

**Submission from the
National Heart Forum**

Budget 2003: Tobacco tax submission
February 2003

General remarks

The National Heart Forum (NHF) is committed to tackling the heavy toll of coronary heart disease (CHD) caused by smoking. Effective fiscal measures to support public health policies and initiatives to reduce smoking rates will not only cut the number of avoidable deaths caused by smoking-related diseases, including CHD, but also help to reduce health inequalities and the huge burden placed on the health services.

It is estimated that 20% of deaths from CHD among men and 17% of deaths among women are due to smoking – a total of 22,543 in 2001.¹

Smoking rates are higher among both men and women from manual social groups than non-manual social groups. This means that strategies that successfully reduce smoking rates will have a larger impact on smokers in social classes IV and V and contribute to a narrowing of the health gap.²

In line with the NHF's young@heart initiative - to tackle the causes of coronary heart disease from its origins in early life – measures that will act as a disincentive to youth smoking are extremely important. Although the evidence on price and young people's smoking has been somewhat mixed, it is thought that teenagers are at least as sensitive to price as adults, and possibly more so. Most young smokers who try smoking at first get their cigarettes from friends and relatives, so onset is unlikely to be affected much by price increases. However, once smoking is established, many adolescents buy their cigarettes from shops and are then sensitive to cigarette prices.³

The views expressed here are based on a submission prepared by NHF member, Action on Smoking and Health (ASH). This submission is supported by the member organisations of the NHF listed below.

1. Tax rates

Fiscal policy for tobacco should focus primarily on raising prices of tobacco products at least at the rate of growth of incomes in order to reduce affordability. The sharp increases in headline tax rates may not have led to significant increases in the real prices paid by tobacco users due to changes in the structure of the market since 1997.

We believe that addressing the negative impacts of these structural changes – by tackling smuggling and reducing incentives for smokers to trade down to budget cigarette brands or switch to hand rolling tobacco - should now assume greater priority than raising headline tax rates. Specifically:

- The policy should aim primarily at increasing the price of the cheapest tobacco products on the market. This more realistically influences the cost of being a tobacco user.
- Cigarettes. There should be no real reduction in tax rates or any attempt to use tax policy to control smuggling, which is a law and order issue. Any increase should be implemented as specific tax as far as possible within the constraints imposed by the European Union.
- Hand rolling tobacco. The tax rate should be increased to reduce the incentive to switch from cigarettes. This should be more practical following the success in reducing bootlegging of hand rolling tobacco.
- Cigar prices should be kept in line with cigarettes and increase at the same rate.

2. Smuggling

The NHF welcomes the success of the government's anti-smuggling programme in tackling cross-Channel bootlegging. However, the smuggling problem is dominated by freight smuggling. We remain concerned that insufficient action has been taken to prevent UK-based manufacturers shipping billions of cigarettes to countries such as Moldova and Afghanistan where there is no end-market for them, and the most obvious customers are those supplying the organised crime gangs that return them illegally to the UK. The report of the Public Accounts Committee (PAC) of 10 January 2003 suggests that the Committee believe that one company, Imperial Tobacco, has been actively conniving in freight smuggling or at the very least not taking care to prevent it. The PAC has shown that there is a serious criminal case to be answered.

To tackle smuggling a more strategic approach is required:

- to reduce the incentives to smuggle and instead create incentives to prevent smuggling within the wholesale tobacco trade,
- and to secure the distribution chain, by making it more difficult, expensive and risky for those involved.

A proper criminal investigation into allegations of aiding and abetting smuggling by tobacco companies is needed in the light of the PAC inquiry.

3. Health inequalities and fairness

Reducing tobacco use among low income groups is one of the most important strategies available to reduce the social class gradient in CHD, cancer and lung disease. But it must be remembered that tobacco tax is strongly regressive. By raising the price of an addictive product, tobacco taxation has a disproportionate impact on poor smokers who continue to smoke and carry the tax burden. On the other hand, genuine price increases do help lead some smokers to quit and make very substantial health and welfare gains for those that do quit. We believe the dilemma can be resolved only by making the greatest possible efforts to motivate and assist smokers to quit in response to the taxation.

We believe therefore that action to help smokers quit is intimately connected to the policy of raising taxes from them, and there is there a rational and good presentational case for dedicating a small share of the tax revenue – just two pence in the pound – to funding smoking prevention campaigns and NHS support to help smokers quit, raising approximately £150 million per year.

4. Improve reporting of market data

Tobacco taxation is an important health and fiscal policy, yet very little data is published about the structure of this £9 billion tax base and the response of consumers to changes in tax rates. At present it is not even possible to calculate price elasticities with any confidence.

We support the call for an annual report, produced by government on the tobacco market detailing its structure, price variations within categories, consumption patterns by socio-economic group, age and other demographics and market share by brand.

Submitted by the National Heart Forum, February 2003.
The opinions expressed here are consensus based
and do not necessarily represent the views of
individual members of the National Heart Forum.

This submission is expressly supported by:

- British Association for Cardiac Rehabilitation
- Blood Pressure Association
- Chartered Institute for Environmental Health
- Consensus Action on Salt and Health (CASH)
- Coronary Prevention Group
- Diabetes UK
- National Association of Governors and Managers
- Northern Ireland Chest, Heart & Stroke Association
- Primary Care Cardiovascular Society
- Royal College of Paediatrics and Child Health

¹ British Heart Foundation. 2003. Coronary heart disease statistics database 2003. London. British Heart Foundation.

² National Heart Forum. 2002. Coronary heart disease: Estimating the impact of changes in risk factors. London. The Stationery Office.

³ Emery S, Gilpin EA, White MM, Pierce JP. 1999. How adolescents get their cigarettes: implications for policies on access and price. *Journal of the National Cancer Institute*; 91:184-86.

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