List of chapters available at tobaccocinaustralia.org.au

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Chapter 10

The tobacco industry in Australian society

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10.0 Introduction

The selling of tobacco is a globalised operation resulting in a global health burden.¹ In only a few nations (e.g. China, the US, Japan and Egypt) is the tobacco market controlled by companies headquartered in that country.² Tobacco companies may be either government operated or publicly traded companies. Fourteen countries have major state-owned tobacco companies, accounting for approximately 40% of world cigarette consumption. (When excluding China this figure is only about 5%). Most of these operations are based in the Middle East/Africa region and Asia Pacific.³ Government ownership alone is not always predictive of a lack of resolve to implement strong tobacco control measures. For example, the Thai Tobacco Monopoly is government owned, yet Thailand is internationally recognised as having one of the world’s most advanced tobacco control programs.⁴ Privatisation of formerly state owned tobacco companies has been shown to lead to decreased cigarette taxes, overturned tobacco control legislation and increased tobacco consumption and prevalence.⁵,⁶

The cigarette business is now primarily concentrated in the hands of five tobacco companies that collectively control about 90% of the world’s cigarette market, four of which are publicly traded corporations. The global tobacco industry produces more than 5400 billion cigarettes a year. The biggest single market is China, where the industry is state owned, with approximately 350 million smokers who account for more than 40% of the global total. Four international tobacco companies—Philip Morris International, British American Tobacco, Japan Tobacco and Imperial Tobacco—account for some 45% of the global market, or around three-quarters of the market outside China.⁷
References


The global tobacco manufacturing industry

The largest tobacco company in the world (measured by cigarette volume) is the state-owned China National Tobacco Corporation.\(^1\) According to industry reports, China National Tobacco Corporation has a more than 99% market share in China,\(^2\) making it the single largest tobacco manufacturer in the world. Philip Morris—including both the separate Philip Morris International and US market (Altria) companies)—runs second to China National Tobacco Corporation with 17.3% of the global market share, followed by British American Tobacco, Japan Tobacco International and Imperial Tobacco. See Table 10.1.1 for global market share for each of the five major tobacco companies.

The driving force behind consolidation of the tobacco companies is the desire to increase market share, particularly in emerging markets. Since 2009, this strategy has been increasingly important as it marks the first time world cigarette sales volume has fallen, by 0.2%. Market growth in favourable countries such as China failed to make up for declines (driven largely by tax increases) in the US and other less favourable countries. Even with falling smoking prevalence, total growth in population, particularly in Asia, means there is opportunity and potential for growth.\(^1\)

The ability of the global companies to increase prices continued to outweigh the effect of volume falls in cigarettes in 2009 and in the first 9 months of 2010.\(^4\) The world tobacco market was worth US$664 billion in 2010, escaping relatively unscathed the global recession.\(^5\) However, tobacco as a category was downgraded by Citigroup analysts due to the unsustainability of profits rising amid volumes falling. According to the Citigroup report, tobacco could disappear from developed nations in the next 50 years:

‘no-one can be certain how smoking rates will play out in the distant future. [There are] three broad possibilities: Scenario A just extends the existing trend line until it hits zero. In Scenario B gradually fewer people quit, as we approach some sort of hard core of smokers, but in Scenario C smoking gets to a tipping point, as it becomes increasingly unacceptable and hence easier to regulate against. Possibly it may be (eventually) banned. We are certainly not saying that we know which is right; plainly we don’t. We think that each scenario is quite plausible. [But] it is quite possible that there will be no smokers left in Britain or many other developed countries in about 30–50 years.’\(^6\)

According to Euromonitor International, the key company trends predicted from May 2011 onwards are:\(^4\)

- **Volumes down in 2009–2010** All the international companies recorded falling volumes in 2009 and in the first nine months of 2010. Multinationals’ cigarette market share (excluding China) rose to 68% in 2009, with British American Tobacco, Philip Morris International, Japan Tobacco International and Imperial Tobacco between them leading the cigarette markets in 61 out of the 80 leading markets.

- **Values up due to price increases, though future less certain** The increased product prices for the major companies continued to outweigh the effect of volume falls in cigarettes in 2009 and in the first nine months of 2010.

- **Tobacco control success will continue** More countries introduced public smoking bans and raised prices due to obligations under the WHO Framework Convention on Tobacco Control. Tax-driven price rises caused volumes to fall in most key markets and particularly in the European Union. Display bans, flavour bans and plain packaging are the new threats.

- **High profile, high profit cigarette brand sales increasing** The proportion of global sales accounted for by the top 10 brands continued to grow in 2009 and 2010. Tobacco companies continue their high profile brand strategy: looking to improve the product mix and perceived brand values.

### Table 10.1.1
Estimated percentage share of global market, 2010

<table>
<thead>
<tr>
<th>Company</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>China National Tobacco Company</td>
<td>39.7</td>
</tr>
<tr>
<td>Philip Morris International + Altria*</td>
<td>17.3 (14.7 + 2.6)</td>
</tr>
<tr>
<td>British American Tobacco</td>
<td>12.4</td>
</tr>
<tr>
<td>Japan Tobacco International</td>
<td>9.8</td>
</tr>
<tr>
<td>Imperial Tobacco</td>
<td>5.2</td>
</tr>
</tbody>
</table>

*Altria is the completely separate US arm of Philip Morris
Source: Euromonitor International 2011\(^3\)
Development of cigarette alternatives to help ensure profitability in the longer term

Non-combustible tobacco products such as Japan Tobacco International’s ZeroStyle Mint and Altria’s Marlboro/Skoal Tobacco Sticks are the latest launches in the cigarette alternatives market.

Philip Morris International is the largest of the multinational tobacco companies. It owns the most popular and valuable tobacco brand in the world, Marlboro, which was worth US$67 billion in 2010 and has 7.3% total share of all the tobacco brands sold globally. See Table 10.1.2 for a summary of the global brand share. The almost universal consumer familiarity with global brand names can act as a potential shield against advertising restrictions. The establishment of licensing agreements and joint ventures with local tobacco industries has extended PMI’s market reach. One of the most important of these agreements is Philip Morris International’s partnership with China National Tobacco Corporation. The agreement establishes a joint venture company equally owned by both tobacco groups, to be headquartered in Lausanne. It licenses China National Tobacco Corporation to produce and distribute Marlboro in China, and in return, facilitates entry for China National Tobacco Corporation to the global tobacco market with a portfolio of ‘Chinese heritage brands’ carefully modified to appeal to foreign palates, as well as providing China National Tobacco Corporation with other international business opportunities. Both companies benefit from shared sales, distribution and other business infrastructure. In a bid to compete with the international brands, China National Tobacco Corporation has plans to cut the number of domestic cigarette brands to less than 20 by 2015, which means removing more than 80 brands from the market.

British American Tobacco ranks as the second largest transnational tobacco company after Philip Morris International. Although British American Tobacco has around 300 brands in its portfolio, it regards Dunhill, Kent, Lucky Strike and Pall Mall as its most important ‘Global Drive’ brands. Since 2005, British American Tobacco has also become active in the market for Swedish-style snus. British American Tobacco’s stated intention is to overtake Philip Morris as the leading cigarette company in the world; currently, British American Tobacco has a higher proportion of its business in developing countries than Philip Morris International. British American Tobacco’s strategy is to increase sales (and prices) in the emerging economic regions such as Africa and Latin America to counterbalance the threats to its traditional marketplaces through its ‘Global Drive’ brands.

Japan Tobacco International grew from a largely domestic company to an international one through acquisition of other companies/brands. The international business has a strong portfolio of brands lead by Winston (the second largest international brand in the world and fastest growing over the last decade), and Camel (sold in over 100 countries). Mild Seven is the top-selling premium charcoal filtered brand in the world.

Imperial is the smallest of the four international tobacco companies and the one most concentrated in a few markets. The Imperial Tobacco Group has substantially increased its global expansion since the mid-1990s, through brand acquisition (as has occurred in Australia) as well as increase in market share. Since its acquisition of Reemtsma Cigarettenfabriken GmbH in 2003, the Imperial Tobacco Group has become the second largest tobacco company in Germany and the fourth largest international tobacco company in the world, manufacturing and distributing cigarettes, loose tobaccos, cigars and smoking-related paraphernalia such as cigarette papers, filters and tubes. The company cites Asia, Eastern Europe, Africa and the Middle East as its key growth regions.

Imperial Tobacco leads the global market in fine cut tobacco and reports its volume cigarette sales in terms of cigarette equivalents to demonstrate the way in which roll-your-own tobacco can mitigate volume falls in cigarette sales.

The trend towards globalisation of the tobacco industry has lead to a globalised approach to marketing, research and lobbying, and factors such as trade liberalisation have opened new and lucrative markets to the transnational

---

**Table 10.1.2**

<table>
<thead>
<tr>
<th>Brand*</th>
<th>Company</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marlboro</td>
<td>Philip Morris International + Altria</td>
<td>7.3 (5.1 + 2.2)</td>
</tr>
<tr>
<td>Winston</td>
<td>Japan Tobacco International</td>
<td>1.8</td>
</tr>
<tr>
<td>Mild Seven</td>
<td>Japan Tobacco International</td>
<td>1.6</td>
</tr>
<tr>
<td>L&amp;M</td>
<td>Philip Morris International</td>
<td>1.5</td>
</tr>
<tr>
<td>Pall Mall</td>
<td>British American Tobacco</td>
<td>1.3</td>
</tr>
<tr>
<td>Kent</td>
<td>British American Tobacco</td>
<td>1.2</td>
</tr>
</tbody>
</table>

*Excludes China National Tobacco Corporation brands and includes only those brands with a greater than 1% global market share.

Source: Euromonitor International 2011

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For further information on snus, see Section 10.7.3, Chapter 3, Section 33 and Chapter 12, Attachment A12.3.
companies. Companies are increasingly focused on their ‘international’ brands, it being more cost effective to manage and market a smaller number of iconic brands than to develop smaller, market-specific brands. The negative effects of tobacco industry globalisation can be illustrated through the imbalance between the money that flows from (often poor) smokers to (often not poor) shareholders and the money that flows from wealthy to poor countries to reduce tobacco use. For example, in 2005, British American Tobacco reported that smokers in the poorest countries of sub-Saharan Africa provided about $340 million to its bottom line, an amount equal to about 140% of the total global development assistance for tobacco control.

Although the companies engage in strong competition, as an industry they are generally united in their desire to promote their products and undermine tobacco control measures. At an international level, the tobacco industry engages against instrumentalities including the World Health Organization, the World Bank and the United Nations. It strongly fights to discourage countries from adopting the effective measures mandated in the WHO Framework Convention on Tobacco Control. The industry has marshalled and given voice to an international lobby for tobacco growers, especially powerful in countries where tobacco is a major agricultural commodity. Using arguments honed over decades of cooperation, the industry as a whole continues to advance misinformation about the nature of its products, obfuscates about addiction, and persists in its denials that advertising recruits new smokers.

A research project by Stanford University’s Global Tobacco Prevention Research Initiative, the Cigarette Citadels, maps the location of more than 400 cigarette factories worldwide. The goal of the project is to pinpoint all the factories in the world producing cigarettes and provide basic facts about them. The interactive map can be accessed here: [https://www.stanford.edu/group/tobaccoprv/cgi-bin/wordpress/](https://www.stanford.edu/group/tobaccoprv/cgi-bin/wordpress/)

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i An important exception is Altria, which broke ranks by publicly supporting the legislation that granted the US Food and Drug Administration regulatory authority over tobacco products. See Chapter 10, Section 10.23.1.

ii The tobacco industry argues that it is a vital, positive contributor to the economies of some countries. For discussion, see Chapter 17, Section 17.3.4.
References


15. Callard C. Follow the money: how the billions of dollars that flow from smokers in poor nations to companies in rich nations greatly exceed funding for global tobacco control and what might be done about it. Tobacco Control 2010;19(4):285-90. Available from: http://tobaccocontrol.bmj.com/content/19/4/285.full

10.2

The manufacturing industry in Australia

The Australian tobacco industry is a subset of the global industry. All three tobacco companies which operate in Australia—British American Tobacco Australia, Philip Morris International (Australia) and Imperial Tobacco Australia—are wholly owned subsidiaries of their overseas parent. Although the Australian tobacco market is considered to be mature and per capita consumption is in decline, the tobacco companies remain highly profitable entities and continue to successfully operate despite the challenging regulatory environment. In 2009, an estimated 21,928.5 million cigarettes were sold in Australia, the equivalent of 1669 packs of 25 cigarettes per minute (this does not include roll-your-own tobacco, which has increased in consumption).

Overseas ownership of the Australian companies means that no tobacco company is currently listed on the Australian Securities Exchange and that the availability of information specific to local company operations is limited. British American Tobacco Australia offers a website with some Australian emphasis, but Philip Morris International (Australia) and Imperial Tobacco Australia provide little in the way of Australian data. It is probable that the tobacco companies prefer not to expose their activities to any more scrutiny than is strictly required by law. Most of the information used in the following sections discussing the Australian tobacco companies and their operating environment has been sourced from literature published by various trade and marketing associations, and cannot be independently verified. Given the immense impact of the tobacco industry on the health of Australians, this lack of accountability and disclosure is inconsistent with government priorities to reduce tobacco use and could be remedied by legislation requiring greater reporting of sales and marketing data.

Reflecting international trends, the companies operating in Australia have undergone consolidation. Only two of the three companies, Philip Morris International (Australia) and British American Tobacco Australia, own local manufacturing facilities. Brands sold by Imperial Tobacco Australia, which entered the market following the merger of WD & HO Wills and Rothmans in 1999, are marketed under licence by British American Tobacco Australia. In addition, a small number of companies import speciality products and brands. Chapter 10, Sections 10.3‒10.6 provide further detail on the size and composition of the Australian tobacco industry.

A total of 23,544.5 million cigarettes were produced in Australia in 2009, with 4,021.0 million cigarettes exported (primarily to Pacific Island countries) and an additional 2,465.0 cigarettes imported.\(^1\)

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References


Chapter 10: The tobacco industry in Australian society

Section: 10.3.1

Date of last update: 26 March 2012

10.3

Retail value and volume of the market

The three major tobacco companies operating in Australia are not required to report retail sales data to government. Tobacco sales data would be extremely valuable in monitoring trends in tobacco use and in evaluating the effectiveness of tobacco control interventions. Because of the low level of illicit trade in Australia, retail data are likely to provide a reasonably accurate estimate of total tobacco consumption in Australia and would provide an unbiased benchmark against which self-reported tobacco consumption survey data could be evaluated. Some sales data are collected by market research companies and are available for purchase at a high cost, although some researchers have been denied access to this data despite being willing to purchase it. Accordingly, much of the information reported in this and the following sections is drawn from market research reports that cannot be independently verified.

In 2009, the total grocery value of cigarettes in Australia was $4.84 billion, which is an increase in value of 5.6% from the previous year. This increase in value is despite a decrease in volume of 2.1%, representing a total of 10.6 billion cigarettes sold at supermarkets alone. According to Euromonitor, although no precise data are provided, supermarkets gained actual volume share in cigarette in 2009, due to smokers switching from purchasing products from higher-priced convenience stores. A total of 21.9 billion cigarettes were sold in Australia in 2009, suggesting that about half of all readymade cigarettes were purchased at supermarkets.

Despite falling tobacco consumption and lower sales volumes (see Chapter 2), the value of tobacco sales has increased over the years, due to price increases caused in part by taxation increases. In 2009, the taxation component ranged from about half of the retail price of premium brand cigarettes to up to around 70% of the retail price of economy brand cigarettes. Manufacturers of cigarettes receive 18–37% of the retail price, with manufacturers obtaining a higher margin from premium brands. Profitability has increased as well, and sales of tobacco products represent a lucrative market for retailers, and (except in the case of tobacconists) offer a strong return on relatively little floor space. Different retail outlets generally set different profit margins on tobacco products, with the average margin being 14.5%. For example, convenience stores set an estimated 30% gross margin per pack. At the other end of the scale, supermarkets/grocers and tobacconists, which rely more heavily on larger sales volumes and discounted sales by the carton, have an average margin of 8% and 6% respectively. An Australian study of smoker purchasing patterns suggests that the lower prices charged by tobacconists and supermarkets results in larger average purchase sizes, and this potentially leads to higher tobacco consumption.

10.3.1

Comparison of tobacco sales with sales of other product categories from Australian supermarkets, grocers and convenience outlets

In 2010, consumers spent $4.84 billion on cigarettes, down 2.1% on the previous year. Tobacco ranked second only to dairy produce in sales value, and the total sales value of tobacco products earned at least twice as much as from the frozen foods, bread and confectionary categories (Table 10.3.1).

