relevant society and the relative transactions and governance costs of the various institutions. A 45-degree line represents points of total loss minimization and the equilibrium tangency with the IPF therefore represents an “efficient” institutional solution.

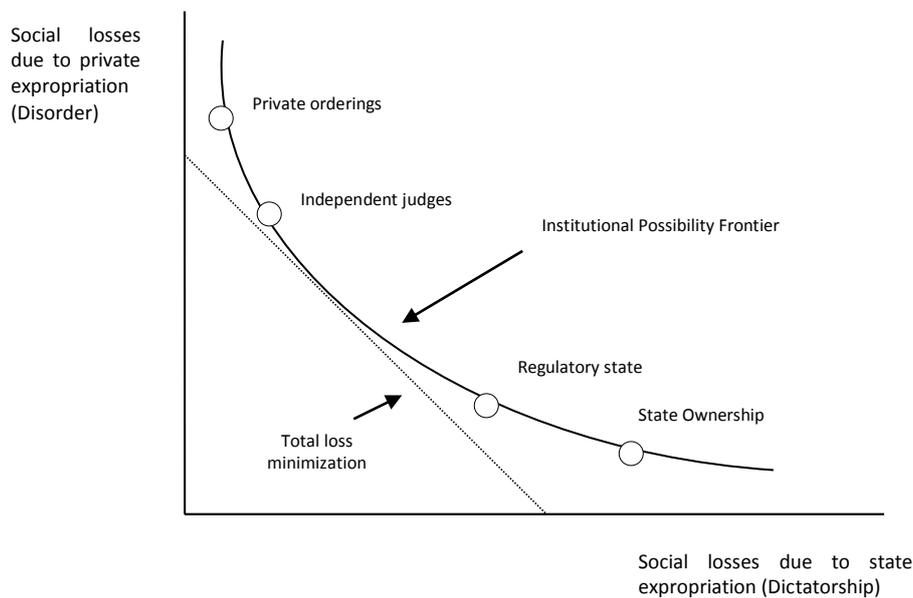


Figure 1. Institutional Possibilities
Source: Djankov et al 2003

Recognising that there are no costless solutions to societal problems or social control is the main feature of this model. It forces analysts to think carefully about the various trade-offs and opportunity costs that any institution of social control imposes. This model makes it very clear that there is no such thing as a perfect or costless institutional form, and that any institution represents some set of compromises between the risks of private expropriation (net of private benefits) and the risks of state expropriation (also net of possible benefits).

² Berg, C. and S. Davidson, 2015, Media Regulation: A Critique of Finkelstein and Tiffen Available at SSRN: <http://ssrn.com/abstract=2669271> or <http://dx.doi.org/10.2139/ssrn.2669271>
Davidson, S. 2013. Productivity enhancing regulatory reform, In Australia adjusting: Optimising national prosperity, – the Committee for Economic Development of Australia.
Davidson, S. 2014. Environmental protest: an economics of regulation approach, Australian Environment Review, 29(10): 283 – 286.
Davidson, S. and J. Potts, 2015, Social Costs and the Institutions of Innovation Policy. Available at SSRN: <http://ssrn.com/abstract=2565574> or <http://dx.doi.org/10.2139/ssrn.2565574>
Davidson, S. and J. Potts, 2016, A New Institutional Approach to Innovation Policy, Australian Economic Review Policy Forum: Research and Innovation, Forthcoming. Available at SSRN: <http://ssrn.com/abstract=2718791>

In figure 2 I apply the model to Tobacco Control.

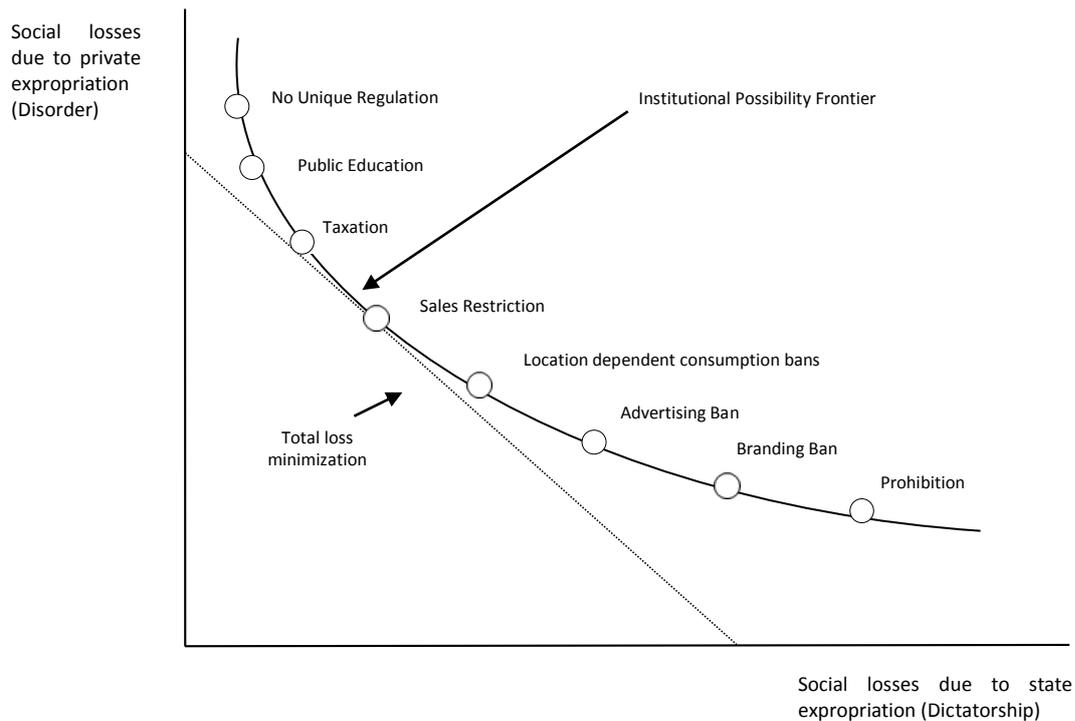


Figure 2: Institutional Possibilities of Tobacco Control

In the first instance we can imagine a situation where there is no unique tobacco control regulation. In this situation the manufacture and sale of tobacco products would simply be regulated as any other generic good or service in the economy. Given the externalities and internalities associated with tobacco consumption, the Disorder costs associated with this regulatory regime could be high. Tobacco consumption is associated with several medical conditions, including various cancers, heart disease, and emphysema. Consumers may suffer from information asymmetry either underestimating the health risks of tobacco consumption generally, or underestimating the probability of adverse health consequences for themselves. Furthermore, some tobacco consumers may have very high discount rates and undervalue the future costs of their tobacco consumption relative to their current consumption. These considerations can be described as being internalities. Externalities occur when tobacco consumers impose costs of others through, for example, second-hand smoke. Given the potential for externalities and internalities associated with tobacco consumption a *prima facie* case can be made for government intervention. In the very first instance a government information campaign as to the dangers of tobacco consumption would very likely lower the disorder costs associated with tobacco consumption but would not increase the dictatorship costs associated with government intervention by very much.

Two forms of taxation need to be distinguished. In the first instance tobacco could (and should) be subject to Ramsey taxation. The so-called Ramsey Rule suggests that goods and services should be taxed in inverse proportion to their elasticity of demand. To the extent that tobacco products have a somewhat inelastic demand curve, they should be taxed at higher rates. This is a straight forward revenue raising exercise. Any use of taxation to discourage tobacco consumption would constitute a Pigouvian tax. This is the second form of taxation that we need to consider. While Pigouvian taxation may well raise substantial revenue, the objective of the tax involves social engineering. Here the government wishes to impose a different set of preferences on society than those the society has freely chosen. Here the costs of dictatorship start becoming large – not only in terms of foregone

consumer utility but also in terms of behavioural responses to potentially excessive Pigouvian taxes. The most obvious example would be smuggling.

Up to this point, the Tobacco Control measures have been associated with low social costs of dictatorship. The provision of information is a public service and the use of the price mechanism to ration tobacco consumption does not necessarily involve the coercive powers of the state.

Sales restrictions would represent the first major use of coercive state power. Here the state would restrict the sale and consumption of tobacco products to, say, individuals over the age of 18, or restrict where tobacco products may be sold. To ensure compliance the state needs to engage in acts of surveillance and entrapment. While these measures may have the effect of reducing tobacco consumption amongst target groups (for example, underage smoking) it also may also reduce the profitability of tobacco products, divert law enforcement activity away from violent crime, and impose surveillance costs on law-abiding citizens.

Having first restricted who may consume tobacco products and where they might be sold, the state then restricts where tobacco products may be consumed. It is somewhat ironic that the state has chosen to ban the consumption of tobacco products in private locations before banning the consumption of tobacco products in public locations. Tobacco product consumption has been banned in workplaces, private restaurants, clubs, pubs and the like under the guise that these institutions are “public places” despite the fact that they are very often private property. Such abrogation of private property constitutes a massive incursion of state power into the economy. The state has also began to ban the consumption of tobacco products on public property (where it does have ownership – but long after banning the consumption of tobacco products in private property). Again the social costs of compliance, surveillance, entrapment, and re-allocation of law enforcement activities constitute major costs.

Having restricted the Who, and Where of tobacco consumption, the state then restricts How tobacco products are marketed through advertising bans. These bans range from bans on advertising in particular media, to bans on advertising of sporting events, to point of display bans, and so on. The costs here include restricting the universe of potential sponsors for major events. While major sporting events continue to receive sponsorship from the alcohol, fast food, and gambling industries, it is also the case that many smaller sporting events are unable to garner sponsorship from either these industries or the tobacco industry. This policy restricts the livelihoods of the advertising industry, restricts the quantum of sponsorship dollars in the economy and imposes compliance, surveillance and entrapment costs on the economy.

