1. At the occasion of the World-Non-Smoking-Day on May 31, 2007, WHO published new figures showing a death rate of 5 million people due to cigarette smoking per year. In the light of this alarming condition the Austrian Nicotine Institute welcomes the opportunity to reply to the European Commission’s Consultation Paper “Towards a Europa free from tobacco smoke” as an opportunity to embrace and encourage change in the policy at EU-level.

Witnessing in particular cigarette addiction in our daily work with people breasting their smoking habits it is the utmost concern of the Austrian Nicotine Institute to stress the interdependence which exists between price increases and the decrease of cigarette consumption and in particular the price sensitiveness of young people.

The Nicotine Institute has submitted a statement to the European Commission’s Consultation Paper on the structure and rates of excise duty applied on cigarettes and other manufactured tobacco and we would like to forward this input to the discussion process which will follow the Green Paper “Towards a Europa free from tobacco smoke”.

2. The Austrian Nicotine Institute was founded in 1998 in order to reduce the burden of tobacco related diseases as an institute devoted to reducing the harm from tobacco dependence. Its focus is on diagnosis, treatment as well as providing information to public and professional target groups.
The Nicotine Institute is the first of its kind in Austria and has only few comparable institutions throughout the world. It contributes in particular to preventive, clinical and rehabilitative cardiology, oncology as well as pneumology through
- risk reduction,
- introducing CO measurements as routine diagnostic, replacing the so far used simple questions like: how much do you smoke,
- stressing the no/low risks of nicotine replacement in cardiac patients,
- following the nicotine dependence/prevention oncology-concepts offering new dimensions in oncology,
- chemoprevention of lung cancer by nicotine hypothesis which is by far the most promising new approach to control the lung cancer epidemic.

The scope of activities of the Nicotine Institute includes research in particular in the fields of:
- epidemiology of nicotine/tobacco dependence with the focus of identifying high risk groups which would be the target samples for risk reduction
- setting up a pilot activity called "long term Nicotine Substitution Clinic"
- setting up a pilot activity called "Nicotine Day Clinic"
- exposing the health care system to newer scientific findings and procedures and evaluating the compliance of the medical system
- expose the expects of various kinds with the new concepts e.g. harm reduction
- collaborates in various national and international research activities.

3. In the light of its mission the Austrian Nicotine Institute will very briefly highlight the impact of tobacco pricing on public health.

4. First of all the Nicotine Institute would like to refer to the Consultation paper itself which remarks that
a. “A price increase of 10 % decreases consumption on average by about 4% in high income countries among adults. Importantly, the impact of higher prices is likely to be greatest on young people, who are more responsive to price rises than
older people. In addition, price increases are an effective policy tool to prevent people from taking up smoking especially among youth, encourage smoking cessation, reduce the number of ex-smokers who resume the habit, and reduce in the long run the average cigarette consumption among continuing smokers.”

b. The paper draws the conclusion: “Tax policies may reduce tobacco consumption either by increasing the overall level of taxation and consequently the retail selling prices, or by imposing minimum taxes or more specific duties in order to tackle cheaper categories of cigarettes.”

5. According to the observation of smoking habits by the Nicotine Institute in its daily work this conclusion is not consistent as can be seen due to the following example:

In 2006 a “price war” took place on the Austrian tobacco market triggered by a market entrant that was aiming at gaining market shares by positioning an attractive international brand at a very low price level. The other market players imitated this strategy and within 3 months the discount sector went up from 10 to 45 brands. In other words: The companies decided to rather minimize their profit than to raise cigarette prices according to tax levels.

This had an impact of minus 20% demand for smoking cessation services offered by the Austrian Nicotine Institute. The rationale behind is the “nicotine pre abstinence syndrome” that constitutes a psychological situation which may result in a cessation attempt which is obviously influenced by cigarette price policy.

When the minimum price of cigarettes was introduced in May 2006 the number of clients went up again in figures which correspond to the survey on smoking practices carried out in Austria and spread over 28 years that shows that a 1% increase in tobacco prices decreases tobacco consumption by 0.5%.
At the same time sales of nicotine replacement products were equally affected: A
downtrend during the 2006-period of price war on the Austrian tobacco market
followed by an upswing after the introduction of minimum price of cigarettes in May
2006.

As a result the Austrian Ministry of Health introduced minimum retail prices of
cigarettes in May 2006 for public health reasons.

6. Furthermore recent studies on price policies of tobacco companies prove that:
a. The price policy of tobacco companies determines the demand for tobacco
   products (Plamper, Deichert, Lauterbach, “Auswirkungen der Tabaksteuererhöhungen in Deutschland auf den Tabakkonsum und Konsequenzen für die Gesundheitspolitik),

b. Increased taxation of tobacco products is not suitable to attain public
   health objectives as such means inevitably have the effect of “price wars”. (KPMG Austria, April 2006, www.kpmg.at)

c. In his position paper, Luk Joossens, a European tobacco control specialist,
   argues that the effect of tax increases on smoking prevalence is weakened by
   several factors which stem from the tobacco industry. He mentions in particular,
   the launch of discount and low priced cigarette brands and the process of
   inventive pricing (reduction of the amount of cigarettes per package). Moreover,
   in response to Luk Joossens’ position paper, the Austrian Nicotine Institute points
   out that recent studies on price policies upheld by tobacco companies prove that
   (1) the latter price policies determine the demand of tobacco products and (2)
   increased taxation of tobacco products is not suitable to attain public health
   objectives as such means inevitably create “price wars”.
7. The above leads us to believe that allowing Member states to impose minimum retail prices on tobacco products is the most effective way to attain the EC policies’ objectives in terms of public health.

8. Finally, we cannot ignore the scientific evidence put before our eyes. Long-term international studies on smoking practices prove the interdependence which exists between price increases and the decrease of cigarette consumption and in particular the price sensitiveness of young people:

a. **AUSTRIA:** A long-term survey of 28 years on smoking practices prove the interdependency of price increase and decrease in cigarette consumption. A 1% increase in tobacco prices decreases tobacco consumption by 0.5%. (Kunze, M., Wörgötter, G.: Cigarette prices and cigarette consumption in Austria, 1955-1983, 1986)

b. **EUROPE:** A study which has been reviewing 86 different studies from 52 european countries on price and cigarette consumption comes to the conclusion that at a 10% increase in the real price of cigarettes, smoking consumption decreases by 5-7%. (Gallus S., “Price and cigarette consumption in Europe”, published 2006 on www.tobaccocontrol.com)

c. **CANADA:** In particular young people are sensitive to cigarette prices and reduced cigarette prices will lead to increased smoking initiation among young adults. (Zhang et al. “The impact of tobacco tax cuts on smoking initiation among Canadian young adults”, 2006)

d. **KOREA:** After higher cigarette prices were introduced in Korea in 2004, 32% of smoking adolescents shifted to cheaper tobacco brands (Hyuncheol Kim: “The Effect of the Tobacco Price Increase in Korea on the Patterns of Adolescent Smoking” 2005).
9. The various studies as well as the Austrian “price war” example outlined above show that minimum prices are an effective means to reduce cigarette consumption and to prevent and combat “price war” phenomenon.

**Conclusion:**

10. In light of the above the measure against smoking which is the most appropriate and compatible with public health goals and wider political objectives is the introduction of minimum prices in the case of dangerous goods such as cigarettes.

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