Table 10.3.1

<table>
<thead>
<tr>
<th>Rank</th>
<th>Product category</th>
<th>Sales value ($ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dairy case</td>
<td>5.75</td>
</tr>
<tr>
<td>2</td>
<td>Cigarettes</td>
<td>4.84</td>
</tr>
<tr>
<td>3</td>
<td>Cold beverages</td>
<td>4.08</td>
</tr>
<tr>
<td>4</td>
<td>Frozen foods</td>
<td>2.85</td>
</tr>
<tr>
<td>5</td>
<td>Health and beauty</td>
<td>2.59</td>
</tr>
<tr>
<td>6</td>
<td>Confectionary</td>
<td>2.27</td>
</tr>
<tr>
<td>7</td>
<td>Bread, rolls and hotplate</td>
<td>1.9</td>
</tr>
<tr>
<td>8</td>
<td>Pet needs</td>
<td>1.76</td>
</tr>
<tr>
<td>9</td>
<td>Paper, plastics, foil</td>
<td>1.7</td>
</tr>
<tr>
<td>10</td>
<td>Hot beverages</td>
<td>1.29</td>
</tr>
</tbody>
</table>

Source: Retail World

i This pricing data was collected prior to the significant tax increase in April 2010.

ii Gross margin is defined as ‘the difference between the price for which a business purchases goods and the price for which these goods are sold’. Pricewaterhouse Coopers
Tobacco sales are even more important to convenience and impulse retailers. Data from annual Nielsen reports of the convenience sector,\textsuperscript{i, ii, iii} which compiles information on market size and brand share of products sold through convenience outlets, shows that tobacco is the leading source of sales revenue. Tobacco, which includes cigarettes, tobacco and smoking accessories, consistently brings in close to 40% of all sales, over twice the amount spent on the next strongest category, ready to drink beverages (see Table 10.3.2). Convenience retailers generally work on higher margins on tobacco than supermarkets, with consumers trading off price for greater convenience. Due to these higher margins, consumers who purchase in convenience stores are thought to be less price sensitive, and more likely to choose premium brands.\textsuperscript{iv}

The 2010 Nielsen report\textsuperscript{v} (as of 14/01/2010) shows an overall growth of 3.3% in total value of convenience sector sales. The total per cent value share of top ranked category products was not provided in the 2010 report so instead the per cent value change from 2009 is reported. See Table 10.3.3. As the 2010 data show, cigarette and tobacco sales increased in terms of total per cent value of all convenience sales, 3.9% and 8.7% respectively, over and above the total growth of 3.3% in the total convenience sector.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|}
\hline
\textbf{Rank} & \textbf{Product category} & \textbf{2007\textsuperscript{ii}} & \textbf{2008\textsuperscript{ii}} & \textbf{2009\textsuperscript{ii}} \\
\hline
1 & Total Tobacco & 39.4 & 38.8 & 39.0 \\
2 & Ready to drink & 18.0 & 18.5 & 19.0* \\
3 & Communications & 13.9 & 14.0 & 14.0* \\
4 & Confectionery & 8.6 & 8.7 & 8.6* \\
5 & Milks & 7.2 & 7.6 & 7.6* \\
6 & Magazines/newspapers & 5.4 & 5.0 & 4.9* \\
7 & Ice cream & 2.7 & 2.6 & 2.7* \\
8 & Snack Foods & 2.7 & 2.6 & 2.5 \\
9 & Bread & 1.3 & 1.3 & 1.2 \\
10 & Defined grocery & 0.8 & 0.8 & 0.9* \\
\hline
\end{tabular}
\caption{Ranking by % of sales value of leading product categories in Australian convenience retail outlets, 2007–2009}
\end{table}

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|}
\hline
\textbf{Total convenience sector} & 3.3 & Tobacco & 8.7 \\
Cigarettes & 3.9 & Health/beauty & 2.1 \\
Carbonated beverages & 9.6 & Bread & -0.5 \\
Communications & -4.2 & Fruit juice/drinks & -6.9 \\
Milks & 2.5 & Cereal & 17.5 \\
Confectionery & 4.4 & Biscuits & 1.8 \\
Magazines/newspapers & -6.9 & Nutritious snacks & 8 \\
Ice cream & 5.5 & Cordials & 2.4 \\
Snack foods & 5.8 & & \\
\hline
\end{tabular}
\caption{Convenience growth performance by category, 2010}
\end{table}

\textsuperscript{i} Nielsen’s ScanTrack Convenience service is a continuous census based scan measure representing over 1900 outlets across seven retailers including Caltex, Coles Express, 7-Eleven, BP, Mobil, Night Owl and Gull. Data for sales are based on 15 defined categories, which include tobacco (cigarettes, tobacco and accessories), beverages (carbonated beverages and fruit juice), confectionery, salty snacks (snack foods and nutritious snacks), ice cream, grocery (biscuits, cereal, bread, milk, cordial), communications and publications.

\textsuperscript{ii} Nielsen's Scantrack Convenience service is a continuous census based scan measure representing over 1900 outlets across seven retailers including Caltex, Coles Express, 7-Eleven, BP, Mobil, Night Owl and Gull. Data for sales are based on 15 defined categories, which include tobacco (cigarettes, tobacco and accessories), beverages (carbonated beverages and fruit juice), confectionery, salty snacks (snack foods and nutritious snacks), ice cream, grocery (biscuits, cereal, bread, milk, cordial), communications and publications.

\textsuperscript{iii} Nielsen's Scantrack Convenience service is a continuous census based scan measure representing over 1900 outlets across seven retailers including Caltex, Coles Express, 7-Eleven, BP, Mobil, Night Owl and Gull. Data for sales are based on 15 defined categories, which include tobacco (cigarettes, tobacco and accessories), beverages (carbonated beverages and fruit juice), confectionery, salty snacks (snack foods and nutritious snacks), ice cream, grocery (biscuits, cereal, bread, milk, cordial), communications and publications.

\textsuperscript{iv} Nielsen's Scantrack Convenience service is a continuous census based scan measure representing over 1900 outlets across seven retailers including Caltex, Coles Express, 7-Eleven, BP, Mobil, Night Owl and Gull. Data for sales are based on 15 defined categories, which include tobacco (cigarettes, tobacco and accessories), beverages (carbonated beverages and fruit juice), confectionery, salty snacks (snack foods and nutritious snacks), ice cream, grocery (biscuits, cereal, bread, milk, cordial), communications and publications.

\textsuperscript{v} Nielsen's Scantrack Convenience service is a continuous census based scan measure representing over 1900 outlets across seven retailers including Caltex, Coles Express, 7-Eleven, BP, Mobil, Night Owl and Gull. Data for sales are based on 15 defined categories, which include tobacco (cigarettes, tobacco and accessories), beverages (carbonated beverages and fruit juice), confectionery, salty snacks (snack foods and nutritious snacks), ice cream, grocery (biscuits, cereal, bread, milk, cordial), communications and publications.
References


10.4

The tobacco companies operating in Australia

The tobacco market in Australia is dominated by three major companies, of which the largest is British American Tobacco Australia. In 2009, the three tobacco companies had combined total revenue of more than $2.8 billion and employed about 2100 people (Table 10.4.1).

10.4.1

British American Tobacco Australia Limited

British American Tobacco Australia (BATA) is a wholly owned subsidiary of British American Tobacco. British American Tobacco is a publicly listed company on the London Stock Exchange.

BATA was created in 1999 by the merger of WD and HO Wills Holdings Ltd (controlled by British American Tobacco) and Rothmans Holdings Ltd. The merger of the two Australian companies mirrored the international merger of British American Tobacco with Rothmans International, making the newly formed BATA the largest tobacco company operating in Australia. The then Chairman of Wills (and former Premier of New South Wales), Mr Nick Greiner, subsequently became Chairman of BATA. The new corporate entity soon realised higher profits due to sales growth, cost reductions and distribution advantages arising from rationalisation of resources.

The head office and main manufacturing base for BATA are located in Eastgardens, in suburban Sydney. BATA's printing and packaging is contracted out to Anzpac Services, which was a wholly owned subsidiary of BATA before it was sold in October 2008 to the Singapore-based New Toyo International Holdings for $60 million. This sale incorporated a seven-year agreement for Anzpac to supply British American Tobacco with cigarette cartons for production in Oceania, Malaysia, Singapore and Vietnam.

The British American Tobacco Australasia area covers Australia, New Zealand and the Pacific Islands. Taking into account the wider region, BATA employs a total workforce of about 2200, who produce just over 18 billion cigarettes a year, with additional manufacturing facilities in Papua New Guinea, Fiji, the Solomon Islands and Western Samoa. BATA also produces tobacco goods for export throughout other Pacific Island nations, through its own export division. BATA imports some tobacco products, and is under contract by Imperial Tobacco Australia to manufacture a range of products (see Chapter 10, Section 10.4.3).

Since BATA is wholly owned by its UK parent British American Tobacco, financial data specific to BATA do not need to be made publicly available. In British American Tobacco’s annual company reports, Australia is included in the Asian-Pacific region, for which results from New Zealand and the South Pacific, and Asian countries including Indonesia, Malaysia, Pakistan, Japan, Bangladesh, South Korea, Taiwan and Vietnam are pooled.

According to the 2010 British American Tobacco annual report, ‘Australia achieved strong profit growth through higher pricing and continued cost saving initiatives. Good performances from both Pall Mall and Winfield led to an increase in market share, although an ad hoc excise increase in May 2010 resulted in a drop in industry volumes.’

Limited financial information for BATA is compiled and published annually as part of Business Review Weekly and IBISWorld’s annual ‘1000 Index.’ Information from recent Business Review Weekly reports is presented in Table 10.4.2. Because these data collapse the Asian-Pacific region, as do British American Tobacco’s annual reports, it is...
not possible to isolate Australian performance. For the year 2009, Business Review Weekly ranked BATA at 195 out of Australia’s top 1000 companies on the basis of total revenue, and 63 out of 1000 for net profit after tax.4

BATA claims market leadership in Australia and the Pacific, with around 46% of market share in Australia, 75% in New Zealand and 100% throughout the Pacific Islands. BATA’s major brands in Australia are Dunhill, Winfield and Benson & Hedges.5 British American Tobacco’s annual reports since 200318–22 consistently allude to increasing profits in Australia, attributing this success to higher margins, reductions in overheads and improved supply chain efficiencies, and strong performances by its key brands, Winfield, Dunhill, Benson & Hedges and Holiday. Table 10.4.3 presents BATA’s Australian brand portfolio.

10.4.2

Philip Morris (Australia) Limited

Philip Morris (Australia) Limited is the Australian subsidiary of Philip Morris International, based in Lausanne. Philip Morris Australia was established in 1954, the first overseas affiliate to be set up by Philip Morris International.24 Philip Morris Australia’s Australian head office and main manufacturing facility, which employs more than 200 people,2 are located in Moorabbin, a suburb of Melbourne, Victoria. The Australian headquarters provides support to Philip Morris interests in other countries in the Asian region, including Hong Kong, Japan, Malaysia, the Philippines and India.25 Philip Morris Australia’s major brands include Longbeach, Peter Jackson, Marlboro and Alpine.

On the basis of market share, Philip Morris Australia is the second largest tobacco company in Australia.23 Since its delisting as a public company in 1992, Philip Morris Australia has had no formal requirements to publicly lodge annual reports or financial statements specifying results from its Australian operations. No Australia-specific information is reported in Philip Morris International’s annual reports. However, limited

Table 10.4.2

<table>
<thead>
<tr>
<th>British American Tobacco (Australasia Holdings)*, 2002–2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ending December</td>
</tr>
<tr>
<td>Total revenue ($m)†</td>
</tr>
<tr>
<td>Profit after tax ($m)†</td>
</tr>
<tr>
<td>Shareholder’s funds ($m)†</td>
</tr>
<tr>
<td>Total assets ($m)†</td>
</tr>
<tr>
<td>Number of employees*</td>
</tr>
</tbody>
</table>

* Table includes data from all operations throughout the Asian-Pacific region
† Figures unadjusted for inflation

Source: Business Review Weekly10,11,12,13,14,15,16,17,4

Table 10.4.3

<table>
<thead>
<tr>
<th>British American Tobacco Australia brands and products, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cigarettes</td>
</tr>
<tr>
<td>Roll your own tobacco</td>
</tr>
<tr>
<td>Cigars</td>
</tr>
<tr>
<td>Smoking accessories</td>
</tr>
</tbody>
</table>

Source: The Australian Retail Tobacconist23

Table 10.4.4

<table>
<thead>
<tr>
<th>Philip Morris Australia, 2002–2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ending December</td>
</tr>
<tr>
<td>Total revenue ($m)*</td>
</tr>
<tr>
<td>Profit after tax ($m)*</td>
</tr>
<tr>
<td>Shareholders funds ($m)*</td>
</tr>
<tr>
<td>Total assets ($m)*</td>
</tr>
<tr>
<td>Number of employees</td>
</tr>
</tbody>
</table>

* Figures unadjusted for inflation

Source: Business Review Weekly10,11,12,13,14,15,16,17
information is available through the annual listings compiled by the Australian Business Review Weekly and IBISWorld. Data from these sources are presented in Table 10.4.4. In 2009, Philip Morris Australia was ranked 420 out of Australia’s top 1000 enterprises on the basis of total revenue, and 83 out of 1000 for profit after tax.4

10.4.3

Imperial Tobacco Australia Limited

Imperial Tobacco Australia Limited is the smallest and most recently formed of the tobacco companies operating within Australia. Imperial Tobacco Australia was established to coincide with the merger of WD & HO Wills Holdings Limited and Rothmans Holdings Limited as British American Tobacco Australia. At the time of the proposed merger, concerns were raised about the likelihood for reduction in competition in the Australian marketplace, thereby potentially causing a breach of Section 50 of the Trade Practices Act 1974. The Australian Competition and Consumer Commission agreed to permit the merger to proceed, on condition that another tobacco company enter the Australian market. The UK-based Imperial Tobacco Group was invited to enter the Australian market and in September 1999, Imperial Tobacco Australia commenced operations.26, 27 As part of the agreement allowing the formation of British American Tobacco Australia, Imperial Tobacco Australia was sold a portfolio of cigarette, roll-your-own tobacco and cigarette paper trademarks previously owned by Rothmans or WD & HO Wills for the sum of $325 million. The purchase gave Imperial Tobacco Australia an opening market share of 17.1%.27

Imperial Tobacco Australia ranked third in cigarettes sales in 2009, with a volume share of 16.2%. Imperial Tobacco Australia dominates the roll-your-own tobacco category, where it had a 62% volume share in 2009.3 For the year 2009, Imperial Tobacco Australia was rated 727 out of Australia’s top 1000 enterprises on the basis of total revenue.4 See Table 10.4.6 for financial information.

The head office for Imperial Tobacco Australia is located in the suburb of Baulkham Hills, north-west of Sydney. Regional offices operate in

Table 10.4.5

Philip Morris Australia brands and products, 2011

<table>
<thead>
<tr>
<th>Cigarettes</th>
<th>Alpine, Choice, GT, Longbeach, Marlboro, Peter Jackson, PM Evolve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roll your own tobacco</td>
<td>Longbeach, Marlboro, Peter Jackson</td>
</tr>
<tr>
<td>Cigars</td>
<td>Wings</td>
</tr>
<tr>
<td>Smoking accessories</td>
<td>Venti Filters and Paper, Cricket Lighters</td>
</tr>
</tbody>
</table>

Source: The Australian Retail Tobacconist23

Table 10.4.6

Imperial Tobacco Australia, 2002–2009

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue ($m)*</td>
<td>271.4</td>
<td>306.7</td>
<td>342.7</td>
<td>367.9</td>
<td>386.5</td>
<td>358.0</td>
<td>370.1</td>
<td>405.0</td>
</tr>
<tr>
<td>Profit after tax ($m)*</td>
<td>27.2</td>
<td>36.5</td>
<td>47.7</td>
<td>53.2</td>
<td>2.7</td>
<td>5.9</td>
<td>217.2</td>
<td>n/a</td>
</tr>
<tr>
<td>Shareholders’ funds ($m)*</td>
<td>62.4</td>
<td>97.5</td>
<td>67.7</td>
<td>73.2</td>
<td>25.1</td>
<td>34.3</td>
<td>38.0</td>
<td>n/a</td>
</tr>
<tr>
<td>Total assets ($m)*</td>
<td>128.5</td>
<td>161.8</td>
<td>146.2</td>
<td>158.8</td>
<td>176.7</td>
<td>203.6</td>
<td>230.1</td>
<td>n/a</td>
</tr>
<tr>
<td>Number of employees</td>
<td>261</td>
<td>274</td>
<td>278</td>
<td>299</td>
<td>317</td>
<td>317</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

* Figures unadjusted for inflation

Source: Business Review Weekly 10, 11, 12, 13, 14, 15, 16, 17, 4

Table 10.4.7

Imperial Tobacco Australia brands and products, 2011

<table>
<thead>
<tr>
<th>Cigarettes</th>
<th>Brandon, Camel, Davidoff, Escort, Horizon, JPS, More, Peter Stuyvesant, Superkings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roll your own tobacco</td>
<td>Bank, Champion, Dr Pat, Drum, Escort, Golden Virginia, Horizon, Log Cabin, Peter Stuyvesant, Stockman’s, White Ox</td>
</tr>
<tr>
<td>Pipe/Fine cut</td>
<td>Amphiara, Dr Pat, Log Cabin</td>
</tr>
<tr>
<td>Smoking accessories</td>
<td>Papers, Riza, and Tally Ho Papers Tally Ho Filters, Tally Ho Cigarette Tubes, Tally-Ho cigarette maker machine</td>
</tr>
</tbody>
</table>

Source: The Australian Retail Tobacconist23
Melbourne, Adelaide, Perth and Brisbane. In 2007, Imperial Tobacco Australia employed 217 personnel. Imperial Tobacco Australia does not own manufacturing plant in Australia, but subcontracts British American Tobacco Australia to produce its Australian-made range of cigarettes and tobacco, including Horizon, Peter Stuyvesant and Escort. Additionally, Imperial Tobacco Australia imports a range of cigarettes and loose tobacco products from its international stable of brands, including Camel and Superkings.³
References


4. Business Review Weekly and BISWorld. The BRW 1000. BRW (Australia) 2011;33(3)


Major importers operating in the Australian market

Apart from the three major companies listed in Chapter 10, Section 10.4, a small number of companies operate within Australia as distributors of imported cigarettes and other tobacco products, and smokers’ requisites such as cigarette papers and filters for roll-your-own tobacco users.