Having restricted advertising, bans on branding are an obvious next step. In the first instance naming rights could be limited. Words such as “Light” or “Extra Smooth” or “Low Tar” could be prohibited. In addition a standardised packaging policy could be adopted. In Australia this policy is known as “Plain Packaging”. Dictatorship costs here are very high – this is an abrogation of private property in the form of intellectual property. To the extent that private property rights are perceived to become insecure, the resultant loss of investment flows into the economy could be substantial.

Finally there is prohibition. Prohibition can take many forms. For example, the Australian government does not allow the cultivation of tobacco within Australia. Extant tobacco production licences were bought out and no new licences will be issued. The cost here is the loss of economic activity, the potential for permanent job losses in rural areas, the loss of manufacturing capacity and employment, and so on. Alternatively, specific types of tobacco product could be prohibited. In Australia, for example, nicotine fluid for e-cigarettes is banned for sale as is powdered form for inhalation (snus). In

other jurisdictions there are proposals for the prohibition of menthol flavoured tobacco products. Of course, the public health lobby would like to see all tobacco products prohibited.

Prohibition is associated with a range of costs and adverse consequences. Meadowcroft (2008) has summarised those costs and consequences as follows:³

- Prohibition places markets into the hands of criminal enterprises.
- Prohibition increases the risks of already risky activities.
- Prohibition criminalises people who would not otherwise be criminals.
- Prohibition diverts law enforcement resources away from conduct that harms third parties.
- Prohibition increases public ignorance.
- Organised interest groups are crucial to the introduction of prohibitions.
- Prohibition almost never works and is almost always counterproductive.

When it comes to tobacco products, every element of the marketing mix (product, price, place, promote) is very highly regulated by the state. All of these regulations impose varying degrees of dictatorship costs upon tobacco product consumers, tobacco product producers, tobacco product retailers, and the general community. The question of interest is whether these (dictatorship) costs are worth incurring to reduce or eliminate the (disorder) costs associated with tobacco consumption.

3. The Over-Enforcement of Tobacco Control

In a world of perfect compliance, actions taken by the state to reduce or even completely prohibit tobacco consumption would be entirely successful. In a world where there is somewhat less than perfect compliance there are behavioural responses to state action that undermine those actions. For example, tobacco consumers may substitute other products that may be associated with a different range of social costs, or consumers may continue to consume tobacco product but source these products on the illicit market. Yet other tobacco consumers may simply continue to consume tobacco.

The success of tobacco control policies must be evaluated by the efficacy of those policies subject to the social costs the policies impose. Looking at the Australian experience, it would be very easy to conclude that tobacco control policy has been very successful. Scollo and Winstanley (2015) report that Australian per capita tobacco consumption has been in decline since the 1960s (figure 2.10.2).⁴ There can be little doubt that greater public awareness of the health risks associated with tobacco consumption and tobacco excise taxation has led to a decline in tobacco consumption. It is not clear, however, whether any of the other tobacco control measures adopted in more recent years has had any impact on tobacco consumption. Figure 3 (below) is a recreation of a graph (also now including a trend line) released by the Australian Department of Health showing the prevalence of tobacco consumption (smoking) since 1990 with the dates of various tobacco control measures included in a time line.⁵ The smoking prevalence data are from the National Drug Strategy Household Survey.⁶ This survey collects data of drug usage in Australia (including tobacco) for individuals aged 14 years and older. The survey is conducted, on average, once every three years. While some observers have pointed to this survey as evidence of the efficacy of the plain packaging policy, it is not possible to draw any strong conclusions. The decline in smoking prevalence between 2010 and 2013 is on trend

³ Meadowcroft, J. (ed), 2008, Prohibitions, Institute of Economic Affairs, Profile Books.

⁴ Scollo, M. and M. Winstanley, 2015, Tobacco in Australia: Facts and issues. Melbourne: Cancer Council Victoria; 2015. Available from www.TobaccoInAustralia.org.au

⁵ <http://www.health.gov.au/internet/main/publishing.nsf/Content/tobacco-kff>

⁶ <http://www.aihw.gov.au/alcohol-and-other-drugs/ndshs/>

– i.e. this survey presents no evidence that the plain packaging policy worked as opposed to smoking rates simply declining as they have over many years. What is not highlighted is that the National Drug Strategy Household Survey showed an *increase* (although allegedly not statistically significant) in the prevalence of daily smokers aged 12 – 17 between 2010 and 2013.

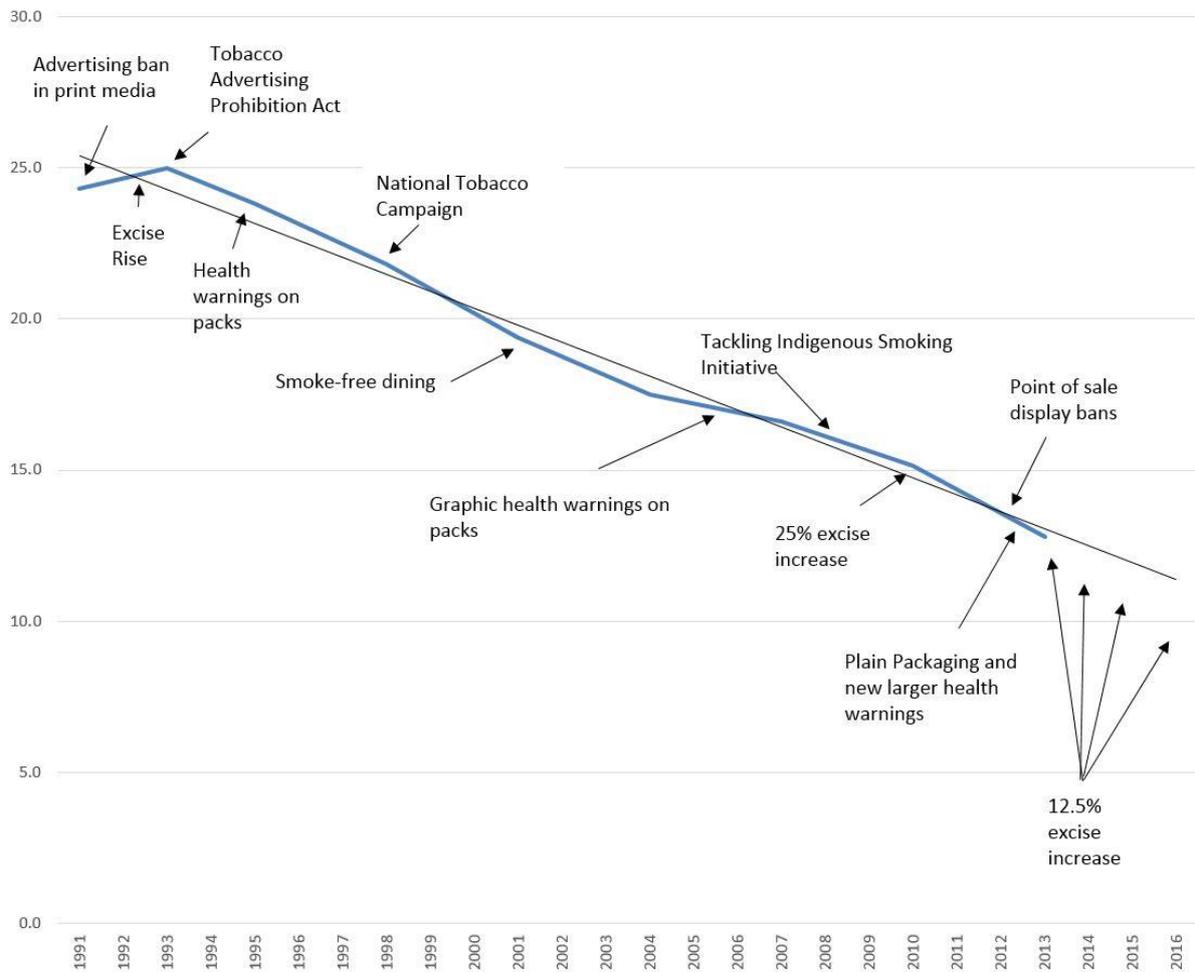


Figure 3: Smoking prevalence rates for 14 years or older and key tobacco control measures implemented in Australia since 1990

Source: Australian Government: Department of Health, Tobacco key facts and figures

The tobacco control measures introduced over the past 25 years have not had any noticeable impact on the long-term decline in the prevalence of tobacco consumption. The public health lobby, however, argues that each new tobacco control measure is part of a portfolio of policies designed to inhibit and prohibit tobacco consumption. While it is easy to make this argument, policy efficacy needs to be demonstrated rather than merely asserted.

The issue with adopting such an approach is that each individual tobacco control policy is associated with costs of its own that need to be weighed up against the decline in disorder costs associated with tobacco consumption. Not only might new tobacco control measures prove to be not effective, but over-zealous application of existing tobacco control measures may result in additional social costs.

In particular in recent years the Australian government has expressed concerns about increased smuggling:⁷

Australian Border Force Deputy Commissioner Michael Outram said the “sheer size of the profits” available in the illegal tobacco trade made it attractive to organised crime.

“Elicit tobacco is a real priority for the Australian Border Force simply because of the involvement of serious and organised crime groups and transnational crime groups,” he told reporters in Sydney.

“They'll trade in tobacco, they'll trade in drugs, they'll trade in human beings.”

He said the same tactics could be used to smuggle guns and drugs.

“If they can turn a quick buck with relatively low risk then they'll do it, whether that's drugs, whether that's tobacco or in some cases whether that's people smuggling.”

Tobacco smuggling is a gateway crime to all manner of additional criminality.

4. Australia's Plain Packaging Experiment

Since December 2012 all tobacco products (legally) sold in Australia are required to be packaged in a standardised pack. In Australia this is known as the “plain packaging” policy. Since then several countries, including the United Kingdom, Ireland and France, have announced that they too will adopt a plain packaging policy for tobacco products.

