



BRUSSELS

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Sinclair Davidson Claims Freedom of Information request shows Australian Government manipulated plain packs data

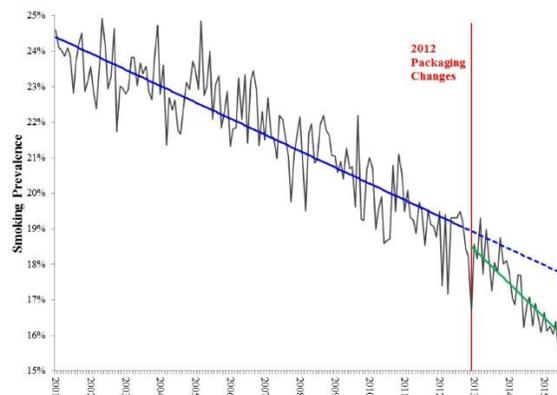
Leading economist Sinclair Davidson says four years later, still no evidence policy works
Australian smokers now buying cheaper brands instead

Following a Freedom of Information request, Sinclair Davidson, Professor of Institutional Economics at RMIT University in Melbourne (Australia), will tell a meeting of the Global Tobacco & Nicotine Forum ('GTNF') in Brussels that despite what the Australian government claims, their own data simply does not support the notion that their policy on plain packaging has achieved its stated goal of further reducing smoking prevalence.

On the final day of the conference in the heart of the EU, the economist will say that the Australian Government manipulated highly selective data in its Post-Implementation Review with the work undertaken by Dr Tasneem Chipty to model smoking behavior.

Using Figure 1, he will show how Dr Chipty used the blue trend line which is constructed using data from January 2001 to September 2012 and then the green trend line which is constructed using data from December 2012 to September 2015 to make it look as if there was a structural break in the decline of smoking prevalence caused by the introduction of plain packaging.

Figure 1: Overall Smoking Prevalence

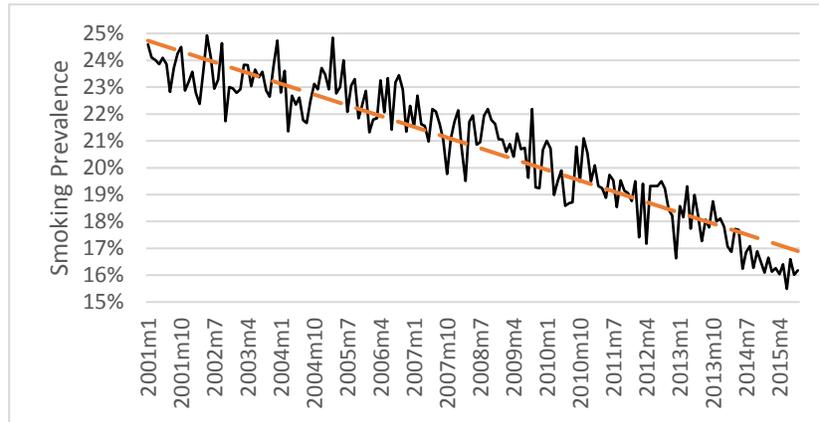


Note: Data are weighted using the population weights in the RMSS data.

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

Davidson will instead use his own single data trend line which he will argue proves in Figure 2 that the only deviation from the trend line after mid-2014 – over 18 months after the introduction of the plain packaging policy – is caused by the Australian Government’s massive increase in tobacco excise from AU\$0.35731 to AU\$0.40197 per cigarette (or from AU\$446.65 to AU\$502.48 per kilogram).

Figure 2



By September 2015, Dr Chipty estimated a smoking prevalence of some 16 per cent, while the Australian Government’s National Drug Strategy Household Survey reported daily smoking prevalence rates to be 12.8 per cent in 2013. On this basis smokers are clearly over-represented in the Government’s data.

Professor Davidson will go on to criticize Dr Chipty’s use of highly selective variables for determining smoking decline which uses as a base case for a typical smoker in Australia: an unmarried, Australian born, 14 – 17-year-old, male, with a tertiary qualification, employed full time, but with an income less than \$6000, and living in Victoria.

Sinclair Davidson, Senior Research Fellow at the Institute of Public Affairs, will comment:
‘At the time of implementation, the Australian government funded a AU\$3 million tracking study to measure the impact of plain packaging. Despite initial claims that it had worked, the researchers who undertook the study moved the goalposts and claimed the study was not designed to assess quitting success or changes in smoking prevalence but rather focus on peoples’ perceptions of the pack. Hence the need to come up with new data, which led to Dr. Chipty’s highly manipulated report.’

Davidson will go on to say that the most significant change in smoking behavior has been the switch in brands, especially following the increases in excise that occurred after December 2013. According to the Australasian Association of Convenience Stores, the sub value segment of the market (deep discount cigarettes or “cheapies”) has grown 145 per cent since 2013 – the first full calendar year after the introduction of plain packaging.¹This can be seen from a breakdown of the different categories of tobacco below.

¹ The Australasian Association of Convenience Stores, 2015, State of the Industry Report, <http://www.aacs.org.au/wp-content/uploads/2016/05/AACS-report-2015.pdf>.

	2015 %	2013 %	% change
Cigarettes Mainstream	42.0	50.4	-17%
Cigarettes Premium	16.6	23.2	-28%
Cigarettes Sub Value	28.4	11.6	145%
Cigarettes Value	4.5	8.4	-46%
Roll Your Own	7.5	5.4	39%
Other	1.0	1.0	0%

Table 1: Tobacco Market Share.

Source AACS 2015, pg. 26.

Sinclair Davidson will conclude: *'Between the Tracking study and the Chipty analysis, there is no statistically robust evidence to support the view that smoking prevalence changed because of the plain packaging policy. Despite what the Australian government claims, their own data simply does not show any change in smoking prevalence. What we can observe from the data is that the excise increase mostly drove the change in smokers' behaviour; either reducing their consumption, motivating them to quit, or indeed downtrading to cheaper brands. But it is disingenuous to claim that is because of plain packaging.'*

'My message to European policymakers and other regulators from around the world is that if you're looking for proof that plain packaging works, Australia doesn't have it.'

About Sinclair Davidson

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. Sinclair has published in academic journals such as the European Journal of Political Economy, Journal of Economic Behavior and Organization, and The Cato Journal. He is a regular contributor to public debate. His opinion pieces have been published in The Age, The Australian, Australian Financial Review, The Conversation, Daily Telegraph, The Drum, Sydney Morning Herald, and Wall Street Journal Asia. He blogs at Catallaxy Files and Tweets @SincDavidson.

About the GTNF

The GTNF (Global Tobacco and Nicotine Forum), organized by Tobacco Reporter magazine, is the world's leading conference on tobacco and next-generation nicotine products. The Forum is the largest global gathering of industry leaders, politicians, think-tanks, retailers, other FMCG companies, law enforcement agencies, commentators, and journalists, all of whom meet for three days of discussions. The GTNF debuted in Rio de Janeiro, Brazil, in 2008 and has subsequently been held in Bangalore, India (2010), Antwerp, Belgium (2012), Cape Town, South Africa (2013), West Virginia, USA (2014) and Bologna, Italy (2015). This year it takes place in Brussels, the Capital of the EU. For more information, visit: www.gtnf-2016.com