10.5.1 Stuart Alexander Pty Ltd

Stuart Alexander is an importer, marketer and distributor for tobacco products and a range of packaged food products. Stuart Alexander imports and markets tobacco products for Scandinavian Tobacco Group, Japan Tobacco International, Altadis, Swisher, Mac Baren and Ranch Filters. Stuart Alexander has a 50.0% value share of the $23.5 million cigar market in grocery stores.

Table 10.5.1
Stuart Alexander tobacco products, sold through convenience retailers, 2010

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roll-your-own tobacco</td>
<td>Old Holborn, Irish Cake, Plumcake, Mac Baren</td>
</tr>
<tr>
<td>Cigars</td>
<td>Altadis, Bering, Colt, Hav-A-Tampa, Henri Wintermans, Henry Clay, Café Crème, Jewels, King Edward, Old Port, Sweet Aromatic</td>
</tr>
<tr>
<td>Smoking accessories</td>
<td>Ranch Filters</td>
</tr>
</tbody>
</table>

Source: The Australian Retail Tobacconist

10.5.2 Swedish Match Australia Pty Ltd

Swedish Match Australia is the Australian operating division of the Stockholm based, publicly listed company Swedish Match. Swedish Match is engaged in the manufacture and distribution of moist snuff (snus), cigars, pipe and chewing tobacco, matches and lighters. Swedish Match operates production facilities in 11 countries, and is active in more than 100 countries. It is the largest producer of snus in Scandinavia, and is market leader for chewing tobacco products in the US.

On 30 June 1998, Swedish Match purchased Bryant & May, makers of Redhead matches and firelighters, in Australia. Redheads firelighters continue to be manufactured in Australia, while Redheads Safety Matches are now imported from a Swedish Match factory in Sweden. Swedish Match Australia concentrates its tobacco product efforts in the cigar market (Table 10.5.2). Swedish Match has a 36.2% value share of the grocery store cigar market.

Additionally, Swedish Match lists the following as part of its portfolio of brands: Redheads, Lighthouse, Cricket, Wee Willem, Ritmeester, White Owl, Villiger, Ventti, La Paz, El Credito, Macanudo, Davidoff and Borkum Riff.

Table 10.5.2
Swedish Match tobacco products sold through convenience retailers 2010

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cigarettes</td>
<td>Alternativas, Arturo Fuente, Ashton, Aurora, Avo, Cuesta-Ray, Danneman, Davidoff, Delicias, La Paz, Diamond Crown, Don Sebastian, El Credito, Excalibur, La Flor Dominicana, La Paz, La Regenta, La Uranica, Leon Jimenes, Macanudo, Puros Indios, Real Al Pedro, Rigoletto, Ritmeester, Villiger, White Owl, Willem II, Sosa, Salsa, Tabacalera, Tutiana, Tueros, Zino</td>
</tr>
<tr>
<td>Cigars</td>
<td></td>
</tr>
<tr>
<td>Roll-your-own tobacco</td>
<td>Bai</td>
</tr>
<tr>
<td>Pipe tobacco</td>
<td>Borkum Riff, Erinmore</td>
</tr>
<tr>
<td>Smoking accessories</td>
<td>Ventti filters, Ventti and Zig Zag Papers, Cricket and Simplicity Lighters</td>
</tr>
</tbody>
</table>

Source: The Australian Retail Tobacconist
Other importers of tobacco products into Australia

Several other businesses import cigarettes, cigars and other tobacco products into Australia. These include standard American and European cigarettes, as well as kreteks, flavoured cigarettes from Hong Kong and Chinese brands from the Shanghai Cigarette Factory. Chinese brands in particular sell more cheaply in Australia than many other brands, so appeal to the value end of the market as well as to expatriate Chinese smokers.

Richlands Express imports the following cigarette brands: Gala, Easy, Ashford, Manitou and Manitou roll-your-own tobacco and Candlelight cigars. The Patron Group Australia imports the following Chinese cigarette brands: ChungHwa, Double Happiness, Golden Deer, Panda, Peony and GD. Pt Korea imports cigarette brands from Korea including Carnival, Esse Blue and Raison Blue. The Trojan Trading Company imports a range of international cigarette brands: Black Devil, DJ Mix Special Feel, Nat Sherman and Sobranie.

In July 2010, supermarket giant Coles attracted critical media coverage due to the sale of 'home-brand-style packs of 25 cigarettes, imported from Germany, at about $11, almost $4 a pack less than Australian-made Winfield and other leading brands'. The packs carry unfamiliar names such as Bayside, Deal, Harvest and Tradition and are being promoted by Coles as a cheaper alternative to well-known brands. See Figure 10.5.1.

At least two Australian distributors, Alexanders Cigar Merchants and Cigarworld Australia, operate their own specialist retail outlets, which sell cigars as well as other tobacco-related paraphernalia and giftware. Alexanders Cigar Merchants also distributes Cigar Aficionado publications.

Figure 10.5.1
Heavily discounted imported cigarettes are sold at Coles
Source: R Squires, The Sunday Telegraph
References


10.6

Market share and brand share

British American Tobacco Australia was the clear market leader in 2009–10, with 41.7% of tobacco sales in the grocery market and 55% in the convenience sector. Philip Morris ranked second, followed by Imperial, and Stuart Alexander had a small slice (0.4%) of the convenience sector (Table 10.6.1).\(^1\)\(^2\)

10.6.1

Market share by brand: cigarettes

The Australian cigarette market has a number of differentiating features including different brand, variations on flavour or blend, pack size, and price. Market share can be assessed either by looking at sales figures (from various industry sources) or at the proportions of smokers who regularly smoke various sorts of products (from surveys of smokers).

10.6.1.1

Sales figures relevant to market share

In broad terms, the cigarette market is broken into three main price brackets: ‘value’ for the price conscious smoker, ‘mainstream’ for the middle price range, and ‘premium’ for the higher end of the market. Table 10.6.2 shows the top five brands, by price category, ranked by share of total cigarette sales value in Australian grocery stores in 2010. It shows that in the supermarket and grocery sector, value brands are the most important segment in terms of percentage of cigarettes sold by value, occupying about 46% of market share based on % value of sales ($2.2 billion of the $4.77 billion in sales). Mainstream brands account for over one-third (37%) of the market, and the most expensive, premium brands account for about 16% of the market.

Although British American Tobacco Australia is overall market leader in the grocery sector it does not lead in all segments of the market when examined by price positioning and pack size. Philip Morris International is the company leader in the value category, with a 48.6% value share, followed by Imperial Tobacco Australia with 31.3% and British American Tobacco Australia at 20.1%. In the mainstream price category British American Tobacco Australia is the frontrunner, with 53.0% share trailed by Philip Morris International with 42.7% and Imperial

---

**Table 10.6.1**

<table>
<thead>
<tr>
<th>Company</th>
<th>Retail sector % market share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grocery/supermarket</td>
</tr>
<tr>
<td>BATA</td>
<td>41.7</td>
</tr>
<tr>
<td>Philip Morris</td>
<td>40.9</td>
</tr>
<tr>
<td>Imperial</td>
<td>17.4</td>
</tr>
<tr>
<td>Stuart Alexander</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Sources: Retail World\(^1\) and Convenience and Impulse Retailing\(^2\)

**Table 10.6.2**

<table>
<thead>
<tr>
<th>Category: Value ($2.2 billion – 5.2 billion sticks)</th>
<th>$0.42/stick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>% value share</td>
</tr>
<tr>
<td>Longbeach</td>
<td>40.5</td>
</tr>
<tr>
<td>Horizon</td>
<td>23.3</td>
</tr>
<tr>
<td>Holiday</td>
<td>11.9</td>
</tr>
<tr>
<td>Choice</td>
<td>7.6</td>
</tr>
<tr>
<td>Brandon</td>
<td>3.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category: Mainstream ($1.8 billion – 3.9 billion sticks)</th>
<th>$0.46/stick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>% value share</td>
</tr>
<tr>
<td>Winfield</td>
<td>53.0</td>
</tr>
<tr>
<td>Peter Jackson</td>
<td>36.4</td>
</tr>
<tr>
<td>Alpine</td>
<td>7.3</td>
</tr>
<tr>
<td>Escort</td>
<td>3.3</td>
</tr>
<tr>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category: Premium ($770.8 million – 1.5 billion sticks)</th>
<th>$0.51/stick</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>% value share</td>
</tr>
<tr>
<td>Benson and Hedges</td>
<td>50.0</td>
</tr>
<tr>
<td>Dunhill</td>
<td>21.0</td>
</tr>
<tr>
<td>Marlboro</td>
<td>12.4</td>
</tr>
<tr>
<td>Peter Stuyvesant</td>
<td>11.3</td>
</tr>
<tr>
<td>Kent</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: Retail World\(^1\)
Chapter 10: The tobacco industry in Australian society

Section: 10.6.1.3

Tobacco Australia with only 3.3%. In the lucrative premium price category, British American Tobacco Australia dominates with a 75.3% share with Philip Morris International and Imperial Tobacco Australia each taking about a 12% share.\(^1\)

At convenience retail outlets, British American Tobacco Australia clearly dominates with the popularity of Winfield, Dunhill and Benson & Hedges making up six of the top 10 brand variants sold. British American Tobacco Australia is followed by Philip Morris, with Peter Jackson and Longbeach making up the remaining four of the top 10. Imperial Tobacco Australia does not have a brand variant in the top 10, and is represented much lower in the rankings, with Horizon Blue (number 35) and Peter Stuyvesant Filter (number 36).\(^2\) The most popular pack size is 25s, followed by 30s. See Table 10.6.3 for details on brands sold through convenience retailers.

10.6.1.2

Survey data on brand preferences

While data on brand preferences among adults has been collected from surveys in Victoria and South Australia, neither the Australian Bureau of Statistics Health Survey or the Australian Institute of Health and Welfare’s National Drug Strategy Household Survey have asked about brand preferences, and so only limited data are available at the national level.\(^1\)

10.6.1.3

Australian adult smokers

Data from the Australian arm of the International Tobacco Control policy evaluation study from 2010 show a pattern of use similar to that evident in the sales data tabulated above, with Winfield, Longbeach, Peter Jackson, Horizon and Holiday the brands most preferred by Australian adult smokers.

10.6.1.3

Australian secondary school students

National surveys of smoking prevalence and behaviours among Australian secondary school pupils have included questions about brands smoked. Table 10.6.5 shows the cigarette brands most commonly smoked by school students in 2008.\(^3\) Brand preference among school-aged smokers is broadly similar to that indicated by the total market share surveys shown in the preceding tables. In 2008, Winfield (42%) was the most popular cigarette brand among young smokers. Peter Jackson and Longbeach were both smoked by 13% of current young

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1 Questions about brands purchased were included in the early surveys evaluating the impact of the National Tobacco Campaign from 1997 to 2001, but reports from this survey have not been published for some years.

### Table 10.6.3

Top 10 cigarette brands and variants sold by convenience stores ranked by value % share, 2009

<table>
<thead>
<tr>
<th>Rank</th>
<th>Brand</th>
<th>Pack size</th>
<th>Manufacturer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Winfield Blue</td>
<td>25</td>
<td>BATA</td>
</tr>
<tr>
<td>2</td>
<td>Winfield Gold</td>
<td>25</td>
<td>BATA</td>
</tr>
<tr>
<td>3</td>
<td>Peter Jackson Rich</td>
<td>30</td>
<td>PMI</td>
</tr>
<tr>
<td>4</td>
<td>Benson &amp; Hedges Smooth</td>
<td>25</td>
<td>BATA</td>
</tr>
<tr>
<td>5</td>
<td>Dunhill Distinct</td>
<td>25</td>
<td>BATA</td>
</tr>
<tr>
<td>6</td>
<td>Winfield Sky Blue</td>
<td>25</td>
<td>BATA</td>
</tr>
<tr>
<td>7</td>
<td>Peter Jackson Original</td>
<td>30</td>
<td>PMI</td>
</tr>
<tr>
<td>8</td>
<td>Winfield Blue</td>
<td>20</td>
<td>BATA</td>
</tr>
<tr>
<td>9</td>
<td>Longbeach Rich</td>
<td>40</td>
<td>PMI</td>
</tr>
<tr>
<td>10</td>
<td>Longbeach Original</td>
<td>40</td>
<td>PMI</td>
</tr>
</tbody>
</table>

BATA = British American Tobacco Australia, PMI = Philip Morris International

Source: Convenience and Impulse Retailing

### Table 10.6.4

Percentage of adults smoking each brand in each pack size, 2010 Australian smokers 18+

<table>
<thead>
<tr>
<th>Size</th>
<th>20</th>
<th>25</th>
<th>30</th>
<th>35</th>
<th>40</th>
<th>50</th>
<th>Brand %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Winfield</td>
</tr>
<tr>
<td>20</td>
<td>11</td>
<td>89</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>18.6</td>
</tr>
<tr>
<td>25</td>
<td>11.2</td>
<td>24.5</td>
<td>46.3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16.7</td>
</tr>
<tr>
<td>30</td>
<td>9.9</td>
<td>83.1</td>
<td>1.1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>13.5</td>
</tr>
<tr>
<td>35</td>
<td>2.5</td>
<td>0</td>
<td>24.1</td>
<td>0</td>
<td>2.5</td>
<td>70.9</td>
<td>13.5</td>
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<td>40</td>
<td>5.7</td>
<td>92.5</td>
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<td>0</td>
<td>9</td>
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<tr>
<td>50</td>
<td>2.6</td>
<td>23.1</td>
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<td>0</td>
<td>73.7</td>
<td>0</td>
<td>12.9</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Alpine</td>
</tr>
<tr>
<td>20</td>
<td>0</td>
<td>100</td>
<td>0</td>
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<td>5.1</td>
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<td>10.3</td>
<td>86.2</td>
<td>3.4</td>
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<tr>
<td>30</td>
<td>73.3</td>
<td>26.7</td>
<td>0</td>
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<td>2.6</td>
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<td>35</td>
<td>28.6</td>
<td>28.6</td>
<td>0</td>
<td>42.9</td>
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<td>0</td>
<td>1.2</td>
</tr>
<tr>
<td>40</td>
<td>9.4</td>
<td>36.8</td>
<td>23</td>
<td>0.7</td>
<td>11.1</td>
<td>19.1</td>
<td></td>
</tr>
</tbody>
</table>

smokers. Since it is illegal in Australia to sell cigarettes to children under the age of 18, under-age smokers are more likely to procure cigarettes from friends or the home, so brands usually smoked are likely to reflect the preferences of the older smokers around them. Other factors known to influence choice of brand among young people include price and marketing.

Cigarettes were most commonly obtained from packets of 25 (40% of all current youth smokers), followed by packets of 20 (29%) and 30 (16%). Among 12–15 year olds, a similar proportion of current smokers obtained cigarettes from packs of 20 (31%) and packs of 25 (31%). Among 16–17 year olds, fewer current smokers used packs of 20 (26%) than packs of 25 (48%). See Table 10.6.6.

### 10.6.2 Market share by brand: roll-your-own tobacco

Imperial Tobacco Australia accounted for a 62% volume share in the roll-your-own market in 2009. In 2010, at convenience retailers, Imperial Tobacco Australia was also the clear market leader in the roll-your-own category, well ahead of British American Tobacco Australia. Philip Morris has only a minor interest in the roll-your-own market. See Table 10.6.7.