The objectives of the policy are set out in section 3 of the Tobacco Plain Packaging Act 2011, No. 148, as amended:

(1) The objects of this Act are:

(a) to improve public health by:

(i) discouraging people from taking up smoking, or using tobacco products; and

(ii) encouraging people to give up smoking, and to stop using tobacco products; and

(iii) discouraging people who have given up smoking, or who have stopped using tobacco products, from relapsing; and

(iv) reducing people's exposure to smoke from tobacco products; and

(b) to give effect to certain obligations that Australia has as a party to the Convention on Tobacco Control.

⁷ <http://www.theaustralian.com.au/news/latest-news/police-bust-cigarette-smuggling-syndicate/news-story/507b2b5f300de476ed190828e7d6a24c>

(2) It is the intention of the Parliament to contribute to achieving the objects in subsection (1) by regulating the retail packaging and appearance of tobacco products in order to:

(a) reduce the appeal of tobacco products to consumers; and

(b) increase the effectiveness of health warnings on the retail packaging of tobacco products;
and

(c) reduce the ability of the retail packaging of tobacco products to mislead consumers about the harmful effects of smoking or using tobacco products.

In short, the objective of the policy is to reduce the prevalence of tobacco consumption in Australia by reducing the appeal of tobacco products, and enhancing the health warnings associated with tobacco consumption. A test of the efficacy of the policy would demonstrate that the prevalence of smoking had declined due to the introduction of the policy.

Unfortunately, and despite assurances from the Australian government and the Australian public health lobby, that evidence is simply non-existent.

The Australian government and public health lobby have pointed to five pieces of evidence to support the notion that the plain packaging policy has been successful.

1. A 3.4% reduction in tobacco clearances.
2. A reduction in household expenditure on tobacco.
3. Victorian Cancer Council Fact Sheets showing survey data of smoking prevalence.
4. Surveys undertaken by Melanie Wakefield and her research team.
5. Regression analysis presented in the Post-Implementation Review.

I discuss each of these claims in turn.

4.1 The 3.4% tobacco clearance myth

In June 2014, the Fairfax media claimed that the Australian government Treasury had “entered the debate over cigarette sales, publishing previously secret information that shows sales falling since the introduction of graphic health warnings and plain packaging”.⁸ In particular, Treasury was said to have made the claim: “3.4 per cent fewer cigarettes were sold last year than 2012”.⁹ The Health Department subsequently included that claim on its web based fact sheet. Originally it stated:¹⁰

The Commonwealth Treasury has further advised that tobacco clearances (including excise and customs duty) fell by 3.4% in 2013 relative to 2012 when tobacco plain packaging was introduced.

⁸ Peter Martin, 2015, “Plain packaging pushes cigarette sales down”, *Sydney Morning Herald*, 23 June.

⁹ Strictly speaking that claim cannot be correct. Treasury do not track how many cigarettes (or tobacco products generally) are sold in Australia. Treasury tracks how much tax has been paid on tobacco products available for sale in Australia.

¹⁰

<http://web.archive.org/web/20140623001019/http://www.health.gov.au/internet/main/publishing.nsf/Content/tobacco-kff>

That statement was subsequently amended:¹¹

Treasury has advised that tobacco clearances (including excise and customs duty) fell by 3.4% in 2013 relative to 2012 and fell a further 7.9% in 2014. Tobacco clearances have fallen a total of 11.0% since 2012 when tobacco plain packaging was introduced.

These growth rates do not take into account refunds of excise equivalent customs duty made under Customs' plain packaging related Tobacco Refund Scheme between December 2012 and May 2013. These refunds cannot be related to annual net clearances on a comparable basis to other data used to derive these growth rates.

The addition of the second paragraph is very telling – and damning. The initial media coverage was very suspicious – no Treasury official was interviewed, no Treasury official was quoted, and no Treasury document was cited. That did not stop the Australian Broadcasting Corporation from running with the story.¹²

The Department of Treasury keeps records on the sales of cigarettes for taxation purposes, but has never before made the information publicly available.

...

The Treasury data reveals that 3.4 per cent fewer cigarettes were sold last year than 2012.

After the story went to air, the Australian Broadcasting Corporation admitted that the tobacco industry had challenged that 3.4% figure:

While we don't know the full detail of Treasury's tobacco clearances from their statement, from Philip Morris' perspective, the final quarter of 2012 saw an artificially high rate of tobacco clearances due to our replacement of branded stock on retailers' shelves with plain packaged stock. Whilst this was not double-counted from an industry sales perspective as it was replacement stock, it would have initially been double-counted from a 2012 tobacco clearances perspective as tax must be paid on every pack. Most claims for refunds of the excise paid on our recalled branded stock were not processed until the first quarter of 2013.

It turns out that the 3.4% figure – which has been a very influential statistic – is misleading. This only became apparent once Treasury was required by a Freedom of Information request to report the data for tobacco clearances.¹³

What Treasury had done was as follows: it calculated total tobacco clearances for 2012 and then for 2013 and calculated the difference between the two. When that exercise is performed it is correct to say that tobacco clearances fell between 2012 and 2013 by 3.4%. There are, however, two complications:

1. Plain packaging was introduced in December 2012, not January 2013.

¹¹ <http://www.health.gov.au/internet/main/publishing.nsf/Content/tobacco-kff>

¹² <http://www.abc.net.au/pm/content/2014/s4031387.htm>

¹³ <http://www.treasury.gov.au/Access-to-Information/DisclosureLog/2015/1703>

2. As the industry claimed, and the Health Department subsequently admitted, a large number of refunds were made in 2013 for excess payments made in 2012.

When the 12 month period before December 2012 is compared to the 12 month period after December 2013, then tobacco clearances fell by 0.8%.

When we also take into account the double counting of excise/customs duty paid in 2012 and the refunds in 2013, it appears that tobacco clearances *increased* by 0.5%.

It is correct that tobacco clearances increased by less than 1% - but that remains a 3.9% turn around on the number initially quoted by Treasury and the Health Department.¹⁴

New South Wales Senator David Leyonhjelm of the Liberal Democratic Party has been closely questioning both Treasury officials and Health Department officials over the claimed 3.4% decline in tobacco clearances. Having previously confirmed the 0.8% figure to be correct, excluding the refunds, he recently posed a question to the Health Department:¹⁵

... today I received a reply to a question on notice from Treasury which advised that in period of the 12 months ended November 2013 and the 12 months ended 30 November 2012 there was a 0.8 per cent decline in tobacco clearances, excluding tobacco refund scheme refunds. ... Do you intend to modify your website to say that, comparing like with like, the reduction was 0.8 per cent? It gives the impression that it had an immediate, substantial impact on clearance rates.

[Health Department Official]: We have no intention of suggesting that clearance rates are a direct measure of tobacco plain packaging effects. In fact, they are not designed to measure the effects of plain packaging or, indeed, any particular tobacco control measure.

In short – Treasury has abandoned the claim that tobacco clearances fell by 3.4%, but the Health Department will not withdraw their false claim; instead the Health Department now claims the Treasury data are not definitive.

4.2 Australian Bureau of Statistics Household Expenditure data

The Australian Bureau of Statistics provides an estimate of Household expenditure data on tobacco products. This forms part of their estimates of Gross Domestic Product. Figure 4 shows seasonally adjusted Household Final Expenditure on cigarettes and tobacco data.

¹⁴ This is well explained in a Youtube clip: https://www.youtube.com/watch?v=dW4_4ed4QSQ

¹⁵ Senate Hansard Estimates 10 February 2016, <http://tinyurl.com/zpwcsga>

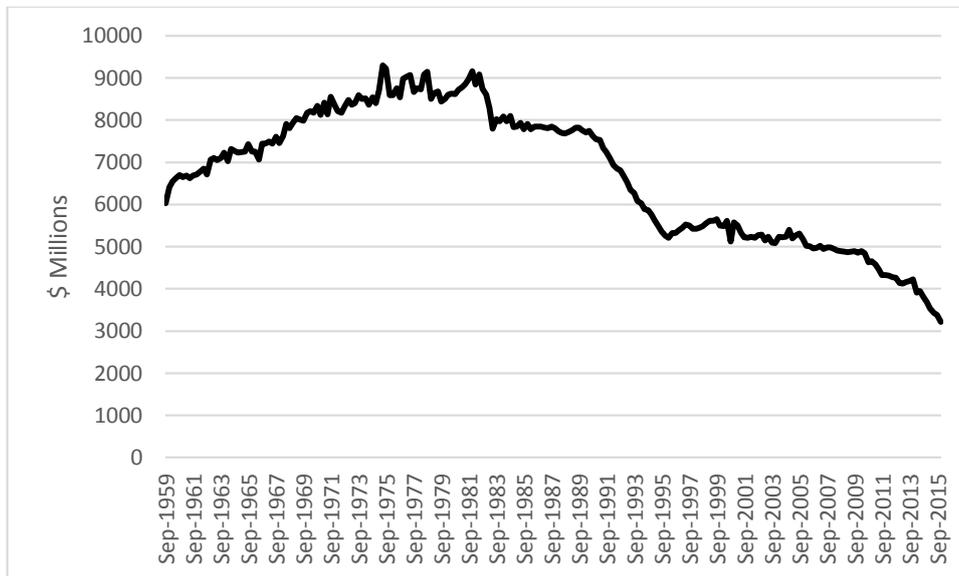


Figure 4: Household Final Consumption Expenditure on Cigarettes and tobacco: Chain volume measure, seasonally adjusted.

Source: ABS Cat. 5206.0 Table 8.

It is important to note that Household expenditure on tobacco products has been falling since the early 1980s. Any evaluation of the plain packaging policy must be undertaken in the context of a long-term downward trend within household tobacco expenditure. Looking then at the period immediately before, and subsequent to, the introduction of plain packaging, we see a very significant deviation from the declining long-term trend. In figure 5 below I have accentuated the graph in order to highlight the change in trend. In December 2012 – the month plain packaging was introduced in Australia – household expenditure on tobacco products was \$4.134 billion. By December 2013 – exactly one year later and when the Australian government imposed a 12.5% increase in tobacco excise – household expenditure on tobacco products had increased by some 2.25% to \$4.228 billion. Following the increase in excise and changes to excise indexation and then also subsequent excise increases, household expenditure on tobacco resumed its long-term decline. That increase in household expenditure over the year December 2012 through December 2013 is in marked contrast to what a Health Department official told the Australian Senate in February of this year:

They are one indication amongst many of whether plain packaging is working, including the ABS household expenditure data, which has, between September 2012 and September 2013, dropped by a total of 20 per cent.

It is not immediately clear why she chose September 2012 to September 2013 as her comparison period, but even then the decline in household expenditure on tobacco products, according to the Australian Bureau of Statistics was only 1.8%.

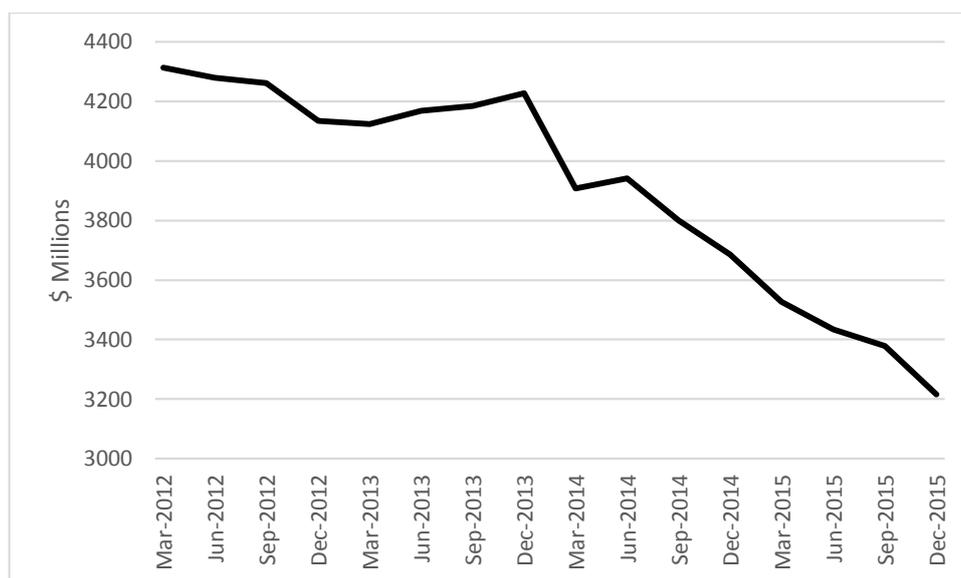


Figure 5: Household Final Consumption Expenditure on Cigarettes and tobacco March 2012 – December 2015: Chain volume measure, seasonally adjusted.

Source: ABS Cat. 5206.0 Table 8.

4.3 Victorian Cancer Council Fact Sheets

In March 2015 the Victorian Cancer Council released a series of factsheets on plain packaging suggesting (emphasis added):^{16,17}

The available evidence suggests that plain packaging is likely to be contributing *along with other tobacco control policies* to continuing reductions in the prevalence of smoking in Australia

The question, however, is not whether Australia’s tobacco control policies overall are generally successful – clearly they are – but rather whether the particular plain packaging policy is successful in reducing the prevalence of tobacco consumption.

On that latter question, the Victorian Cancer Council fails to produce any evidence in its factsheets. To the contrary it provides the following graph (their figure 5):

¹⁶ <http://www.cancervic.org.au/plainfacts/factsheets1>

¹⁷ http://www.cancervic.org.au/downloads/plainfacts/Facts_sheets/Facts_Sheet_no._4_PrevalenceMar16.pdf

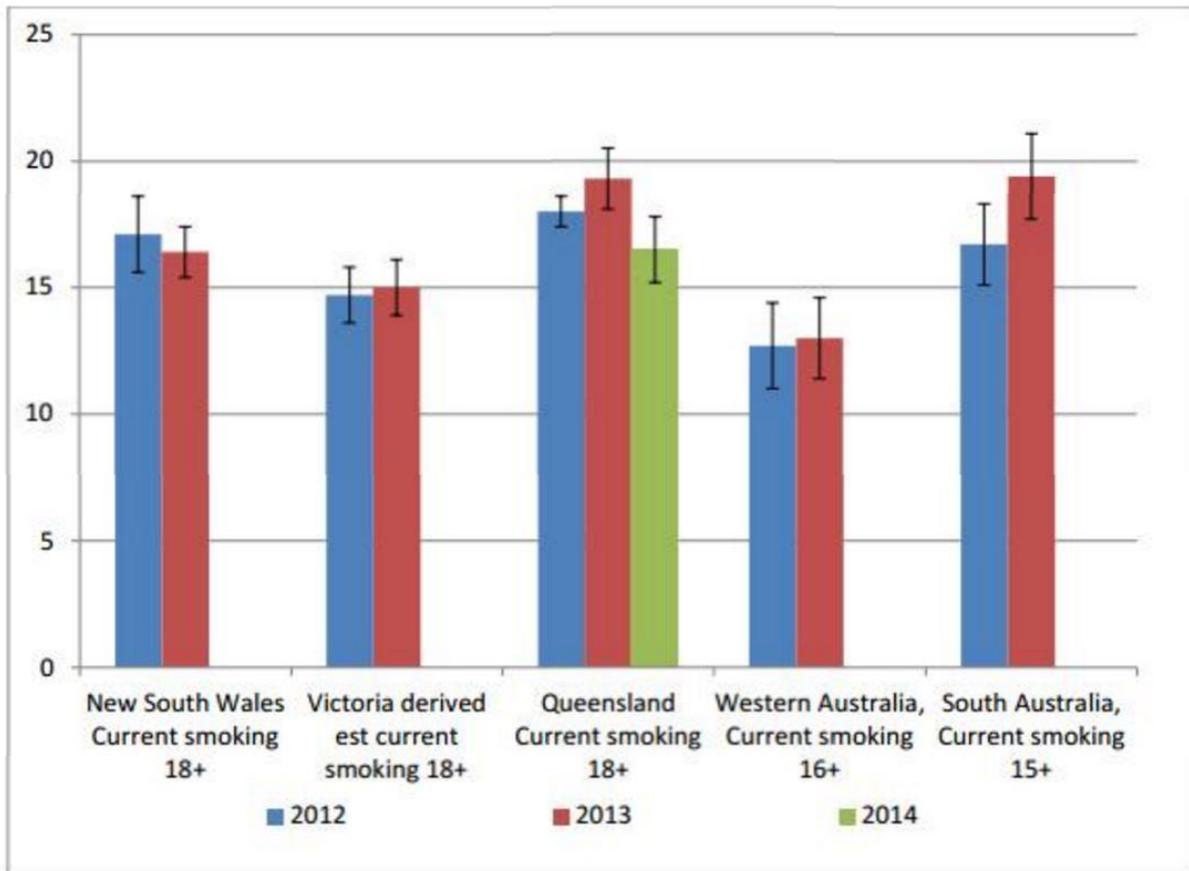


Figure 6: Victorian Cancer Council figure of smoking prevalence in Australian mainland states
 Source: Fact sheet no. 4: What is happening to the prevalence of smoking in Australia?

The whiskers on the bar graphs represent the confidence intervals of each survey. The Victorian Cancer Council interprets over-lapping confidence intervals as representing no statistically significant difference between two surveys. Whether or not that is an appropriate measure of statistical significance is debateable – more precise techniques exist. Nonetheless, two points are immediately obvious in figure 6.

1. In four of the five Australian mainland states smoking prevalence *increased* in 2013 compared to 2012.
2. None of the changes in smoking prevalence are statistically significantly different from zero if we accept overlapping confidence intervals to be an appropriate measure of statistical significance.

It is important to emphasise that the smoking prevalence data reported by the Victorian Cancer Council is official state-based survey data. It is consistent with the increase in Household expenditure data. Even if the Australian government and public health lobby wanted to argue that the differences are not statistically different from one year to the next, the fact remains that smoking prevalence did not decline in 2013 relative to 2012 in 4 out of five mainland states. Furthermore, this result is inconsistent with the claim that tobacco clearances fell by 3.4%.

4.4 The Wakefield Tracking Survey

In 2012 Professor Melanie Wakefield of the Victorian Cancer Council was awarded a \$3 million contract to conduct a national tracking survey of tobacco consumers (and recent “quitters”) immediately prior, during, and after the implementation of plain packaging. Professor Wakefield has previously been a member of the National Preventative Health Taskforce that had recommended the implementation of plain packaging, she was a member of the Federal Government’s Expert Advisory Group on plain packaging, and was then commissioned by the Health Department, in the absence of a tender process, to investigate the efficacy of the very policy she had recommended, designed and implemented. Unsurprisingly, the results of her research (with several co-authors) supports the efficacy of plain packaging as a policy to reduce the prevalence of tobacco consumption.

The results of the National Tracking study have been reported in a special issue of Tobacco Control.¹⁸ Details as to the study itself are available from the Health Department.¹⁹ It is also possible to request copies of the data. The National Tracking Study canvassed many issues and consisted of 26 waves of approximately 400 interviews of current smokers and recent “quitters”. There were also follow up interviews a month after the initial interview.

What is remarkable about the special issue of Tobacco Control is that it claims that the plain packaging policy was successful. Yet not one of the papers demonstrates success as set out by section 3(1) of the Tobacco Plain Packaging Act. This has not gone unnoticed by Senator Leyonhjelm:

Senator LEYONHJELM: ... Your department's website says that the key findings of the survey were that the objectives of tobacco plain packaging were achieved. Given that is a departmental website—we are not referring to Professor Wakefield's here—can you tell me: was there a key finding from the survey that plain packaging improved public health?

...

[Health Department Official]: The language on the website reflects the broad findings in the BMJ articles published on 19 March last year. They were referencing the proximal objectives as they are referred to in those articles. I think the department ordinarily now refers to them as the mechanisms, which are found in section 3(2) of the Tobacco Plain Packaging Act under the objects of the act.