According to the trade publication, Convenience and Impulse Retailing, roll-your-own has been in continuous growth since 2000 and has accelerated in popularity since 2007 due to the price pressures felt by consumers. The April 2010 25% tobacco excise increase further fuelled roll-your-own market growth. According to 2010 Aztec data, the roll-your-own category achieved a volume growth of 5.8% in the past 12 months while tailor-made cigarettes declined by –5.8%. According to Aztec, tailor-made cigarettes represent 95.75% of sales, roll-your-own represent 3.55% and cigars represent 0.7% of the tobacco category at convenience outlets.

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**Table 10.6.5**

| Preferred brands by Australian secondary school students who smoked in the past week*†, 2008 |
|---|---|---|---|---|---|---|
| | **12–15 year olds** | **Age** | **16–17 year olds** | **Total** | **12–15 year olds** | **Age** | **16–17 year olds** | **Total** |
| **Brand** | **Male (%)** | **Female (%)** | **Total (%)** | **Male (%)** | **Female (%)** | **Total (%)** | **Male (%)** | **Female (%)** | **Total (%)** |
| Winfield | 39.1 | 40.9 | 40.1 | 46.8 | 42.1 | 43.9 | 42.6 | 41.5 | 42.0 |
| Peter Jackson | 17.8 | 15.4 | 16.6 | 9.1 | 10.2 | 9.7 | 13.3 | 11.9 | 14.5 |
| Longbeach | 16.8 | 17.7 | 17.3 | 7.3 | 11.1 | 9.2 | 11.9 | 14.5 | 13.3 |
| Horizon | 5.3 | 7.3 | 6.4 | 4.2 | 4.2 | 4.2 | 4.7 | 5.8 | 5.3 |
| Benson & Hedges | 2.8 | 3.6 | 3.2 | 9.9 | 10.8 | 10.4 | 6.5 | 7.1 | 6.8 |
| Holiday | 5.7 | 2.5 | 3.9 | 1.3 | 1.6 | 1.4 | 3.4 | 2.0 | 2.7 |
| Dunhill | 2.4 | 3.4 | 2.9 | 2.9 | 4.1 | 3.5 | 2.6 | 3.7 | 3.2 |
| Marlboro | 2.8 | 1.7 | 2.2 | 2.9 | 5.4 | 4.2 | 2.8 | 3.5 | 3.2 |
| Escort | 1.8 | 1.5 | 1.6 | 1.3 | 1.0 | 1.1 | 1.6 | 1.2 | 1.4 |
| Alpine | 1.0 | 1.3 | 1.2 | 0.0 | 0.7 | 0.4 | 0.5 | 1.0 | 0.8 |

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**Percentages of total in each age and gender category**

• Percentages exclude responses from students who gave more than one brand

† Percentages do not add to 100 as only the most frequent responses are listed

**Table 10.6.6**

| Percentage of current smokers obtaining their last cigarette from different pack sizes, Australia, 2008 |
|---|---|---|---|---|---|
| | **12–15 year olds** | **Age** | **16–17 year olds** | **Total** | **12–15 year olds** | **Age** | **16–17 year olds** | **Total** |
| **Pack size** | **Male (%)** | **Female (%)** | **Total (%)** | **Male (%)** | **Female (%)** | **Total (%)** | **Male (%)** | **Female (%)** | **Total (%)** |
| 20 | 31.5 | 31.2 | 31.3 | 26.3 | 26.4 | 26.4 | 28.9 | 28.9 | 28.9 |
| 25 | 32.1 | 30.2 | 31.1 | 50.2 | 46.5 | 48.3 | 41.3 | 37.8 | 39.5 |
| 30 | 12.9 | 21.5 | 17.7 | 11.8 | 16.9 | 14.4 | 12.3 | 19.4 | 16.1 |
| 35 | 2.7 | 2.3 | 2.5 | 1.2 | 1.0 | 1.1 | 1.9 | 1.7 | 1.8 |
| 40 | 14.1 | 11.4 | 12.6 | 6.5 | 7.9 | 7.2 | 10.2 | 9.7 | 10.0 |
| 50 | 11.0 | 7.8 | 9.2 | 8.6 | 4.1 | 6.4 | 9.8 | 6.1 | 7.8 |

---

1. Table 10.6.6

2. Table 10.6.7
10.6.3
Market share by brand: cigars

All cigars sold in Australia are imported, and apart from British American Tobacco Australia, the tobacco companies do not have substantial engagement in the cigar market. The grocery value of cigar sales in 2009 was $23.5 million for a total 22 million sticks. Small cigars accounted for the bulk of the sales with a 70.6% value share, followed by medium 23.8% and large 5.6%. Most cigars (67.7%) were sold in packs of 10, followed by 5s (17.9%) and 20s (12.6%) with singles making up only 1.7% of sales. Stuart Alexander is the cigar market leader with a 50% share, with Swedish Match coming in second with a 36.2% share and British American Tobacco Australia rounding out the category with a 13.8% share.\(^1\) Table 10.6.8 details the popular cigar brands sold through Australian grocery stores.

Willem II Blue is the best-selling cigar brand/variant in Australian convenience stores.\(^5\) See Table 10.6.9 for a ranking of the top 10 cigars products sold through convenience retailers. According to Convenience & Impulse Retailing, there are three types of roll-your-own (Ryo) consumers:

‘There are the RYO ‘Loyalists’ who have been smoking RYO for a long time, enjoy the natural RYO taste and purchase predominantly big pouches such as 50g. There are the RYO ‘Dualists’ a growing segment of consumers who smoke both [tailor-made cigarettes] and RYO. Finally, there are the [tailor-made cigarettes] ‘Switchers’ who move to RYO for either value reasons or for the unique flavours that RYO can offer. These consumers generally purchase smaller pouches such as 30 g’.\(^5\)

<table>
<thead>
<tr>
<th>Table 10.6.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 10 roll-your-own tobacco brands, representing 84.2% of total sales of roll-your-own sold through convenience retailers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Brand/product</th>
<th>Manufacturer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Champion Tobacco Ruby 30 g</td>
<td>ITA</td>
</tr>
<tr>
<td>Champion Tobacco Ruby 50 g</td>
<td>ITA</td>
</tr>
<tr>
<td>Port Royal Tobacco Rum &amp; Wine 50 g</td>
<td>BATA</td>
</tr>
<tr>
<td>Winfield Reg Tobacco Blue 30 g</td>
<td>BATA</td>
</tr>
<tr>
<td>Winfield Reg Tobacco Gold 30 g</td>
<td>BATA</td>
</tr>
<tr>
<td>Winfield Reg Tobacco Blue 50 g</td>
<td>BATA</td>
</tr>
<tr>
<td>White Ox Tobacco 30 g</td>
<td>ITA</td>
</tr>
<tr>
<td>Winfield Reg Tobacco Gold 50 g</td>
<td>BATA</td>
</tr>
<tr>
<td>White Ox Tobacco 50 g</td>
<td>ITA</td>
</tr>
<tr>
<td>Drum Tobacco Blue 30 g</td>
<td>ITA</td>
</tr>
</tbody>
</table>

\(^{BATA} = \text{British American Tobacco Australia, ITA = Imperial Tobacco Australia}^{5}\)

<table>
<thead>
<tr>
<th>Table 10.6.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading cigar brands sold by grocery stores ranked by % value of market share, 2010</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Brand</th>
<th>Small</th>
<th>Share %</th>
<th>Medium</th>
<th>Share %</th>
<th>Large</th>
<th>Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Willem II</td>
<td>37.8</td>
<td>Henri Wintermans</td>
<td>62.3</td>
<td>Henri Wintermans</td>
<td>97.9</td>
<td></td>
</tr>
<tr>
<td>Cafe Creme</td>
<td>23.9</td>
<td>Willem II</td>
<td>36.0</td>
<td>Willem II</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Captain Black</td>
<td>18.3</td>
<td>Old Port</td>
<td>17.3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Retail World\(^5\)

<table>
<thead>
<tr>
<th>Table 10.6.9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 10 cigar brands, representing 76.0% of total sales of cigars sold through convenience retailers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Brand</th>
<th>Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Willem II Wee Willem Blue 10s</td>
<td>Swedish Match</td>
</tr>
<tr>
<td>Captain Black Dark Crema 20s</td>
<td>BATA</td>
</tr>
<tr>
<td>Cafe Creme Blue 10s</td>
<td>Henri Wintermans</td>
</tr>
<tr>
<td>Henri Wintermans Short Panatella 5s</td>
<td>Henri Wintermans</td>
</tr>
<tr>
<td>Willem II Wee Willem Regular 10s</td>
<td>Swedish Match</td>
</tr>
<tr>
<td>Cafe Creme Regular 10s</td>
<td>Henri Wintermans</td>
</tr>
<tr>
<td>Captain Black Sweet Cherry 20s</td>
<td>BATA</td>
</tr>
<tr>
<td>Captain Black Classic Filter 20s</td>
<td>BATA</td>
</tr>
<tr>
<td>Henri Wintermans Long Panatella 5s</td>
<td>Henri Wintermans</td>
</tr>
<tr>
<td>Henri Wintermans Half Corona 5s</td>
<td>Henri Wintermans</td>
</tr>
</tbody>
</table>

\(^{BATA} = \text{British American Tobacco Australia}^{5}\)

Source: Convenience & Impulse Retailing\(^5\)
References


Chapter 10: The tobacco industry in Australian society

Section 10.7

Trends in products and packaging

Innovations in design have become increasingly important to the tobacco industry as other avenues of promotion have closed and concerns about health have become stronger among customers and those exposed to tobacco smoke. This section takes a look at some recent developments observed in the Australian and international marketplace.

10.7.1 Flavoured cigarettes

It has long been industry practice to add ingredients to alter the flavour of tobacco. For example, menthol variants of many brands have been available for decades. Menthol additives improve the palatability of inhaled smoke by providing sensations of coolness and smoothness.1 A 2011 supplement issue of the journal, Tobacco Control, was dedicated to research exploring the role of menthol in smoking initiation, tobacco marketing, nicotine dependence, sensory experience, potential disease-inducing effects and smoking cessation.2 Internationally, several brands have now introduced menthol capsules that allow users to control the degree of mentholation of their cigarette by squeezing a gel bead inside the filter (see Figure 10.7.1 for an example).

Flavourings have also been used to compensate for variations in quality of tobacco leaf,3 and for perceived loss of body and flavour in lower tar cigarettes.4 Flavourings mask unpleasant tastes and sensations associated with smoking cigarettes, making them of greater appeal to novice users.5 Flavours may be added to the tobacco, the paper cigarette tube, the filter and the packaging in order to impart a pleasant smell.6

In 2008, citing concerns over flavoured cigarettes appealing to young people, the Australian Health Ministers agreed to ban the sale and investigate banning the importation of flavoured cigarettes across Australia.7 All states and territories have acted (or have plans to act) and have applied a ban to overtly ‘fruity or lolly’ flavoured cigarettes only. This ban does not apply to menthol cigarettes, nor does it apply to the long list of flavours that are added to almost all cigarettes/cigars on the market.

In Australia the three tobacco companies, Philip Morris, British American Tobacco Australia and Imperial Tobacco Australia voluntarily provide an annual list of ingredients that can be found in tobacco products. The voluntary agreement was signed by the tobacco companies and the former Minister for Health and Aged Care, Dr Michael Wooldridge, in 2000.8 Under the agreement the companies provide annual reports to the government regarding the ingredients of cigarettes.9 The data are posted unmodified on the department’s website.

The British American Tobacco Australia report alone lists 89 different flavours that are added to tobacco products. These ingredients range from the sweet and fruity—apricot extract, honey, prune juice—to the rich and soothing—cocoa extract, coffee extract and vanillin—and many chemical flavour compounds in between—trimethyl pyrazine, phenylcarbinol and isobutyraldehyde.10

At its fourth session in November 2010, the WHO Framework Convention on Tobacco Control (WHO FCTC) Conference of the Parties adopted partial guidelines for implementation of Articles 9, regulation of the contents of

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1 All reports can be found here: http://www.health.gov.au/internet/main/publishing.nsf/Content/health-pubhlth-strateg-drugs-tobacco-ingredients.htm

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tobacco products and 10, regulation of tobacco product disclosures. Two key recommendations in the guidelines included:

1) Parties should regulate, by prohibiting or restricting, ingredients that may be used to increase palatability in tobacco products

2) Parties should require that manufacturers and importers of tobacco products disclose to governmental authorities information on the ingredients used in the manufacture of their tobacco products at specified intervals, by product type and for each brand within a brand family.

The guidelines further emphasise the role of flavourings in tobacco use initiation and continuation:

“The harsh and irritating character of tobacco smoke provides a significant barrier to experimentation and initial use. Tobacco industry documents have shown that significant effort has been put into mitigating these unfavourable characteristics. Harshness can be reduced in a variety of ways including: adding various ingredients, eliminating substances with known irritant properties, balancing irritation alongside other significant sensory effects, or altering the chemical properties of tobacco product emissions by adding or removing specific substances. Some tobacco products contain added sugars and sweeteners. High sugar content improves the palatability of tobacco products to tobacco users. Masking tobacco smoke harshness with flavours contributes to promoting and sustaining tobacco use.”

In the US a staggering range of flavourings have been introduced, including fruit (e.g. orange, mandarin, lime, cherry, coconut, strawberry and apple), confectionary (toffee, truffle, vanilla, chocolate, honey, fudge and marshmallow), spices (cinnamon, mint, spearmint, wintergreen, coffee and herbs) and flavours reminiscent of cocktails or liquors (e.g. margarita, amaretto, rum, cognac and bourbon). The products are stylishly packaged and the cigarettes themselves may also be coloured, patterned and decoratively filter tipped. Flavoured varieties have also been made available on a seasonal or themed basis.

Studies on the popularity of mainstream flavoured brands in the US (such as those produced by the major tobacco companies RJ Reynolds and Brown & Williamson) have shown that they are used primarily by younger people. The recent proliferation of flavoured brands has been attributed to the tobacco industry’s need to attract new smokers in an increasingly challenging regulatory environment. In 2007, a campaign to engage with smokers through online media to help design tobacco packaging that reflected the personality of four flavoured cigarettes provided further evidence of the marketing potential offered by adding flavours to tobacco products.

10.7.2

Shorter or wider cigarettes: ‘quickies’

Limited opportunities to smoke due to the introduction of smoking restrictions in many environments has prompted the development of a shorter cigarette, which allows quicker smoking (seven puffs instead of the more usual 10) while still aiming to deliver a satisfying dose of nicotine. One company to cater for this market is Philip Morris, with Marlboro Intense, which has been launched in Turkey.

Philip Morris has also developed Marlboro Wides, a thicker but shorter than usual cigarette, which is packaged in a box with a flip top opening from side to side instead of front to back.

Very small, thin cigarettes such as Dunhill Essence (Figure 10.7.2) are sold in Australia in very small, attractive packets that are cheaper than standard packs of 20 or 25s, easy to conceal and very quick to smoke.

Section: 10.7.2

Date of last update: 26 March 2012
10.7.3

Smokeless tobacco and ‘snus’

Smokeless tobacco, also known as chewing tobacco, spit tobacco and oral tobacco, is popular in countries such as the US, India and Sweden. Smokeless products are often promoted to the youth market and to women in societies where overt smoking is not socially acceptable.²⁷ In Australia, sale of smokeless tobacco products intended for oral use was banned through issue of a Consumer Protection Notice under the Trade Practices Act in 1991.¹⁸ However customs regulations allow individuals to import small quantities of smokeless tobacco for personal use¹⁹ provided that all customs duties are paid upon receipt. Despite the Commonwealth ban and similar provisions under tobacco control legislation in each state and territory²⁰, a 2004 study of South Asian shops in Sydney found that 50 of the 53 shops surveyed (94%) sold smokeless tobacco: 31 (62%) of these kept it under the counter, 14 (28%) had it on display behind the counter, and five (10%) had it on shelves accessible to consumers. No shopkeeper advised that sale of the products was illegal.²¹

A particular type of smokeless tobacco product known as ‘snus’ is widely used in Scandinavia. Although addictive, snus is less harmful than other forms of tobacco use, and it may also be useful as an aid in cessation.²² Philip Morris and RJ Reynolds are promoting snus-style smokeless tobacco products in test markets in the US.²³ British American Tobacco are also promoting their own snus brands in South Africa, Japan and Canada.²⁴ Whether snus may have a wider role in reducing harm caused by smoking is a matter of vigorous debate.²⁵ For discussion, see Chapter 12, Attachment 3. The health consequences of using snus are discussed in Chapter 3, Section 3.3.

In the US, a company called Star Scientific³⁰ has developed another variation on traditional oral tobacco products.³¹ Ariva is presented in the form of a compressed capsule of tobacco designed to dissolve in the mouth, thereby eliminating the need for spitting or disposing of the spent product. Ariva is intended for ‘adult smokers who increasingly find themselves in situations where they can’t smoke—for example, mothers who choose not to expose their children to second-hand smoke, travellers who fly on long plane trips, or restaurant patrons...’³²

10.7.4

Countering concerns about secondhand smoke

A range of products claiming to mask, reduce or eliminate secondhand smoke has been developed since the rise in concern about environmental tobacco smoke during the 1980s. (Some of these products have also claimed to offer health benefits to the user—see Section 10.7.5).

Lemon and vanilla-scented cigarettes were test marketed in the US and Germany in the late 1980s, the fragrant smoke intended ‘to overcome most of the objections non-smokers have about the smell of burning tobacco’.³³ In 1992, Philip Morris investigated marketing a new ‘reduced odour’ cigarette, declaring that the long-term goal of its research and development activities was to develop a completely odourless cigarette.³⁴

RJ Reynolds experimented in the US in the mid-1990s with Salem Preferred,³⁵ which was claimed to mask and change the odour of cigarette smoke (while not actually reducing its quantity.³⁶) A variation on this, Salem Pianissimo, was launched by RJ Reynolds in Japan in 1995, claiming to be ‘the clean cigarette’, offering ‘less lingering smell’ and ‘less sidestream smoke’. Following the success of Salem Pianissimo, RJ Reynolds launched four more brands in Japan that claimed similar attributes, announcing that ‘these cigarettes were designed to encourage peaceful coexistence among smokers and non-smokers’. Since then, other manufacturers have also launched ‘cleaner’ cigarettes.³⁷

Entirely new ways of consuming tobacco have also been devised with the intention of reducing sidestream smoke. RJ Reynolds tested Premier in the US briefly in 1989.³⁸ Premier, which delivered nicotine to the user by heating rather than burning the tobacco, was withdrawn soon after not, only because smokers disliked the flavour, but, ironically, because it had an unpleasant and pervasive aroma that tended to spread well beyond the smoker.³⁹ RJ Reynolds has since launched another non-combustion, low emission product, Eclipse (see Section 10.7.5 below).
Emissions testing of so-called ‘electrically heated cigarette smoking systems’ do show reductions in the particulates commonly found in secondhand smoke; however, levels are not reduced to zero, nor can the leap be made that such levels would be deemed safe for non-smokers.\textsuperscript{37,38}

In 2004, Philip Morris developed a product called the Heatbar, a battery-powered plastic device, about the size of a mobile phone, which heats rather than burns tobacco. Smokers insert their usual cigarette into the device. Inhaling the warmed tobacco delivers a flavoured aerosol to the user, while purportedly producing 90% less sidestream smoke than a normal cigarette. The Heatbar has undergone limited market testing in Switzerland and Australia\textsuperscript{16} but does not appear to have impressed younger smokers.\textsuperscript{39} Despite the device being approved for sale in Australia,\textsuperscript{40} there is no evidence that demand for such a product has eventuated.

10.7.5

Electronic cigarettes

Electronic cigarettes (also known as e-cigarettes) are essentially a nicotine delivery system that was devised to potentially overcome indoor smoking bans and to provide an alternative for smokers concerned about continued smoking of traditional cigarettes. They are battery-operated devices that vaporise cartridges of liquid nicotine and look very similar to traditional cigarettes except they are plastic and have a small LED light on the end. The retail sale of electronic cigarettes containing nicotine is illegal in Australia, although nicotine-free models can be freely sold. Electronic cigarettes have not been approved by the Therapeutic Goods Administration\textsuperscript{41} and according to the Therapeutic Goods Administration website, ‘they should not be considered a safe product, nor a suitable aid to quitting smoking’.\textsuperscript{42} Determined e-cigarettes buyers can go online and make a purchase from hundreds of websites and eBay sellers. The devices are expensive, costing upwards of $120, plus the nicotine cartridges must be continually re-ordered.\textsuperscript{43}

There is very limited published medical research on the safety and efficacy of electronic cigarettes as an alternative to smoking or as a smoking cessation aid. One small study completed in New Zealand with 40 adult smokers who smoked at least 10 cigarettes per day found that the Ruyan electronic cigarette alleviated desire to smoke after overnight abstinence, was well tolerated and had a nicotine absorption profile similar to the Nicorette inhalator. The authors of this study note that electronic cigarettes still need to be evaluated for longer-term safety, potential for long-term use and efficacy as a cessation aid.\textsuperscript{44}

In the US, the Food and Drug Administration\textsuperscript{45} has banned electronic cigarette manufacturers and retailers from marketing these products as therapeutic devices. Electronic cigarettes can however be sold freely in the US provided they make no such claims. The Food and Drug Administration has stated that it intends to develop a strategy to regulate this emerging class of products as tobacco products under the Family Smoking Prevention and Tobacco Control Act.\textsuperscript{46}

Similar to the ongoing debate about the harm reduction potential of snus, much controversy surrounds the use and promotion of electronic cigarettes. Avid users of electronic cigarettes, known as Vapers,\textsuperscript{47} argue that as electronic cigarettes emit far fewer harmful emissions than traditional cigarettes they should be promoted as a safe alternative to smoking. Opponents point out that little is known about the actual health effects of these products and that they are often promoted as an alternative to smoking when smoking is not permitted rather than a total smoking cessation device.\textsuperscript{48} A research agenda has been proposed to help address these concerns, with general agreement being that more concrete evidence is needed before health agencies can confidently endorse these products.\textsuperscript{49}

10.7.6

Potentially reduced exposure products

Industry efforts to produce a ‘safer’ cigarette go back many decades. While publicly maintaining that their products did not cause disease or death among their users, the tobacco companies experimented with various forms of filters, ventilation systems, and modifications to the tobacco leaf itself in an effort to reduce harmful emissions
from tobacco smoke. Of these, products claiming to deliver lower levels of tar, nicotine and carbon monoxide were the major focus from the 1970s onwards, even though the tobacco companies were well aware that these product modifications delivered little or no real health benefits to smokers. Cigarettes promoted as being ‘light’, ‘ultra light’ and ‘mild’ came to dominate the market during the 1980s and 1990s; these descriptors are now banned in Australia (see Chapter 12 for detailed discussion). It is now a matter of record that ‘smoking cigarettes with lower machine-measured yields of tar and nicotine provides no clear benefit to health’.

Other modifications to the standard cigarette designed to reduce smokers’ exposure to the harmful contents of cigarette smoke have since been developed. These ‘potentially reduced exposure products’ (PREPs) generally claim to emit reduced levels of nicotine or carcinogens due to the use of additives, different techniques in leaf blending and processing, using genetically modified leaf, by the application of new filtration methods, or through heating rather than burning the tobacco. In the US, several products of this nature have been introduced with very limited commercial success, with most products removed from retail sale after being tested in a few markets.

The implications of PREPs use are of considerable concern to health interests. There is evidence that consumers may overestimate the possible risk reduction associated with using PREPs. This and other research raises concerns that PREPs might attract (and addict) new users, discourage quitting, result in rebound usage of standard cigarettes at a level even higher than before, or induce successful quitters to return to what they perceive to be a safe form of tobacco use. By leading consumers to believe that they are safer, PREPs could also reassure young smokers that there is no need to quit, since there are safer alternatives to switch to in the future.

A more viable alternative to industry led development of PREPs is for governments to regulate the contents and product attributes of tobacco products. The WHO Study Group on Tobacco Product Regulation has been established to advise the World Health Organization about scientifically sound recommendations to Member States addressing the most effective and evidence-based means in order to fill regulatory gaps in tobacco control and achieve a coordinated regulatory framework for tobacco products. Membership of the WHO Study Group on Tobacco Product Regulation is drawn from scientists in the fields of product regulation and laboratory analysis of tobacco contents, emissions, and design features. This group has released three reports on the scientific basis of tobacco product regulation. The study group has made several recommendations on the topics of smokeless tobacco products and their health effects, and implications for harm reduction and research needs; ‘fire safer’ cigarettes and approaches to reduced ignition propensity; mandated lowering of toxicants in cigarette smoke, such as tobacco specific nitrosamines and other constituents; and cigarette machine smoking regimens.

10.7.7

Roll-your-own tobacco

The decision to use roll-your-own is generally made by consumers seeking a more economical way of smoking. More information about market and brand share of roll-your-own can be found in Section 10.6.2. In light of price and tax increases, in recent years the roll-your-own market has grown in Australia. Roll-your-own cigarettes comprise loose tobacco either manually rolled into a cigarette paper and sealed shut with saliva or assembled with a simple machine using a readymade paper tube, with or without the addition of a filter.

In Australia the growing market for roll-your-own has led to several innovations. Slimmer filters allow a packet of tobacco to last longer, by making more, smaller cigarettes. Roll-your-own accessories sales show there has been a noticeable trend towards slimmer and smaller filter variants. Loose tobacco closer in characteristic to the tobacco used in readymade cigarettes has been produced to accommodate smokers switching from factory-made cigarettes to roll-your-owns. Smaller pouch sizes accommodate price-conscious smokers.

Packaging has been redesigned and updated to attract attention, and popular cigarette brands such as Peter Jackson and Longbeach have been launched in a roll-your-own variant. The availability of different styles and sizes of cigarette papers and filters has been increased to encourage roll-your-own smokers to express their personal style.

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i From the 1970s onwards, tobacco companies patented many inventions to lower the quantities of toxic chemicals in cigarette smoke, but they were not adopted at the time. To incorporate them into standard cigarette design and promote a ‘safer cigarette’ would be tantamount to admitting that tobacco use was dangerous, something which no tobacco company openly declared before 1999. There is no proof that any of these inventions would have produced a ‘safer’ cigarette. For further information about changes to cigarette design and technology, refer to The US Surgeon General’s report for 1981, The Changing Cigarette.

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Date of last update: 26 March 2012
Overseas, innovations have included smaller, cheaper cigarette papers, and techniques to expand the tobacco have allowed the smoker to make more cigarettes with the same weight of tobacco. In Germany, Philip Morris has marketed its ‘tobacco block system’, in which tobacco is sold in compressed blocks. A special machine is used that inserts tobacco from the block into a readymade cigarette cylinder. The tobacco block system has been introduced as a way of exploiting the tax differential between roll-your-own tobacco and manufactured cigarettes.

10.7.8

Organic, ‘green’ and additive-free cigarettes

In recent years a variety of ‘green’ attributes have been claimed for particular tobacco products, responding to growing consumer awareness of environmental concerns. With no hint of irony, these include references to purity, naturalness and the lack of additives, as well as claims for the farming practices employed in the production of the leaf—such as allusions to organic growing conditions, reforestation programs, use of renewable energy sources like wind power and ethical sourcing from farmers. This trend has been especially marked in the US, where consumer concerns have led to the marketing of organic, ‘100% additive free natural’ brands such as American Spirit and 1st-Nation. In 2011, American Spirit ran advertisements in US magazines claiming to be ‘eco-friendly’, reflecting the growing consumer demand for green products.

There is also evidence that these types of descriptors tend to offer the consumer reassurance, since ‘natural’ commonly connotes beneficial attributes. Although some manufacturers are careful not to claim health attributes for their products, it is significant that US tobacco companies have sought to retain the right to use the descriptor ‘natural’ on their cigarettes sold outside the US.

At the time of writing no brands from Australian manufactures claim to be organic or additive free, although at least two imported brands, American Spirit and Manitou Organic Green are available, as well as a small range of herbal cigarettes.

10.7.9

Packaging trends

Restrictions on tobacco advertising in Australia and other countries have made product packaging an increasingly important vehicle for brand identity and positioning. In Australia, Winfield cigarette packs directly allude to their former advertising campaigns by carrying inside the flip top ‘…anyhow have a Winfield’, the slogan made famous by actor Paul Hogan in advertisements outlawed in the 1980s.

New trends in pack design included limited edition designer packages, cigarette packs that emulate sleek mobile telephone design, and splittable packs which become two smaller packs, similar in dimensions to an iPod.

For further information on packaging trends in Australia, see Chapter 11, Section 11.10.

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Date of last update: 26 March 2012
Reduced fire risk cigarettes

Lit cigarettes have been a leading cause of fires and death and injury due to fires. Lit cigarettes have been a leading cause of fires and death and injury due to fires. In Australia, smoking is conservatively estimated to be the direct cause of at least 4574 fires annually; and almost one in every four deaths due to fire is attributable to fires caused by smoking (see also Chapter 3, Section 19). The role of smoking-related materials in causing fires has led to the introduction of ‘reduced fire risk’ cigarettes, otherwise known as ‘reduced ignition propensity’ cigarettes, in Canada and in most states of the US.

Reduced fire risk cigarettes self extinguish when not being actively smoked. Other methods of smoking (such as pipes, cigars and hand-rolled cigarettes) have always required active inhalation from the smoker to keep the tobacco burning. Ordinary cigarettes remain alight because of the addition of ‘burn accelerants’. These additives keep the cigarette burning at a constant rate and help hold the burning tip and ash together.

The tobacco manufacturers have long had the technology to produce cigarettes with reduced fire risk. The most commonly used method involves making alterations to paper in which the cigarette is wrapped. The addition of two or three thin bands of less porous paper works as ‘speed bumps’—when the tip of the cigarette burns down to one of the bands, the change in the paper restricts oxygen supply to the burning tobacco and makes the cigarette go out. Other ways of reducing ignition propensity include using expanded tobacco, adjusting the size of the cigarette, or making other changes to wrapping papers.

However reduced fire risk technology is not effective in all cases. Tests on cigarettes for sale in the state of New York, where reduced fire risk regulations came into force in 2004, have shown that about 1 in 10 reduced fire risk cigarettes still burned for its full length. It is therefore important not to regard or promote reduced fire risk cigarettes as completely ‘fire-safe’—but they are less likely to cause a fire than other cigarettes.

As noted above, reduced fire risk requirements have now been mandated or are filed for legislation in most states of the US, and throughout Canada as well. In November 2007, member states of the European Union voted to begin the process of regulating for reduced fire risk cigarettes, and the government of the UK has made a separate announcement that it intends to introduce regulations independently and to a more rapid timetable.

In March 2007, Standards Australia, recognised by Australian governments as Australia’s peak standards body, finalised a standard for testing reduced fire risk cigarettes. The Determination of the Extinction Propensity of Cigarettes (AS 4830-2007) was developed in collaboration with the Australasian Fire and Emergency Service, the Commonwealth Scientific and Industrial Research Organisation (CSIRO), the three tobacco companies operating in Australia, and other stakeholders. The standard tests the likelihood of combustion if a burning cigarette is placed in contact with material similar to that of household furniture.

In June 2008 the Product Safety Policy Section of the Australian Competition and Consumer Commission released a regulation impact statement considering workable options for introducing reduced fire risk regulation in Australia under the auspices of the Trade Practices Act 1974. In the interests of protecting consumers and simplifying compliance, the Australian Competition and Consumer Commission has recommended ‘establishing explicit government regulation by declaring a mandatory minimum standard for reduced fire risk cigarettes’ (p15).

The tobacco industry has a history of opposing the introduction of reduced fire risk cigarettes. See Section 10.18.2.2.

Specialty products

In the US, restricted opportunities to smoke have led to increased emphasis on specialty products designed to enhance the experience. While people may be smoking less, they are tending to smoke more selectively.
has boosted the luxury, premium end of the market. Top of the range cigarettes may be hand finished, using special papers and filters, and presented in luxury tins or boxes. Holographic cigarette papers, which ‘provide a scintillating light show’, have been adopted by one manufacturer. The demographic groups likely to be attracted to these premium products are typified as the young, more affluent, adventurous, sophisticated, better informed and sociable smoker, or established smokers who are cutting back on tobacco use but treating themselves to quality products.

As part of this trend, cigar use has also increased in popularity, and the market has expanded to accommodate a broader range of sizes, styles and flavourings. Smaller cigars are intended to appeal to ‘time-poor’ smokers. Sweeter and more aromatic tobaccos, which enhance flavour and improve the smell of secondhand smoke, are making cigars more appealing to female users. Another major feature that is driving cigar success is the individual foil packaging and bar codes that allow the cigars to be sold individually.

In the cigar category, there has also been a move towards ‘smaller is better’ and the sales of smaller cigarillos continue to grow. Pack sizes are also becoming smaller. Another emerging cigar trend is for flavoured cigars, which retailers claim are especially popular with the female consumers and smokers making the transition from cigarettes to cigars. Five of the top 10 cigars sold in Australia in 2010 were flavoured. According to an industry report, cigars are popular across all social and cultural boundaries. The key advantage that convenience and impulse outlets have in selling cigars is that they are often purchased outside of regular shop trading hours for a special occasion. Not to have cigars as part of the products available at convenience retail ‘is like taking Mars Bars off the confectionary shelf’, according to a manager at Swedish Match, an importer of cigars into Australia.