Senator LEYONHJELM: Yes, that is why I am asking the questions. Was there a key finding that plain packaging improved public health? That is one of the objectives.

[Health Department Official]: The tracking survey and the BMJ articles that relate to the tracking survey were not designed to measure prevalence and cannot measure prevalence.

Senator LEYONHJELM: So it did not measure whether there was increased giving up of smoking?

¹⁸ http://tobaccocontrol.bmj.com/content/24/Suppl_2.toc

¹⁹ <http://www.health.gov.au/internet/main/publishing.nsf/content/tobacco-plain-packaging-evaluation#%5B%3Ch2%3E%5DNational%20Monthly%20Tobacco%20PI>

[Health Department Official]: As I said, the design of the tracking survey and the articles in the BMJ that discuss it largely related to the section 3(2) mechanisms—so reducing the appeal of the packet, increasing the effectiveness of graphic health warnings and minimising the pack's ability to mislead. In the long term, those three mechanisms work to reduce prevalence.

In short, the Health Department now argues that the reported results from the National Tracking survey do not establish whether the plain packaging policy actually achieved its goals as set out in section 3(1) of the Act. Rather they establish whether the policy reduces the appeal of tobacco products and/or enhances the impact of the health warnings. Furthermore the Health Department argues that the National Tracking survey cannot answer whether or not the objectives of the Act could be met.

In particular, none of the published studies investigates whether plain packaging per se met any of the objectives of the Act as opposed to the increased graphic warnings on the packaging. What is not fully appreciated is that two policies were introduced simultaneously: plain packaging and increased size and usage of graphic warnings. The empirical work published in the special issue does not differentiate between the two policies. Indeed, the author of the empirical work presented in the Post-Implementation review argues that it is impossible to separate the two effects.

Despite the flawed nature of the empirical work that has been published from the National Tracking study, two studies in particular are said to demonstrate the efficacy of the plain packaging policy:

1. Durkin et al. concludes:²⁰ “These findings provide some of the strongest evidence to date that implementation of [Plain Packaging] with larger [Graphic Health Warnings] was associated with increased rates of quitting cognitions, microindicators of concern and quit attempts among adult cigarette smokers”.
2. Brennan et al. reported:²¹ “In multivariable models, we found consistent evidence that several baseline measures of GHW effectiveness positively and significantly predicted the likelihood that smokers at follow-up reported thinking about quitting at least daily, intending to quit, having a firm date to quit, stubbing out cigarettes prematurely, stopping oneself from smoking and having attempted to quit”.

It is well worth emphasising that neither of these two studies investigated whether or not smokers had actually stopped smoking (become quitters). Rather they investigated whether smokers had considered “quitting”. What makes this oversight all the more remarkable is that the National Tracking survey contained information as to whether smokers had quit between their first interview (the so-called baseline survey) and the follow up survey one month later. If they did ever investigate the relationship, if any, between plain packaging and actually quitting smoking – an objective of the policy under section 3(1) of the Act – they have never reported it in a peer reviewed journal despite having the data available to do so.

²⁰ Sarah Durkin, Emily Brennan, Kerri Coomber, Meghan Zacher, Michelle Scollo, and Melanie Wakefield, 2015, Short-term changes in quitting-related cognitions and behaviours after the implementation of plain packaging with larger health warnings: findings from a national cohort study with Australian adult smokers, *Tobacco Control*, http://tobaccocontrol.bmj.com/content/24/Suppl_2/ii26.full.

²¹ Emily Brennan, Sarah Durkin, Kerri Coomber, Meghan Zacher, Michelle Scollo, and Melanie Wakefield, 2015, Are quitting-related cognitions and behaviours predicted by proximal responses to plain packaging with larger health warnings? Findings from a national cohort study with Australian adult smokers, *Tobacco Control*, http://tobaccocontrol.bmj.com/content/24/Suppl_2/ii33.full.

It is possible, however, to reverse out quit rates from the Durkin et al. paper’s table 1. Durkin et al. have divided the 26 waves of interviews into 4 time periods:

1. A pre-PP phase.
2. An early transition phase.
3. A late transition phase.
4. PP year 1.

Over those periods smokers and recent quitters were interviewed as to their attitudes towards smoking in general and plain packaging and larger graphic health warnings in particular. The Durkin et al. study provides a series of summary statistics for the sample they employ in their analysis including whether or not a survey respondent is a “continuing smoker” at the follow up interview. See table 1 for an extract of the Durkin et al. table 1.

	Total		Pre-PP		Early transition		Late transition		PP year 1	
	CS	BS	CS	BS	CS	BS	CS	BS	CS	BS
Weighted, n	5137	5441	1339	1423	254	276	595	617	2948	3125
% difference	5.59		5.90		7.97		3.57		5.66	

Table 1: Extract of Durkin et al. Table 1 with calculated % changes.

In the table CS is a “continuing smoker” and BS is a “baseline smoker”. It is possible to calculate the percentage difference between these two numbers in each time period and thus show an estimated quit rate. Over the entire 26 wave survey period the quit rate was 5.59%. In the pre-PP time period the quit rate was 5.90% which then fell in the PP year 1 period to 5.66%. If we were to accept these data at face value, the quit rate fell after the introduction of a policy specifically designed to increase the quit rate. Unfortunately that is not reported in the study and no test of statistical significance is reported either.

Looking at Durkin’s et.al other findings, the results are somewhat weaker than the advertised conclusions would suggest. For example, in those few cases where they are able to show statistically significant differences between quitting related behaviour and cognitions many of those results are confined to the late transition period (i.e. when the plain packaging policy was being introduced). In other words, the effects of the policy were very often temporary. In the PP year 1 time period, only three results are statistically significant. They include “concealed or covered pack several or many times in past month”. That is hardly surprising – the plain packaged packs were specifically designed to be unattractive.

In short, the results from the Wakefield tracking survey do not actually test whether the plain packaging policy met its stated objectives, they merely assert that the objectives were met. The results do not investigate whether smokers did in fact quit, despite having the data to do so. It is possible to estimate a quit rate from the published papers and that estimation shows that the quit rate fell after the introduction of plain packaging compared to the pre-plain packaging period.

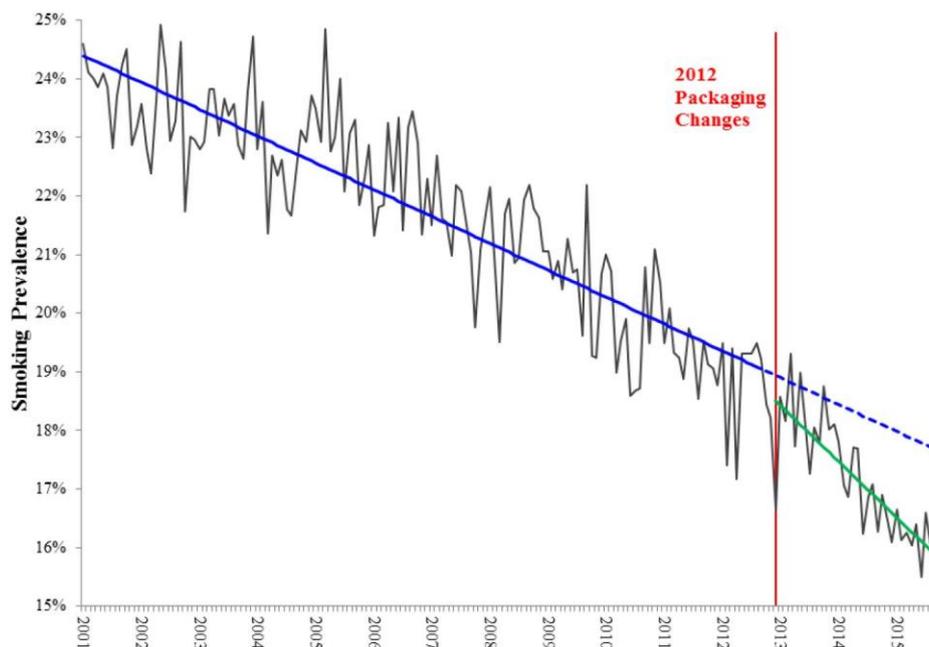
4.5 The Post-Implementation Review regression analysis

In February 2016 the Australian government released its Post-Implementation Review of the plain packaging policy. This review included an econometric analysis undertaken by Tasneem Chifty Ph.D

(MIT) of the United States based Analysis Group, Inc.²² Dr Chipty has been previously employed by the Australian government to provide expert evidence to the World Trade Organization on matter relating to trade mark disputes resulting from the introduction of plain packaging in Australia.

Dr Chipty employed Roy Morgan Single Source Survey data over the period January 2001 to September 2015 to model smoking behaviour. That survey consists of monthly cross-sectional surveys of approximately 4,500 respondents. In total her sample includes 177 monthly surveys. Based on that data she is able to calculate smoking prevalence in the Australian population – results are summarised in her Figure 1 (Figure 7 below).

Figure 1: Overall Smoking Prevalence



Note: Data are weighted using the population weights in the RMSS data.

Source: RMSS data (January 2001 – September 2015).

Figure 7: Smoking Prevalence reported by Post-Implementation Review.

Dr Chipty has inserted two trend lines into the data: the blue line is a “before” trend line and the green line is an after trend line. It is not clear, however, how those two lines were estimated. While it does appear that there is a structural break in the data, that appearance may well be an optical illusion given the insertion of the trend lines. Nowhere in the study does Dr Chipty explain the origins of the trend lines, nor does she ever test for a structural break at that point.

That figures does explain a statement made by a Health Official to Senator David Leyonhjelm.

[Health Department Official]: ... but our modelling suggests that it is a beyond trend drop, especially since plain packaging. As I said, since 2012 it has been the most substantial

²² Tasneem Chipty, 2016, Study of the Impact of the Tobacco Plain Packaging Measure on Smoking Prevalence in Australia. In Post-Implementation Review: Tobacco Plain Packaging.

drop in 20 years. We do not say that is entirely attributable to plain packaging, but it is a beyond trend drop.