## Accessories

Accessories and gimmicks used in support of tobacco use are an important means by which tobacco companies can keep their products and brands interesting to the consumer. Items such as cigarette cases, cigar cutters, humidors (for cigar storage), crystals (intended to keep cigars fresh), glass pipes, hookahs, cigarette lighters and odour neutralisers in the form of candles and incense are all trends in the US. According to a North American tobacco accessories distributor, ‘It’s like the fashion business. It’s very difficult to predict. That’s why you have to keep refreshing your assortment’.

Accessories are also important in the roll-your-own market. In 2010, when Swedish Match launched Bali Shag roll-your-own tobacco in Australia it also introduced a special tobacco rolling mat as a promotional strategy to enhance awareness of Bali Shag in the retail trade.
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32. United States: RJR still backing high-tech products


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Chapter 10: The tobacco industry in Australian society

10.8 The tobacco growing industry

10.8.1 Global

Tobacco is grown in more than 120 countries on almost four million hectares of the world’s agricultural land, consuming as much arable land as all the world’s orange groves or banana plantations. In 2007, four countries—China, Brazil, India and the US—produced two-thirds (67%) of the world’s tobacco leaf. China alone produced 40% of the world’s tobacco leaf in 2007. Global tobacco production has almost doubled since the 1960s, increasing 300% in low- and middle-resource countries while dropping more than 50% in high-resource countries. In 2006, world tobacco production was approximately seven million metric tons.1 See Table 10.8.1 for the top 10 tobacco growing countries.

Tobacco agriculture creates many environmental and public health problems.2,3 Pesticide and fertiliser runoff contaminate water resources, and the curing of tobacco leaf with wood fuel leads to massive deforestation. Agricultural workers suffer from pesticide poisoning, green tobacco sickness,4 and lung damage from smoke and field dust.

The WHO Framework Convention on Tobacco Control (WHO FCTC) calls for financial and technical assistance for tobacco growers in countries heavily dependent on tobacco growing. Successful strategies will likely require a long-term approach aimed at building alliances with tobacco farmers and creating mechanisms for tobacco farmer investment in local infrastructure.5

10.8.2 Australia

10.8.2.1 Brief history

Tobacco growing commenced during Australia’s early years of settlement. Governor Macquarie experimented with plantings at Emu Plains in New South Wales in 1818, and by the 1820s tobacco was cultivated by farmers in the Hunter Valley. During the 1850s growing extended to Victoria and Queensland. It is likely that some proportion of the early crop was intended to supply the colony with the makings of pesticide for use in ridding sheep of parasites.6 Growing reached its peak in the early 1970s, when nearly 16 000 tonnes of leaf were sold annually,7 but by 2006 the crop yielded under 4000 tonnes.8 Prior to deregulation of the market, most Australian leaf was purchased by local manufacturers.9

Major influences contributing to the downturn in local tobacco growing include declining tobacco consumption in the Australian population, and successive reductions in the protective tariff on Australian leaf during the 1990s, which permitted manufacturers to purchase leaf more cheaply on the international market (see below).9 This lead to an increase in diversion of Australian leaf into the illegal tobacco trade9 (see also Chapter 10, Section 10.9).

Commercial tobacco farming no longer occurs in Australia. The industry began to wind down during the mid-1990s, with successive announcements at state and federal level for government-financed restructuring grants (exit grants) to tobacco farmers to assist them in leaving the industry (see below).

Table 10.8.1

Leading producers of tobacco leaf, 2007

<table>
<thead>
<tr>
<th>Country</th>
<th>Metric tons of leaf</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>2,395 000</td>
</tr>
<tr>
<td>Brazil</td>
<td>919 393</td>
</tr>
<tr>
<td>India</td>
<td>555 000</td>
</tr>
<tr>
<td>USA</td>
<td>353 177</td>
</tr>
<tr>
<td>Indonesia</td>
<td>180 000</td>
</tr>
<tr>
<td>Argentina</td>
<td>170 000</td>
</tr>
<tr>
<td>Pakistan</td>
<td>126 000</td>
</tr>
<tr>
<td>Malawi</td>
<td>118 000</td>
</tr>
<tr>
<td>Italy</td>
<td>100 000</td>
</tr>
<tr>
<td>Turkey</td>
<td>98 000</td>
</tr>
</tbody>
</table>

Source: The Tobacco Atlas1
10.8.2.2

**Government regulation**

Federal government support for the Australian tobacco growing industry commenced in 1936, with the introduction of the Local Leaf Content Scheme, which encouraged the manufacturers to use at least a minimum percentage of locally grown leaf. Doing so entitled the manufacturers to a tariff concession on the balance of imported leaf they used.

Imbalances between supply and demand in the industry, as well as ongoing problems with grading and pricing of local leaf, lead to the passage of the Commonwealth *Tobacco Marketing Act 1965*. This legislation established the Australian Tobacco Board as a statutory authority of the Australian Government. The Australian Tobacco Board, which became known in 1990 as the Australian Tobacco Marketing Advisory Committee, advised federal and state ministers on interstate and overseas marketing of Australian tobacco leaf, as well as the various state tobacco leaf marketing boards (established under legislation in those states which grew tobacco) on the same matters. The Australian Tobacco Board (and later the Australian Tobacco Marketing Advisory Committee) was also responsible for the administration of the main instrument of regulation, the Tobacco Industry Stabilisation Plans. In brief, Tobacco Industry Stabilisation Plans and their key component, the Local Leaf Content Scheme, served to control supply and guarantee the sale of Australian leaf to local manufacturers at a pre-arranged price. The Tobacco Industry Stabilisation Plan introduced in 1965 raised the minimum local leaf content to 50% of Australian leaf in the manufacture of their products and in 1977 this requirement was increased to 57%.  

At a state level, each growing area had its own Tobacco Leaf Marketing Board, which was responsible for allocating supply quotas of tobacco to individual growers.

10.8.2.3

**The decline of tobacco farming in Australia**

During the 1980s and early 1990s a series of reviews evaluated the structure of the tobacco growing industry in Australia. In 1990, it was the view of the Industry Commission that, taking into consideration statutory marketing arrangements, tariff concessions and all other measures of government support, tobacco was by far the most subsidised agricultural activity in Australia, receiving assistance at around six and a half times the rate of other horticultural activities, and over 12 times the average rate for all agricultural activities.

In 1994 the Industry Commission published a review of the tobacco growing industry in Australia, finding that the succession of Tobacco Industry Stabilisation Plans and Local Leaf Content Schemes had created an inefficient, non-competitive industry that was now on the brink of collapse. The commission recommended the phasing in of major deregulation of the leaf market to bring it into line with other Australian manufacturing and agricultural industries and to permit tobacco manufacturers to purchase leaf from overseas without penalty. Later that year, the Australian manufacturing industry and tobacco growers submitted a proposal for restructuring which was agreed to by the Commonwealth Government in December 1994. The package allowed for the winding down of the Australian Tobacco Marketing Advisory Committee and the abolition of the Local Leaf Content Scheme and Tobacco Industry Stabilisation Plans. Tariffs were to be removed from imported tobacco leaf and tobacco products. Manufacturers were to purchase local leaf under arrangements which conformed to the requirements of the *Trade Practices Act 1974*. In addition, the tobacco manufacturers agreed to provide $10.8 million to aid restructuring, payment to be matched by contributions from the Queensland, Victorian and New South Wales state governments.

In 1994, the year in which the final Tobacco Industry Stabilisation Plan ran its course, there were about 600 tobacco growers remaining in Australia. Most of the crop (58%) was produced in northern Queensland, about 38% was grown in Victoria around Myrtleford, and 4% was grown around Ashford and Bonshaw in New South Wales. During 1994 and 1995 the Victorian, New South Wales and Queensland state governments announced financial incentives and other support for growers wishing to exit the market. By the end of 1995, only 366 tobacco growers remained, 240 in Queensland and 126 in Victoria.
As foreshadowed, the Australian Tobacco Marketing Advisory Committee was wound up in 1995,16 and ultimately abolished in April 1997, with the repeal of the Tobacco Marketing Act 1965,17 and the organisation's assets were transferred to the Tobacco Research and Development Corporation, a body intended to support the research needs of the industry.15 Over the following years the manufacturers increased volumes of cheaper imported tobacco leaf, and the Australian growing industry continued to fold, not without acrimony on the part of some of the remaining growers.18–20 The Tobacco Research and Development Corporation was abolished in 2003.21

The last sales contracts in Northern Queensland were filled in early 2004,22 and in Victoria and southern Queensland a majority of growers voted in support of a federal government and industry-funded buyout of the leaf growing industry announced in October 2006. All outstanding sales transactions were expected to be completed in 2009.23

Most leaf used in Australian-made cigarettes is now grown in the US, Brazil, Zimbabwe and India.24
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10.9.1 The emergence of chop-chop in Australia

Chop-chop is finely cut, unbranded, 'black market' tobacco that has been grown, distributed and sold outside the government-regulated and taxed system. Due to its affordability, some smokers have adopted chop-chop as an alternative to, or in addition to, smoking manufactured tobacco.

Several factors combined to accelerate the growth of the black market in home-grown tobacco in the late 1990s. The dismantling of the Tobacco Industry Stabilisation Plans after 1995 allowed Australian tobacco manufacturers to source tobacco leaf from the international market, putting downward pressure on the price of Australian leaf and leading to problems with oversupply. The abolition of individual state business franchise fees (state-levied tobacco taxes) in 1997, the change from charging federal excise on a weight basis to a per cigarette basis in 1999, and the introduction of the federal goods and services tax in 2000 lead to a uniform tax regime on tobacco throughout Australia and a significant increase in excise collections from tobacco. Obtaining tobacco illicitly, avoiding the tax and providing the product to the end user at a discount was highly profitable activity.

Chop-chop typically entered the market via individuals or groups that purchased leaf directly from a tobacco grower, processed it for sale, and provided it to a range of retailers (such as tobacconists, market stallholders, hairdressers, newsagents and milk bars) for on-selling. The product was usually sold in half or one kilogram lots, packed into clear plastic bags in loose leaf form, but has also been found converted into ready-made cigarettes and presented in counterfeit tobacco packaging. According to a news report just prior to the closure of the Victorian tobacco growing industry, tobacco farmers could earn up to $10,000 per bale of tobacco on the illicit market, compared to a top price of $800 the same bale would fetch on the legal market; the same bale would yield $30,000 in excise for the Federal Government. Bypassing the government, tobacco companies and retailers also meant considerable savings for the end user, who could purchase 100 g of illegal tobacco for about $13, compared to a recommended retail price for the equivalent legal product of about $36. In 2005, tobacco excise accounted for about 55% of the final retail price of a cigarette, and goods and services tax a further 10%.

In a report for the Australian Taxation Office in 2006, the Australian National Audit Office (ANAO) stated that illegal tobacco operations were a key priority in the area of evasion and serious fraud. The ANAO estimated that in 2004-2005, almost 10% of legally grown tobacco was diverted into the black market, and of this, only around 6% was intercepted. In an earlier report, the ANAO estimated that 'tobacco excise revenue leakage' due to the illegal tobacco market in 2001 was likely to range from $99 million-$220 million annually. Tobacco smuggling has also been associated with other serious criminal activity. On the basis of Australian Taxation Office research, the ANAO observed that the organisers were 'actively involved in other forms of criminality such as drugs, money laundering, identity fraud and car rebirthing as well as tobacco smuggling' (p15). Illegal trading resulted in the murder of a Victorian tobacco grower in 2002.

The end of the legal tobacco farming industry in Australia is discussed in Chapter 10, Section 10.8.2.3. For further information on the prevalence of the use of chop-chop in Australia, refer to Chapter 1, Section 11.2. The health consequences of smoking chop-chop are discussed in Chapter 3, Section 27.2.

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1 For detailed discussion of these changes to tobacco taxation, refer to Chapter 13.
10.9.2

The size of the illicit tobacco market in Australia in 2010

This section is drawn from a report prepared by Quit Victoria and Cancer Council Victoria.\(^6\)

On 1 March 2011, British American Tobacco Australia released a report\(^7\) prepared by Deloitte, which purported to quantify growth in the illicit tobacco market in Australia.\(^8\) Deloitte claimed that the size of the illicit tobacco market in Australia is 15.9%, a figure widely quoted by tobacco companies and since included in A4+ sized newspaper advertisements aiming to discourage members of the Australian Parliament from supporting legislation to mandate plain packaging.

Methodological problems and a number of what look very much like errors of interpretation of the results of a Roy Morgan survey that provided the data for this report have resulted in a major overestimate of the extent of illicit trade in Australia.

The Australian Government’s National Drug Strategy Household Survey has also examined use of illicit tobacco in Australia in its surveys conducted in 2001, 2004, 2007 and 2010, and provides a more reliable indication of the extent of use. This survey had a sample size of more than 26,000 respondents in 2010\(^1^1\) compared with the 949 respondents for the Roy Morgan survey commissioned by British American Tobacco Australia.

Some people expected that use of unbranded tobacco may have increased between 2007 and 2010, following the increase in excise and customs duty that resulted in large increases in tobacco prices in April 2010. However the National Drug Strategy Household Survey reports published in 2004, 2007 and 2010 have indicated very low and stable levels of use across the past nine years. In 2010 only 0.3% of Australians used illicit tobacco products on a regular basis (half the time or more), not significantly higher than the 0.2% reported in 2007 and also not significantly different from the 0.4% in 2004. While quite a large percentage of smokers have tried unbranded tobacco at least once (about 24% in 2010), 80% of those who have tried it no longer use it. About 4.9% of smokers report currently using unbranded tobacco in 2010, significantly lower than the 6.1% in 2007. This is substantially lower than the 15.7% of smokers deemed by Deloitte to be currently using unbranded tobacco.

Apart from over-estimating the number of smokers currently using unbranded tobacco, the British American Tobacco Australia sponsored report on illicit tobacco in 2010\(^1^0\) also substantially over-estimates the amount that such smokers could be purchasing. The report estimates that those using unbranded tobacco purchased an average of 344 g on an average of 15 occasions each year, making a total of 5160 g per year. Given that cigarettes weigh less than 1 g each, this quantity would be sufficient to make and smoke between 16 and 20 cigarettes per day. And yet the National Drug Strategy Household Survey reports make it clear that most smokers who use unbranded tobacco use it only occasionally. The 2010 survey reported that only 1.5% of smokers used unbranded tobacco half the time or more. It appears that Deloitte may have misinterpreted the results of the Roy Morgan survey, assuming that all the respondents who indicated that they currently smoked unbranded tobacco products in the last year still smoked them currently, and/or that those who still smoked them almost exclusively.

Estimates of use of other forms of illicit tobacco such as contraband or counterfeit cigarettes included in the Deloitte report could only be speculative, given that many people would not know whether what they were purchasing was counterfeit or not. Low price may not be an indication of contraband stock, given that some brands are substantially cheaper than others and because tax-paid cigarettes can be subject to heavy discounting.

The National Drug Strategy Household Survey shows definitively that the vast majority of smokers who have ever used illicit tobacco no longer use it, and—of those who do still use it—most used it only occasionally. Data about the generally low frequency of use among current users suggests that the size of the illicit market in Australia in 2010 would be about 2–3% of all tobacco used, orders of magnitude smaller than the 15.9% widely touted by the tobacco industry.
Is smuggling advantageous to the international tobacco industry?

The illicit tobacco trade markedly decreases the public health benefits of tobacco control action ‘by making cigarettes cheaper, more accessible and more difficult to regulate’. Most illicit trade in tobacco involves large-scale movement of products through channels that circumvent taxation. (Counterfeiting and bootlegging account for a much smaller proportion of the illegal market.) While counterfeiting can be a serious threat to profitability for tobacco companies, as it is for many manufacturers, smuggling of tobacco products is not always detrimental to tobacco companies at the international level. Instances have been documented where the tobacco companies have sold their products to distributors in the usual way, with the usual profits. Tobacco products then leak from distributors into the illegal market where, having evaded tax, it is sold more cheaply than taxed goods. The only real losers, financially, are the governments, which miss out on tax revenue. The key to controlling smuggling is controlling the supply chain and this supply chain is controlled to a great extent by the tobacco industry itself.

Publicly the tobacco companies have claimed to have no knowledge or involvement in smuggling activities, but internal industry documents reveal that there are numerous instances where they have been complicit in these activities. Smuggling benefits the international tobacco industry in a number of ways, including by:

- allowing brands to infiltrate otherwise closed markets
- providing leverage for the tobacco industry to argue that closed markets be opened (because closed markets don’t work)
- providing a source of cheap cigarettes to fuel uptake and consumption, particularly among younger populations and in poorer regions
- enabling the industry to lobby against tobacco control measures, especially increased taxation, by arguing that such measures increase smuggling.

Due to the size and scope of the international smuggling market, at its second session in July 2007 the WHO Framework Convention on Tobacco Control (WHO FCTC) Conference of the Parties decided to establish an Intergovernmental Negotiating Body, open to all Parties, to draft and negotiate a protocol on illicit trade in tobacco products. The protocol will build upon and complement the existing smuggling provisions outlined in Article 15 of the WHO FCTC. The Conference of the Parties reviewed the progress it had made at its fourth session in Uruguay in 2010. The Conference decided that negotiations on a protocol should continue at a final session of the Intergovernmental Negotiating Body to be held in 2012, and that an informal working group, composed of representatives of regional groups of Parties, will work in 2011 to facilitate negotiations at the final session of the Intergovernmental Negotiating Body.

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i The reports and progress of the Intergovernmental Negotiating Body can be read here: http://www.who.int/fctc/protocol/illicit_trade/en/
References


Chapter 10: The tobacco industry in Australian society

Section: 10.10

The tobacco industry exposed: tobacco industry document repositories

The preceding sections detail the size, scope and other publicly available vital statistics for the tobacco industry in Australia. The following sections of Chapter 10 examine the way in which the tobacco industry operates in Australia and elsewhere, including its interaction with governments, non-government organisations, commercial enterprises, industry groups, the media and the public.

During the 1990s millions of pages of internal tobacco industry documents were made public, mostly as an outcome of litigation against the industry. The first tranche of internal documents, originating from the US firm Brown & Williamson and its parent company, British American Tobacco, was delivered unsolicited to Stanton Glantz, a professor of public health at the University of California (San Francisco). Further documentation was obtained from Brown & Williamson by US Congress, and more came from the private papers of a deceased British American Tobacco employee.

Further documents flooded into the public arena as a result of document discovery associated with tobacco litigation cases such as Cipillone v. Liggett Group. As part of the settlement in 1997 between the State of Minnesota and Blue Cross/Blue Shield against several tobacco companies (in which the states sued to recover the costs of treating tobacco-related disease), the companies were obliged to release several million pages of internal documents and make them available for public viewing. These documents are stored in the Minnesota Tobacco Document Depository, opened in 1998, and in the Guildford Document Depository in the UK. The Master Settlement Agreement of 1998 between 46 US states and Brown & Williamson, British American Tobacco, Lorillard, Philip Morris, RJ Reynolds, the Council for Tobacco Research and the Tobacco Institute led to the discovery of further industry documents. Subsequent US-based litigation has made yet more document collections available.

Two major gateway sites to industry documents are the Legacy Tobacco Documents Library hosted by the University of California and the industry-run tobaccoarchives.com. However repositories may be accessed through a number of different websites including those operated by individual tobacco companies.

These previously confidential industry documents have allowed scrutiny of the tobacco industry’s priorities, policies and activities. Marketing practices have been exposed, including information on targeting young smokers. Lobbying strategies to further the industry’s interests have been uncovered. The documents also prove that the industry has long known about the health effects of smoking, the danger of secondhand smoke and the addictiveness of nicotine.

A variety of tobacco industry activities in Australia have come to light through investigation of documents released as a result of the Master Settlement Agreement. These have been analysed by Simon Chapman and colleagues at the School of Public Health in the University of Sydney, with grants from the National Health and Medical Research Council and the US National Institutes of Health. Chapman et al have undertaken the research with the dual intentions of revealing industry strategies and behaviours that may assist tobacco control advocacy elsewhere, and collating material on the industry’s conduct in Australia, with a view to providing documentation in support of prospective litigants.

While offering a wellspring of potentially useful information, it has been observed that accessing the documents—whether in hard copy or online—may be far from straightforward. Further, since the companies pursued policies of document concealment or destruction in anticipation of legal discovery, the repositories do not contain complete industry records. However the documents have provided rare and compelling insights into tobacco industry behaviour, and much of the published research cited in the following sections of this chapter draws on these sources.

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i See: www.legacy.library.ucsf.edu and http://www.tobaccoarchives.com/default.html

ii A series of publications reporting on industry documents pertaining to Australia appears in Tobacco Control 2003:12 (suppl. 3). Industry documents identified by Chapman et al that relate to Australia are available on the Tobacco Control Supersite at http://old.tobacco.health.usyd.edu.au/site/gateway/docs/
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Chapter 10: The tobacco industry in Australian society

Section: 10.11

Corporate responsibility and the birth of good corporate citizenship

The document disclosure discussed in the preceding section (Chapter 10, Section 10.9) brought the tobacco industry collectively to a point where it could no longer deny that its products were harmful. The seismic effects of the document revelations, along with continued pressure for product regulation, legislation and restrictions on smoking, required the companies to construct and promote a new image to ensure investor confidence. With masterly if cynical recalibration, the companies began to acknowledge publicly that tobacco could be harmful, to reiterate that smoking was an ‘adult choice’ and to argue that tobacco should be ‘sensibly’ regulated.

The tobacco industry’s public attempts at rebirth have coincided with a much broader move in the corporate world towards ‘corporate social responsibility’ (CSR), in which transnational corporations have begun to consider their impact on communities and the environment, and where necessary to change business practices and make restitution. Notions of what constitutes corporate social responsibility vary widely, and the extent to which the adoption of corporate social responsibility concepts by transnational corporations is more public relations than a true blossoming of corporate social conscience is a matter of ongoing debate.¹

The websites of Philip Morris International,² British American Tobacco Australia³ and Imperial Tobacco Group⁴ devote many pages to detailing company adherence to corporate social responsibility policies. British American Tobacco Australia has not produced a publicly available social report since 2007, but does publish an annual ‘sustainability report’ for the overall company on the British American Tobacco parent website.⁵ British American Tobacco Australia states on its website that ‘our CSR performance is monitored by the British American Tobacco Australasia Audit and CSR Committee and members of the Management Board of British American Tobacco Australasia.’⁶ Philip Morris International’s website explains that it reminds people that smoking is dangerous, that it does what it can to keep cigarettes away from children, and that it is working to develop less harmful products (Philip Morris USA even sponsors its own extensive quit smoking website). On a wider scale, it pledges to care for its employees, the environment and farming practices.⁷ Imperial Tobacco Group incorporates corporate responsibility highlights as part of its annual report and states that it is ‘committed to operating in a way that is financially, socially and environmentally responsible. This underpins our growth strategy and is an integral part of how we do business. We believe that this focus and commitment not only helps us to build trust and protect our licence to operate, but also drives long-term sustainable sales growth.’⁸

For the tobacco industry, adherence to corporate social responsibility depends on their being able to point to the legality of their products, and that smoking is an ‘adult lifestyle choice’ made by informed individuals. In their case study of corporate social responsibility initiatives adopted by the tobacco industry,² Palazzo and Richter note that ‘tobacco companies are not in the CSR business as it is becoming commonplace now across various industries and throughout academic research. As long as cigarettes kill active and passive users, all that a tobacco company can achieve is a reputation for transactional integrity. When tobacco companies try to link their activities to the common good, they indeed provoke the legitimate question whether tobacco and CSR are inherently contradictory’ (p398).⁹

Philip Morris International’s transition towards corporate social responsibility from about the mid-1990s has been documented by Hirschhorn.¹ Philip Morris management decided to frame the company as an honest and ethical business, predicated on the fact that they produce legal products for use by informed adults. As part of this strategy, the company undertook (and publicised) its social and environmental good works, pledged to operate more openly

⁵ Transactional integrity refers to whether the company in question adheres to the legal and moral framework of the society within which it operates, such as by acting transparently, keeping its promises, and behaving fairly and with consistency. The authors of this paper observe that many would contend that the tobacco industry does not currently fulfill even this more limited (‘transactional’) definition of corporate social responsibility.
and voiced support for reasonable regulation, as well as adopting a consistent approach globally to matters such as marketing, trade, labour and the environment.

The evolving language used to express Philip Morris's views on tobacco, health and addictiveness has been analysed. While Philip Morris's website appears to endorse mainstream medical views on tobacco, its language is non-committal and visitors are referred to external public health websites (see also Chapter 10, Section 10.12). Friedman observes that Philip Morris’s motivations are primarily in the interests of deflecting litigation and that the company is conceding nothing, while appearing to have changed its ways a view backed up by internal Philip Morris documents. It has also been noted that the emphasis on the individual’s choice to smoke and offering links to further information is framed to absolve the industry and shift responsibility to the smoker.

Can a tobacco company truly claim to operate within a framework of corporate social responsibility? According to Hirschhorn, the indisputable facts that:

- tobacco has a devastating effect on the health of its users, as well as a subset of non-users who are exposed to it
- tobacco is addictive, and the industry knows this
- numerous studies show that most smokers would like to quit
- mentally ill smokers consume a large proportion of the tobacco used in the US

fundamentally preclude the tobacco industry from qualifying as a socially responsible corporation. Added to this, most smokers become addicted before they have the opportunity to exercise adult choice. How, then, could a tobacco company reasonably earn corporate social responsibility credentials? One experienced tobacco control advocate has come up with a number of suggestions (summarised below) but concludes that the industry would be unlikely to consider this agenda viable:

- stop all forms of tobacco advertising and promotion
- support substantial price rises for tobacco products
- support youth tobacco prevention programs by increasing funding and placing them in the hands of an independent non-profit organisation
- stop interfering with provisions to protect non-smokers from secondhand smoke
- halt all forms of political donations
- provide generous financial support to non-profit organisations supporting quitting, including funding pharmaceutical cessation aids for low income smokers
- fund an independent, national tobacco and nicotine research foundation
- adopt generic packaging with large graphic health warnings
- comply with regulation of marketing, manufacturing and sales according to best practice (mandated by government)
- support effective development of regulation of all nicotine and tobacco products
- abandon aggressive tactics for growth in less developed countries
- stop obstructing ratification of the WHO Framework Convention on Tobacco Control.

In direct contrast to the above summary, the Philip Morris International website summarises what it defines as comprehensive tobacco control and the measures it is willing to support:

- mandated health warnings on packs and in advertising
- limitations on tobacco advertising, including bans on television and radio ads
- public place smoking restrictions, including bans on smoking in places where people must go and places catering to minors
- minimum age laws
- product regulations, including ingredient and smoke emissions reporting requirements
- strict penalties for selling contraband or counterfeit cigarettes
- tobacco tax policies that are integrated with health policies
- regulations governing products that have potential to reduce risk.
It also specifically names measures that it opposes, such as generic packaging, point-of-sale display bans, total bans on communications to adult consumers, and bans on the use of all additives in tobacco products.

10.11.1

Corporate makeover: Philip Morris and Altria—a case study in brief

Of all the international tobacco companies seeking to redefine themselves, Philip Morris has gone to greatest lengths. Beginning in 1999, Philip Morris sought to become ‘societally aligned’ by identifying the public expectations of a responsible tobacco company through opinion research and developing and publicising programs to meet those expectations. Despite Philip Morris’s claims, however, societal alignment in practice was highly selective. Examples of alignment strategies included voluntary programs, corporate advertising and industry-created youth smoking prevention programs, philanthropy, sponsorships, and support for weak tobacco control policies. Philip Morris retooled existing positions and programs, while entirely ignoring other areas that might have interfered with its business goals.

In January 2003 Philip Morris Companies, then parent company to Philip Morris International, Philip Morris (USA) and Kraft Foods, changed its name to ‘Altria’. According to the company’s website, the word Altria is derived from the Latin word ‘altus’, and conveys the notion of ‘reaching ever higher’. It was also intended to clarify its identity as a parent company to both tobacco and food companies.

Various commentators have interpreted the name change as a public relations gesture, aimed at distancing the parent company and its non-tobacco subsidiaries from the stigma of association with tobacco manufacturing, and intended to re-position it in the minds of consumers, employees and investors. This view has been confirmed by internal company documents dating back to the late 1980s, which detail concern for the company’s failing corporate image, and the evolution of plans for its resuscitation, culminating in eventual name change.

The corporate structure of Altria has continued to evolve. In March 2008, Altria spun off Philip Morris International to make it a stand-alone company based in Switzerland. While Altria justified the initiative as motivated by a desire to ‘improve focus on the different market dynamics, competitive frameworks, challenges and opportunities that Altria and PMI face’, other commentators observe that cordonning off Philip Morris International will make the new entity less vulnerable to US regulators, legislators and litigants, and will reduce public relations pressure on Altria, which will continue to manage Philip Morris’s US operations. US ownership of Philip Morris International restricted its opportunities for global growth. With the approach of the split between the companies, a host of innovative product developments, which might have been expected to receive strong opposition in the US, were announced for introduction to Philip Morris International’s overseas markets. Altria retains ownership of Philip Morris (USA), the cigar-manufacturing concern John Middleton Co, a finance and investment company and a 29% shareholding in SAB Miller, the second largest brewing company in the world.

Enacted in 2009, Philip Morris was the only tobacco company to support the US Family Smoking Prevention and Tobacco Control Act, which gives limited powers to the US Food and Drugs Administration to regulate tobacco products. There is concern among US tobacco control stakeholders that the effectiveness with which the Food and Drugs Administration will be able to regulate tobacco products remains in doubt and that the law offers the tobacco industry an opportunity to rehabilitate its image and products because they are now ‘FDA regulated’.

10.11.2

Corporate links with charities and social causes

Corporate sponsorship of sporting and cultural events was an important and highly effective vehicle for tobacco advertising in Australia before it was banned by a number of states during the late 1980s and finally by

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i Kraft Foods, like Philip Morris International, now operates separately from Altria and Philip Morris (USA).
Commonwealth (national) legislation in 1992. As well as enhancing corporate image, sponsorship provided endless hours of visual and verbal brand exposure, linked cigarette brands with positive imagery and iconic events, bought considerable support for the industry when it needed friends, and effectively gagged potential anti-smoking advocates (such as sportsmen and women whose sport benefited from tobacco funds).

Termination of these sponsorships caused Australian tobacco companies to look elsewhere for ways in which to promote themselves. The advent of an agenda in corporate responsibility has lead to a focus on charities and groups with impeccable credentials, including aid for sick children, combating domestic violence and environmental stewardship.

During 1999, Philip Morris Australia claimed credit in publicity material for supporting a number of charities in Australia, including Jeans for Genes Day, Red Nose Day; the Lions Club and Ronald McDonald children’s charities. None of these charities had knowingly accepted funding from Philip Morris, since the money had either been received via a corporate entity related to Philip Morris Australia at the time (for example, Kraft—which owns Vegemite and other iconic food brands) or because donations had been made through employees of Philip Morris Australia apparently acting on their own behalf, rather than at the behest of the company. The revelation that donations could be attributable to a tobacco company caused consternation among the beneficiaries.

In February 2003, Philip Morris Australia co-sponsored a high-profile conference on domestic violence. The conference, Breaking Point: a Corporate Conference on Work and Family Conflict, was organised by the Australian Government’s Office for the Status of Women. Along with Senator Amanda Vanstone, the then Minister for Family and Community Services, Philip Morris representatives from Australia and the US spoke at the event. The Office for the Status of Women was strongly criticised by representatives of the Australian Medical Association, the Federal Opposition and the public health sector on the grounds that tobacco is a major killer of women, and that acceptance of tobacco sponsorship detracted from the importance of the issue of domestic violence, while enhancing the corporate image of Philip Morris Australia.

Subsequent efforts by Philip Morris Australia to promote itself through corporate social responsibility in Australia were not so successful. At a conference in 2004 a company representative was scheduled to deliver an address on public relations and corporate communications. After being made aware of Philip Morris Australia involvement, other speakers threatened to withdraw, and the conference organisers removed Philip Morris Australia from the program. The following year, an attempt by British American Tobacco Australia to be associated with a conference on corporate social responsibility precipitated the exodus of other companies, including McDonalds, Pfizer and the mental health group Beyond Blue. In the international arena, at least one similar ‘ethical’ event has been shunned by non-tobacco companies once tobacco industry involvement has been exposed.

Nevertheless British American Tobacco Australia appears to have had some success in forging connections with several ‘charity partners’ through the Our Workplace Giving Programme. The names of these organisations appear on the British American Tobacco Australia website. Employees may choose to make donations to British American Tobacco Australia’s charity scheme, and British American Tobacco Australia pledges to match donations dollar-for-dollar. One of the charities to receive British American Tobacco Australia support is the Guide Dogs Australia, which provides services to the blind. Noting the well-established connection between smoking and blindness, one commentator has described this as an especially cynically calculated partnership. As part of its corporate responsibility strategy for the environment, British American Tobacco Australia also supports the Butt Littering Trust.

On its international website, Philip Morris International pledges support for five defined areas: ‘hunger and extreme poverty; education; rural living conditions; disaster relief and domestic violence’. In 2010, Philip Morris International donated to two Australian charities including US$24,564 to Aussie Helpers Limited for equipment and transport to remote communities. The following organisations are listed: Mission Australia, Conservation Volunteers Australia, The Surf Life Saver Rescue Helicopter, Lifeline, Northcott, Guide Dogs NSW/ACT, Barnardos and the Lions Club and Ronald McDonald children’s charities.