Trend lines are very sensitive to chosen start and end points. Looking at the blue line in Figure 7, there are very few data points above trend after 2011. With a linear trend line we would expect approximately half the data to plot above the line and half to plot below. That suggests that the blue line is too shallow to be an unbiased estimate of trend. Similarly, the green line appears to be a good estimate of trend if the appropriate start and end points are January 2013 to September 2015.

It is also worth pointing out that those estimated smoking prevalence rates are well above National Drug Strategy Household Survey results. By September 2015 Dr Chipty estimates a smoking prevalence of some 16%, while the National Drug Strategy Household Survey reported daily smoking prevalence rates to be 12.8% in 2013. At the very least smokers are likely to be over-represented in the Roy Morgan Single Source Survey data. Without access to the underlying data it is impossible to establish whether there are any other sources of bias in the data set.

It is possible to investigate the claim that there is a significant change in the trend after the introduction of plain packaging. Using the Get Data Digitiser I was able to capture the underlying data from Figure 7 – but unfortunately at a very high level, meaning that I have a lot more x-axis points than the original. For our purposes here that does not change any of the conclusions that I draw. I then reproduce as best I can the original two trend lines, and also insert a trend line that I'm comfortable with – I have used linear regression to estimate the trend lines (readers will notice that my estimate trend lines are not entirely straight – this is due to my estimate technique). My best guess of the original trend lines have adjusted R-squares of 0.85. My trend line has an adjusted R-square of 0.91. In Figure 8 below the original trend lines are shown as red dots and my trend line is dark blue.

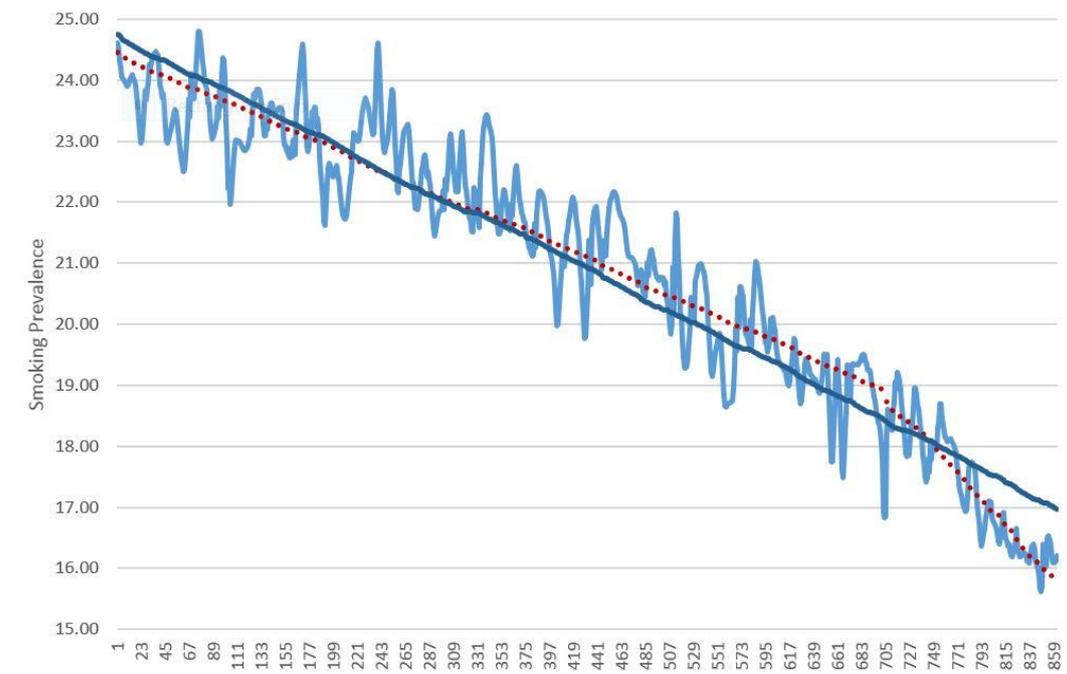


Figure 8: Replication of Chipty Smoking Prevalence and Trend Lines

Plain packaging is introduced at observation 705. That is where the red dotted line deviates and the second original trend begins. Yet my trend lines show an on-trend decline in smoking prevalence for another year when there was a massive increase in tobacco excise. It appears that the trend lines

shown in Figure 7 were deliberately engineered to mask the impact of the tobacco excise increase and attribute any decline in smoking prevalence to the plain packaging policy.

I now turn to Dr Chipty's actual econometric analysis. In order to estimate the effect of the plain packaging policy (and the increased graphic health warnings) Dr Chipty estimates a probit regression model where the dependent variable is the smoking status of respondents (= 1 if a smoker and 0 otherwise). She then includes a time trend, sociodemographic variables, tobacco control indicator variables such as changes to excise policy, and an indicator variable for the 2012 policy changes (plain packaging and increased graphic health warnings). Unfortunately she omits to include a price variable – the analysis implicitly assumes that tobacco prices play no role in determining whether or not individuals will consume tobacco. At the very least the analysis suffers from omitted variable bias.

She experiments with various start dates for the 2012 policy introduction but, quite correctly, prefers the December 2012 date as being the most appropriate start date for the policy. She estimates a coefficient for the 2012 policy of -0.0237 that is statistically significantly different from zero with a p-value of 0.017. As an aside, she also finds that the introduction of graphic health warnings in 2006 is not statistically significantly different from zero. Given that her model has 786,518 observations it is unsurprising that she finds statistically significant results.

Dr Chipty then provides an economic explanation for her results. Her model estimates that by September 2015 smoking prevalence was 17.21%. In the absence of the plain packaging policy (and increased graphic health warnings) that smoking prevalence would have been 17.77%. In other words, over a 34 month period after the introduction of plain packaging (and increased graphic health warnings) that policy had contributed to a 0.55% decline in the prevalence of tobacco consumption. That is just over half of one per cent.

She interprets that result as follows:

The evidence shows that 2012 packaging changes are succeeding in reducing smoking prevalence beyond trend. In terms of order of magnitude, smoking prevalence is 0.55 percentage points lower over the period December 2012 to September 2015 than it would have been without the packaging changes. For reasons I have explained, this effect is likely understated and is expected to grow over time. This evidence supports the conclusion that the TPP Act is having its intended effect.

That is one interpretation. In the first instance the model omits important variables such as price. It does include excise policy changes but not excise itself. Tobacco excise in Australia is indexed – originally to the consumer price index and currently to increases in average weekly earnings. In addition to any changes in policy, tobacco excise increases twice every year. Tobacco companies themselves may change the prices of their products. Furthermore she has not given careful thought to the base case tobacco consumer in her model. Given the nature of the probit regression and the large number of indicator variables, the model must be estimated with a base case tobacco consumer. Dr Chipty's base case tobacco consumer is an unmarried, male, Australian born, 14 – 17 year old, with a tertiary qualification, employed full time, but with an income less than \$6000, and living in Victoria.

Of particular concern is that the pseudo-R-squares of her models (the measure of how well her models explain the data in the sample) is only 0.091.²³ That means that her modelling cannot explain 90.9% of the variation in her dependent variable (i.e. smoking status). Add to that the average sampling error

²³ Strictly speaking she should have reported a "hit-miss" table.

of the Roy Morgan data (for 5000 respondents the margin of error is 0.6) and our confidence in the 0.55% estimate must fall.²⁴ It is hard to accept a half of one per cent difference is important when the model estimating that difference cannot explain 90% of the variation in the data, and the data itself has a bigger sampling error than the reported effect.

5. A Re-Investigation of the Wakefield Tracking Survey

The Department of Health provides the Wakefield Tracking Survey data to interested parties upon request. In this section of the paper I evaluate that data.

5.1 Smoking Prevalence and Quit Rates

It is possible to calculate smoking prevalence and quit rates using the Wakefield data. *The Australian National Tobacco Plain Packaging Tracking Survey: Technical Report* provides detailed information as to how many households were contacted, how many refusals to interview occurred and then how many actual interviews took place. If we divide the number of smokers identified in each survey wave by the number of contacts necessary to generate that number of smokers, we can derive an estimate of smoking prevalence for each wave.²⁵

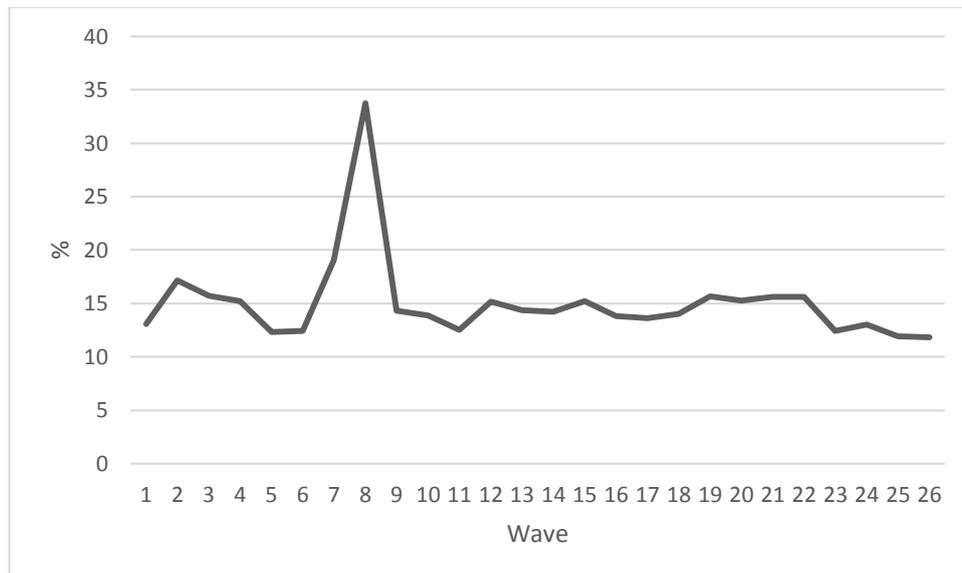


Figure 9: Estimated Smoking Prevalence
Source: Wakefield Tracking Survey, Author calculations

The estimated smoking prevalence has unusually large values for wave 7 and wave 8. This corresponds to the period 7 September 2012 through 11 November 2012, falling into the period that Durkin et al. describe as being the early transition period. The spike is driven by an unusually low number of total contacts. For a reason that the Technical Report does not explain, it was “easier” to find smokers at that time than at other periods during the survey. The average smoking prevalence during the survey period, excluding wave 7 and wave 8, is 14.1%. That figure is broadly consistent with the National Drug Strategy Household Survey result for 2013 of 12.8%. Two observations can be made about Figure 9:

²⁴ <http://www.roymorgan.com/morganpoll/about/margin-of-error>

²⁵ The calculation is identified smokers in each wave divided by Total contacts less household refusal less in-scope refusal.

1. Until wave 23, and excluding wave 7 and wave 8, the estimated smoking prevalence data is fairly constant at about 15%.
2. After wave 23, the estimated smoking prevalence drops off dramatically. Wave 23 corresponds to the first of four 12.5% increases in tobacco excise.

Importantly for our purposes, smoking prevalence does not appear to fall after the introduction of plain packaging (wave 10) but it does decline after the excise increase in December 2013.

Similarly, it is possible to estimate quit rates over the duration of the survey. The survey establishes whether or not respondents are currently smokers or quitters in the baseline survey and then again in the follow up survey. By calculating the percentage difference between baseline smokers and those individuals who were still smoking at the follow up survey, it is possible to calculate the quit rate.

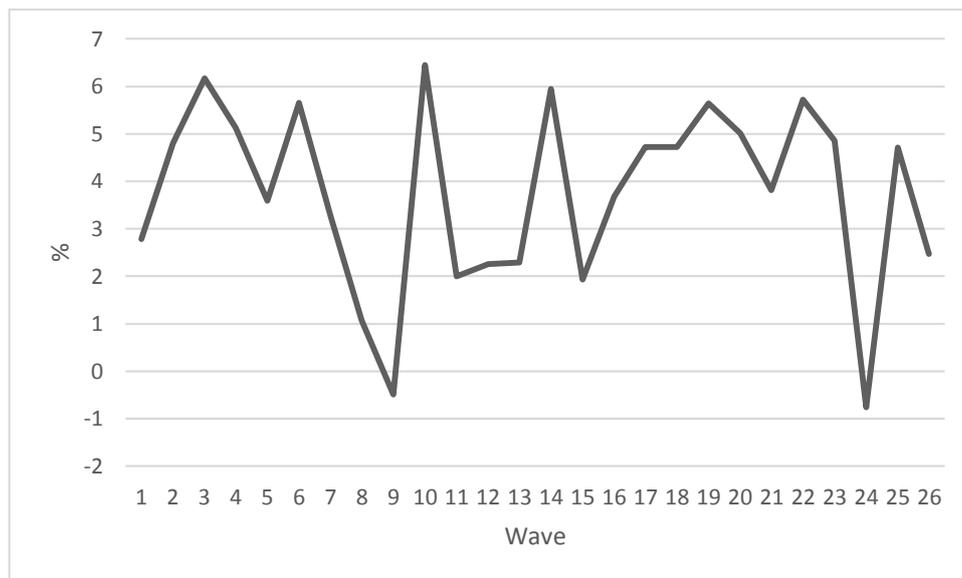


Figure 10: Estimated Quit Rates
Source: Wakefield Tracking Survey, Author calculations

The first thing to notice is that quit rates are extremely volatile – with two instances where the quit rate is negative (wave 9 and wave 24). In those two instances individuals who had been previously identified as quitters in the baseline survey must have relapsed and become smokers by the time of the follow up survey. Overall, however, there does not appear to be any apparent pattern to the quit rates. On average the quit rate is 3.75% per wave.

The survey asked several questions relating to quitting behaviour: in the baseline survey smokers were asked if they had made a quitting attempt in the previous month and in the follow-up survey smokers were asked if they had made any additional quitting attempts since the baseline survey. While it is the case that more respondents report having made a quitting attempt in the period between surveys than prior to the baseline survey (a behaviour that may well have been induced by the baseline survey itself and any policy per se), the rate at which respondents make a quit attempt declines over time. Figure 11 shows the difference in the proportion of respondents making a quit attempt in the month before the baseline survey and those making a quit attempt in the month between surveys. It also shows a trend line.

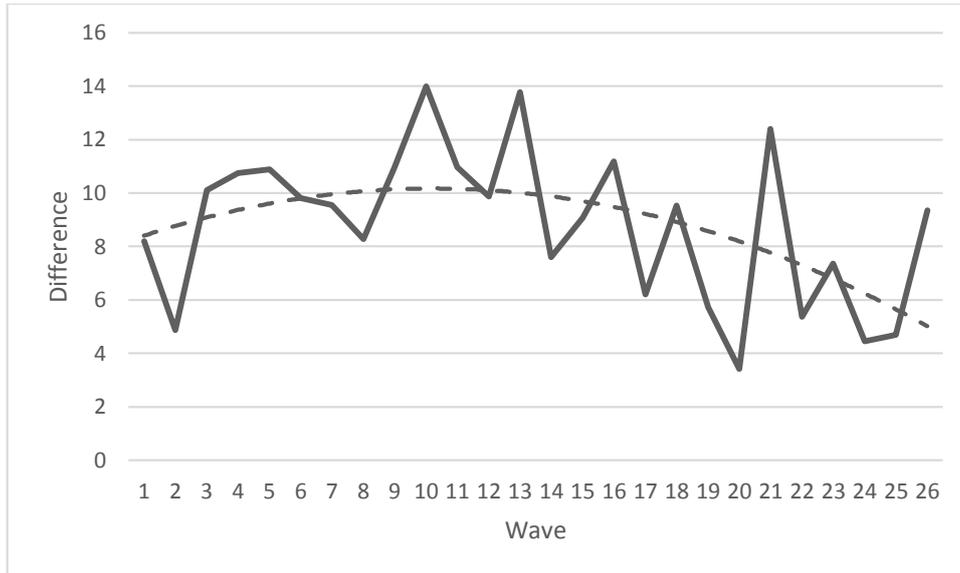


Figure 11: Difference in proportion of quit attempts in the month prior to baseline and follow-up surveys

Source: Wakefield Tracking Survey, Author calculations

The relative number of surveyed respondents making a quit attempt increases in the period between surveys rises until the plain packaging policy is introduced – then it declines on average. This result is consistent with the notion that the publicity surrounding the policy may well have had more of an impact than the policy itself.

5.2 Did smokers intending to quit smoking actually quit smoking?

On average 81% of smokers surveyed in the baseline survey were still smokers at the follow up survey. As can be seen in Figure 12, the percentage of continuing smokers at the follow up survey did not vary much over the waves. That does seem somewhat inconsistent with the stated objectives of the Tobacco Plain Packaging Act.

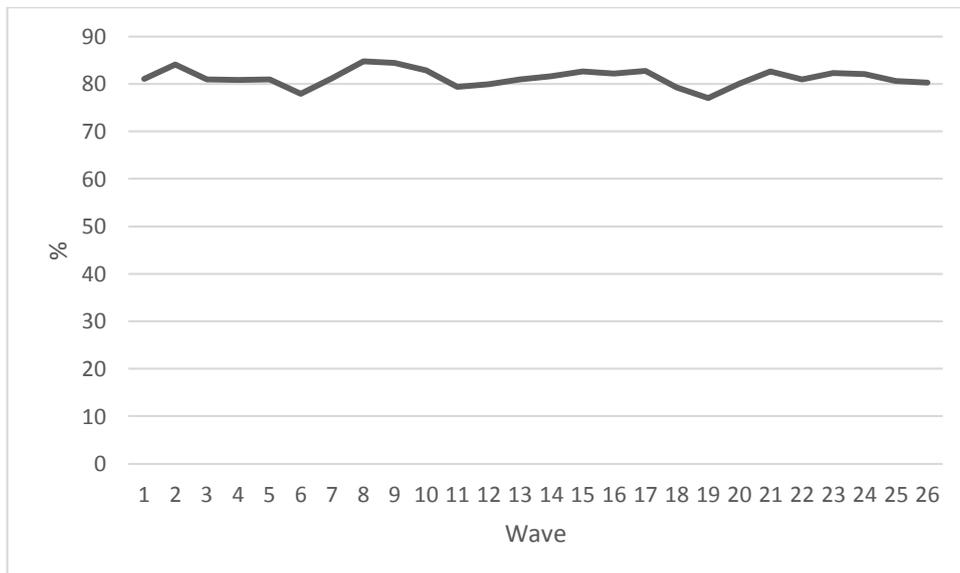


Figure 12: Follow up Smokers (%)

Source: Wakefield Tracking Survey, Author calculations

Durkin et al. examine seven quitting-related cognitions and behaviours before, during, and after the introduction of plain packaging. Of those seven indicators, only three are statistically significant in the post-plain packaging period. These are:

1. Concealed or covered pack several or many times in past month.
2. Stubbed out several or many times in past month.
3. Attempted to quit in past month.

Figure 13 plots the proportion of survey respondents who are identified as being quitters in the follow-up survey and that had either concealed a pack, or stubbed out, or attempted to quit in the previous month.

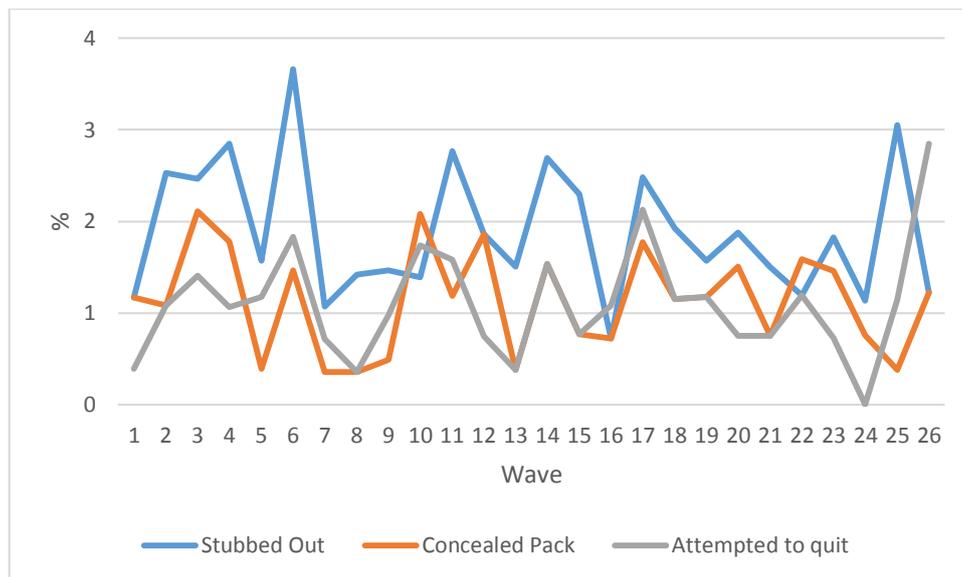


Figure 13: Quitting-related cognitions and behaviours and actual quitters
Source: Wakefield Tracking Survey, Author calculations

As can be seen, the number of survey respondents actually quitting and exhibiting the quitting-related cognitions and behaviours is very small. In figure 14 the data are restricted to those smokers who had quit but never exhibited quitting-related cognitions and behaviours is shown.

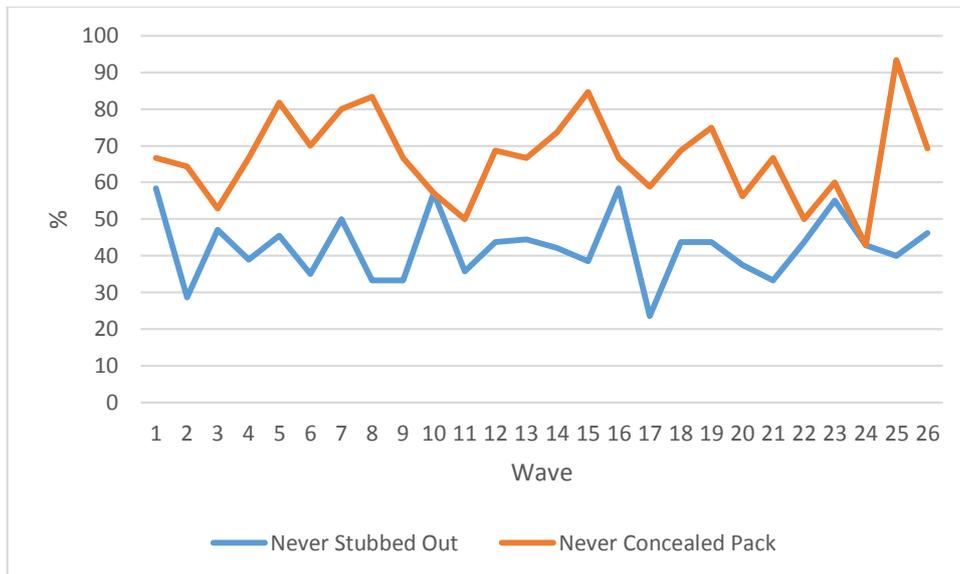


Figure 14: Actual quitters who never exhibited Quitting-related cognitions and behaviours
 Source: Wakefield Tracking Survey, Author calculations

Looking at both figures 13 and 14 it is not clear that the patterns of quitting-related cognitions and behaviours play any different roles (indeed if they play any) in inducing quitting behaviour before or after the introduction of plain packaging.

By focussing on quitting-related cognitions and behaviours, the papers published from the Wakefield survey ignored an important question – indeed, the very purpose of the Tobacco Plain Packaging Act as set out in section 3(1). Why did the 1519 individuals identified as quitters in the follow-up survey quit? Unfortunately the Wakefield survey did not ask the obvious question, “Why did you quit?”

Perhaps the survey authors believed the answer to be obvious. Perhaps they never thought to ask the question. Certainly for the plain packaging policy to be effective it must have induced quitting behaviour (and not just intentions to quit) relating to either the plain packaging itself or the enhanced graphic warnings. Figure 15 shows actual quitters views on the plain packs, and on the graphic health warnings.

The very best that can be said is that graphic health warnings rather than plain packaging per se may have induced quitting behaviour. Even then, the increased effects of the graphic health warnings are concentrated around the time of the introduction of the policy.

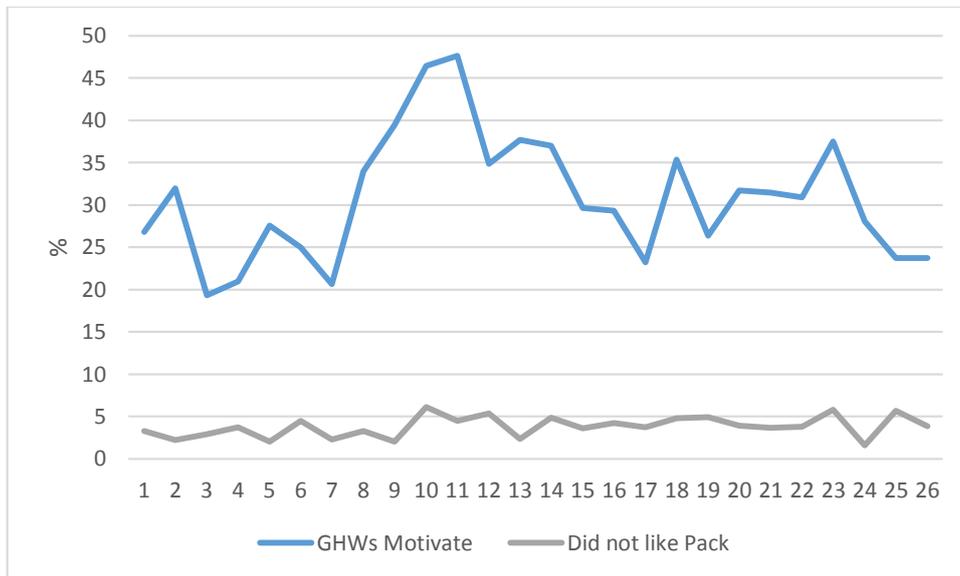


Figure 15: Quitters' views on Graphic Health Warnings and Plain Packs
Source: Wakefield Tracking Survey, Author calculations

It is possible to exploit different answers across the two surveys to establish whether opinions had changed over time. Table 2 shows results for:

1. The proportion of respondents who had *not* “Concealed or covered pack several or many times in past month” at the baseline survey but had done so at the follow-up survey.
2. The proportion of respondents who had *not* “Stubbed out several or many times in past month” at the baseline survey but had done so at the follow-up survey.
3. The proportion of respondents who had *not* been (or had been a little) motivated by graphic Health warnings to quit at the baseline survey but had been “much” or “somewhat motivated” to do so at the follow-up survey.

Rather than display the data by wave (available upon request) the data are represented as Pre-PP, Roll out, Post-PP (December 2012 – November 2013), and Post-Tax (after December 2013).

	Stub Out	Concealed	GHWS Motivate
Pre-PP (Prior to October 2012)	40.3	33.3	41.1
Rollout (October 2012 – November 2012)	32.9	28.6	52.7
Post-PP (December 2012 – November 2013)	39.1	33.0	38.8
Post-tax (After December 2013)	43.3	38.4	37.8

Table 2: Changed attitudes between surveys and by implementation period.
Source: Wakefield Tracking Survey, Author calculations

It appears that respondents were just as likely to stub out or conceal a pack in the Pre-PP period as they were likely to do so in the Post-PP period. Respondents were slightly less motivated to quit (or to remain quit) by the graphic health warnings on the packs in the post PP period. The evidence presented in table 2 is inconsistent with the view that plain packaging has met its policy objectives under section 3(1) of the Tobacco Plain Packaging Act, indeed it is contrary to those objectives having been met.

6. Conclusions

Australia was a world leader in adopting standardised packaging for tobacco products in 2012. Substantial data relating to that policy experiment are now available for analysis. The data itself, as opposed to the commentary associated with that data, do not support the notion that standardised packaging has met its stated policy objectives. Health Department officials and anti-tobacco lobbyists have been reduced to claiming the policy will be successful because smokers dislike the packs. That is a proposition that must be proven in order for the policy to be declared to be successful, yet it remains unproven.

The following conclusions can be drawn:

1. There is no evidence to support the notion that standardised packaging reduces the prevalence of tobacco consumption – as such it cannot be said to reduce the appeal of tobacco products.
2. Enhancing the graphic health warnings has had little impact on reducing smoking prevalence.

The anti-tobacco policy package introduced into Australia in 2012 cannot be described as having met its stated objectives and should not be adopted in other jurisdictions. Rather the public health authorities should focus their efforts on public education and pursuing policies that are likely to reduce the prevalence of smoking without imposing high social costs on society.

About the Author

Sinclair Davidson is Professor of Institutional Economics in the School of Economics, Finance and Marketing at RMIT University, a Senior Research Fellow at the Institute of Public Affairs, and an Academic Fellow at the Australian Taxpayers' Alliance. He has published in academic journals such as the European Journal of Political Economy, Journal of Economic Behavior and Organization, and the Cato Journal. Sinclair is a regular contributor to public debate. His opinion pieces have been published in The Age, The Australian, Australian Financial Review, Daily Telegraph, Sydney Morning Herald, and Wall Street Journal Asia.

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