Termination of these sponsorships caused Australian tobacco companies to look elsewhere for ways in which to promote themselves. The advent of an agenda in corporate responsibility has lead to a focus on charities and groups with impeccable credentials, including aid for sick children, combating domestic violence and environmental stewardship.

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and funding infrastructure improvements for a non-profit farming enterprise and US$19,996 to Habitat for Humanity Australia project to construct three houses for needy families in South Australia. Philip Morris International donated a total of US$250,025,392 globally in 2010.

Imperial Tobacco makes no other specific mention of its activities in Australia, but states a preference for supporting charities or not-for-profit organisations in which its employees are actively involved and matching funds raised by employee activities.27

Corporate philanthropy is unapologetically connected with corporate advertising in the US. There, Philip Morris has run television advertising campaigns informing the public of its good works, such as funding shelters for the homeless, food donations for the needy and programs against domestic violence.28 Philip Morris spent millions more dollars on publicising its charitable works in the US (US$150 million) than it actually donated ($US115 million).29 This advertising also allowed Philip Morris to generate its own positive publicity in mainstream media although direct tobacco advertising is banned on television in the US.30

A US study has documented how tobacco industry philanthropy is not only a public relations tool, but may actually have harmful consequences, particularly in terms of securing tobacco control legislation. Philip Morris explicitly linked philanthropy to government affairs and used contributions as a lobbying tool against public health policies. Through advertising, covertly solicited media coverage, and contributions to legislators’ favourite charities, Philip Morris improved its image among key constituencies, influenced public officials, and divided the public health field.10

Tobacco industry philanthropic involvement is of concern to other charitable organisations and donors.31 In 2010, the Bill & Melinda Gates Foundation withdrew a grant of $5.2 million to Canada’s International Development Research Centre (IDRC), stating that, "The foundation was recently informed that the chair of the board of our partner, the International Development Research Centre (IDRC), has until recently also been a Director of Imperial Tobacco Canada, Ltd. We are deeply disappointed by this revelation and feel this conflict is unacceptable as we work to support meaningful tobacco control programs in Africa. Therefore, we are terminating our tobacco control grant to IDRC, effective immediately. We remain committed to tobacco control work and look forward to continuing to partner with the anti-tobacco community."32
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Corporate admission that smoking causes ill-health and death is at the heart of the tobacco industry's metamorphosis into socially responsible corporate citizens. From the earliest days, the tobacco industry robustly countered any claims that smoking caused disease. Discovery of internal tobacco industry documents in the wake of several US court cases in the late 1990s (discussed in Chapter 10, Section 10.10) proved what health advocates had long suspected—that the tobacco industry was indeed aware that its product was a major cause of death and disease, and that several decades had been spent deliberately colluding in covering up, denying, confusing and questioning the issues of smoking and health.1 Even well into the 1990s, spokespeople for the tobacco industry in Australia denied that tobacco use was a cause of disease, citing, for example, a perceived lack of causal proof, and the vagaries of genetics.1 It is highly probable that this legacy of denial, maintained consistently and persuasively for more than half a century, still has residual effects on smokers today.1

10.12.1 Smoking, health and addiction

Historically, the industry denied that smoking was addictive, despite conducting research and developing products that enhanced and increased the uptake of nicotine.3,4 Today, a visit to any one of the websites of Philip Morris International,5 British American Tobacco Australia6 and Imperial Tobacco Group7 provides the reader with a number of carefully crafted statements about the effects of tobacco on health. Perhaps reflecting the litigation concerns of a company with strong US connections, Philip Morris International states its acceptance of the views of major health authorities with the statement: 'Smoking causes many serious diseases including cardiovascular disease (heart disease), lung cancer, and chronic obstructive pulmonary disease (emphysema, chronic bronchitis). Smokers are far more likely to become sick with one of these diseases than non-smokers. Smoking is also addictive and can be extremely difficult to stop'.5 British American Tobacco Australia states that, 'With smoking comes a real risk of serious and fatal diseases such as lung cancer, respiratory disease and heart disease. We also recognise that many people find it is difficult to quit smoking'.6 Less forthcoming, Imperial Tobacco Group (ITG) makes a general statement about smoking and health, stating that, 'no cigarette is safe, and that it operates its business on the basis that smoking may cause human disease. ITG does acknowledge that 'smoking can be characterised as addictive as the term is commonly used today'.7

It can safely be assumed that all of the above statements have been thoroughly vetted by industry lawyers to ensure that they will adequately serve the companies’ needs in the event of litigation. Meanwhile, it has been observed by some commentators that in reality, the tobacco companies have not made substantial strides towards a consensus with public health interests on smoking and health. In her analysis of evolving language on tobacco, health and addictiveness on Philip Morris's website, Friedman comments that Philip Morris's wording in fact concedes little and is deliberately constructed to leave open options for Philip Morris's defence in the event of litigation.8 Another study on the use of language on Philip Morris’s website found many contradictions and omissions that may undermine public health messages, including confusing information about addiction, tar and nicotine, a lack of motivational messages to quit smoking, and silence about tobacco-related mortality.9

Henningfield et al have studied courtroom testimony and other related statements made by tobacco companies regarding the addictiveness of tobacco.10 This report concluded that industry strategy has evolved to redefine and trivialise the term ‘addiction’, likening nicotine to substances such as caffeine and chocolate but distinguishing it from hard drugs like cocaine and heroin. The World Health Organization has published an extensive report, Evolution of the Tobacco Industry Positions on Addiction to Nicotine, that provides a detailed outline of the

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tobacco industry’s public and internal views on addiction. It concludes that, ‘the industry’s current position on addiction as a complex of social, behavioural and pharmacological factors potentially allows the company to develop a so-called “safer” cigarette that manipulates behavioural and chemical properties related to addiction, but without necessarily changing the potential for addiction at all.’

10.12.2
Secondhand smoke

As with active smoking, each of the tobacco companies operating in Australia addresses secondhand smoke (SHS) on its website in different, but equally meticulously constructed, statements. Philip Morris International’s website offers a list of health consequences declared by ‘public health officials’ to be caused by SHS, and recommends that the public should be guided by these conclusions (Philip Morris International itself neither confirming nor denying any connection between SHS and disease). Philip Morris International also accepts that it is reasonable to restrict smoking in public places, with the exception that it does not support bans in ‘restaurants, bars, cafes, discos and other entertainment establishments, as proprietors should be free to decide whether to permit, restrict, or prohibit smoking. If signage is posted communicating the smoking policy, and includes the public health view that exposure to smoke is harmful to non-smokers, then an individual can make an informed decision about whether or not to enter an establishment’. Less acquiescent, British American Tobacco Australia cites conclusions by the World Health Organization and the National Health and Medical Research Council on SHS, but goes on to cast doubt on the strength of the epidemiological research upon which these conclusions are based. British American Tobacco Australia only supports ‘regulation that accommodates the interests of both non-smokers and smokers and limits non-smokers’ involuntary exposure to [environmental tobacco smoke]...such as the creation of smoke-free areas, combined with adequate provision for smokers.’

Imperial Tobacco takes a very different position, acknowledging that SHS can be an annoyance, but declaring that ‘it is our view that the scientific evidence, taken as a whole, is insufficient to establish that other people’s tobacco smoke is a cause of any disease’, and asserting that ‘bans on smoking in public places are disproportionate and unnecessary’. Imperial reiterates the industry’s standard arguments from earlier decades that issues regarding SHS can be resolved through common sense, courtesy, improved ventilation, and the introduction of smokefree areas in the workplace, restaurants and other public places.

In Australia and internationally, the tobacco industry continues to lobby against measures to protect non-smokers from tobacco smoke, to dispute and undermine findings by medical and health bodies and to fund, directly and indirectly, research that supports its position on the health effects of secondhand smoke.
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Encouraging young people not to smoke

For decades, the tobacco manufacturing industry has publicly stated that it does not wish young people to start smoking. The health establishment has long regarded these claims with scepticism on the grounds that it is self-evident that if an industry that kills half of its regular, persistent consumers wishes to stay in business, then it needs to find a steady stream of new recruits. Despite industry protestations to the contrary, there is ample evidence that its promotional activities in Australia and internationally have in the past targeted, and continue to target, new users (see also Chapter 11). Initiatives adopted by the tobacco industry with the stated intention of forestall government intervention and to give the impression that the industry is cooperative and responsible. In the words of a British American Tobacco official in 1973, describing a voluntary agreement for the industry in Hong Kong to withdraw tobacco advertising during children’s television viewing hours: ‘…this is one of the proposals that we shall initiate to show that we as an industry are doing something about discouraging young people to smoke. This of course is a phony way of showing sincerity as we all well know’.

As part of the industry strategy to embrace corporate responsibility, youth smoking prevention programs have been developed worldwide. These have typically taken the form of programs aimed at retailers, advertising aimed at young people and their parents, and sponsorship of ‘life skills’ educational programs. These activities have been widely criticised by tobacco control experts for their demonstrated ineffectiveness, as well as the benefits they may bring the tobacco industry, including:

- the appearance of being proactive and responsible, while participating in activities which they recognise are unlikely to affect uptake of smoking among young people
- forestalling more effective tobacco control measures that will damage the industry’s interests, such as advertising bans or taxation increases
- shifting responsibility for prevention from the industry and placing the onus on retailers, parents and social groups
- fostering partnerships with government and non-government health and education interests, which may give the industry political clout as well as credibility
- strengthening communications with retailers and shoring up support for future lobbying activities
- making opponents look like extremists
- giving the industry an opportunity to communicate directly with young people
- reinforcing smoking as an ‘adult choice’ (hence enhancing its cachet among teenagers)
- providing ‘proof’ if required in a legal setting that the industry has taken action to discourage youth smoking.

Interestingly, despite opposing real tax increases and denying the effect that higher prices have on reducing tobacco consumption, British American Tobacco Australia CEO David Crowe appeared to acknowledge the importance of price in youth smoking prevention during a media interview on his opposition to plain packaging reforms. David Crowe stated that a direct consequence of plain packaging will be that, ‘we no doubt will modulate our price down, more people will smoke. We all know, things get cheaper people buy more and more kids will smoke. And that is obviously completely opposite to what the Government intends.’

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1 Experimentation with smoking overwhelmingly occurs during the teenage years. Data from the 2010 National Drug Strategy Household Survey shows that the mean age for initiation of smoking in Australia is 16.0 years.
2 See Knight and Chapman for detailed discussion of tobacco industry activities in Hong Kong. This excerpt from minutes of a meeting between representatives of tobacco manufacturers in Hong Kong may be viewed at: http://legacy.library.ucsf.edu/tid/owq24e00/pdf.jsessionid=07C0248832774571C88868ED892AB35A.
10.13.1

Youth access programs

Access programs address how young people purchase tobacco, and generally focus on the retail environment. In Australia it is illegal in every state and territory for anyone aged younger than 18 to purchase tobacco products. Laws regarding sales to minors have long been a component of a comprehensive tobacco control program and their role in Australian tobacco control policy remains important as a deterrent to under-age sales. However there is debate over how effective access laws are in reducing prevalence in young people, since it is well known that younger smokers obtain their cigarettes from a variety of sources, particularly friends and family. This means that although strictly policed laws might indeed reduce sales to minors, they do not stop young people from getting cigarettes via their social networks. Investigation of tobacco industry documents in Australia and overseas has shown that the industry has co-opted youth access issues as a low-risk opportunity for gaining important public relations benefits.

Since the early 1980s, the Australian tobacco industry has actively supported access programs by providing information and signage to tobacco retailers. The three Australian companies currently co-sponsor a program called ‘18+—it’s the law’, which provides in-store materials and advice to retailers. For the launch of the 2002 version of the program, the tobacco industry advertised in both the trade and mainstream press. In an environment in which discourse between the tobacco industry and the public is greatly curtailed, this advertising provided a rare opportunity for the industry to portray itself as a socially responsible corporate citizen.

10.13.2

‘Life skills’ programs

Another component of the industry’s activities in youth smoking prevention is sponsorship of life skills education programs. These programs typically touch on licit and illicit drug use, and include themes such as personal responsibility, self-determination, self-esteem, peer influences and media influences. There is strong evidence that in the US, the tobacco industry has actively supported programs known to be ineffective and that in doing so it has managed to keep at bay the introduction of other, more hard-hitting life skills programs. Analysis of these programs has found them to be fundamentally deficient from a public health perspective. These programs have also provided the tobacco industry with leverage against the introduction of stronger tobacco control measures intended to protect young people.

Efforts by the Australian tobacco industry to distribute material in schools failed during the 1980s. In the late 1990s Philip Morris funded the development of a program for Australian teachers to help schoolchildren ‘say no’ to smoking, illicit drugs, drinking and bullying. Philip Morris wished to conceal its association with the program, ‘I’ve got the power’, due to fears that if the connection were exposed, the program would meet with hostility. Their fears proved well founded and the program has not gained acceptance in Australia. However, despite criticism, Philip Morris has had involvement with funding educational materials about substance abuse intended for young Aboriginal people, in collaboration with the NSW Aboriginal Education Consultative Group and the Victorian Aboriginal Education Association Incorporated.

The World Health Organization has recommended against the use of tobacco industry-endorsed youth smoking prevention programs, in recognition that they are intended to serve industry purposes rather than reduce the uptake of smoking.

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ii Such as programs that expose industry tactics, deal graphically with health effects and denormalise smoking. See Chapter 5.
Anti-smoking advertising

In the US and other countries tobacco companies have launched extensive television and magazine advertising campaigns with the stated intention of discouraging smoking among young people. These programs have proliferated, Philip Morris taking its offensive to more than 70 countries in 2001. In the US, the volume of tobacco-sponsored anti-smoking advertising has equalled or exceeded that of health interests.

In 1998, Philip Morris commenced the ‘Think. Don’t Smoke’ campaign in the US. This was soon followed by another campaign by US-based company, Lorillard, with the slogan ‘Tobacco is whacko if you’re a teen’. The common message of these advertisements is that smoking is an adult choice and that young people don’t need to smoke to fit in socially. The Philip Morris advertisements do not explain exactly why young people should not smoke, instead repeating the theme that you do not have smoke to ‘be cool’. Philip Morris has also produced advertisements aimed at parents (‘Talk. They’ll Listen’).

Several studies from the US show that industry-funded programs have not been effective and may even have fostered a more positive attitude towards the tobacco companies. A large study conducted over a four-year period found that tobacco industry campaigns neither reduced smoking nor intention to smoke among the target audience, and that advertisements advising parents to talk to their children about smoking might have influenced teenagers in their senior high school years to smoke. The tobacco companies do not support campaigns that could affect profitability or undermine industry operations.
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10.14

The environmental impact of tobacco production

As noted in Section 10.8.1, tobacco growing is shifting from developed countries and becoming concentrated in developing countries. Global tobacco production was forecast to continue increasing until the year 2010, and was expected to be matched by growing demand for tobacco products in the developing world as population and income increase.1

For the farmer, tobacco growing often presents an attractive alternative crop to food, for as well as bringing in a higher income, tobacco growers may also receive practical as well as financial assistance from the tobacco industry1 (although this is not necessarily the case3). At the government level, tobacco growing may also be regarded in a favourable light due to the financial benefits it brings through trade and taxation, at least in the short term.2 From the point of view of the tobacco industry, production costs in the developing world are lower and the market is less regulated,1 making for a more conducive operating environment.

Since the late 1970s, concerns have been registered by a number of environmental agencies regarding the impact of tobacco growing.1 The tobacco crop itself requires a high degree of maintenance, including pest and disease control, a regular water supply and fertilisers to optimise output. Although some tobacco leaf is air or sun-dried, the majority of varieties grown (particularly in the developing world) require curing with generated heat, usually fuelled by wood, coal or gas. Beyond the primary industry, cigarette companies run manufacturing operations to turn leaf into various tobacco products ready for distribution, marketing and sale to end users. The tobacco manufacturing industry generates a number of chemical by-products that are considered hazardous, including ammonia, nicotine and nicotine by-products, hydrochloric acid and toluene. In developed countries, appropriate disposal of these chemicals is strictly regulated; the same may not be true in developing countries where tobacco manufacturing is becoming more concentrated.6

The environmental impact of tobacco production has been taken up by the major tobacco companies as part of their portfolio for corporate social responsibility. The major tobacco companies display their environmental credentials by describing on their websites their adoption of sustainable and low-impact practices from farm to factory.7,8,9,10 But no matter how clean or green tobacco production can be, ameliorating environmental concerns ignores the most obvious environmental impact of tobacco production—the deaths of almost five million people worldwide each year.10

10.14.1

Land clearing and deforestation

In some countries tobacco growing has lead to extensive land clearance and deforestation to make room for new crops, and to provide timber to fuel the heaters used to dry the tobacco leaf following harvest.

Recent, independent information on the status of land maintenance in tobacco farming areas is lacking. The most authoritative review available examines data from 1990–1995.1 This study found that in the early 1990s, 211,000 hectares of forests or woodlands were cleared each year for the purposes of tobacco farming, more than 90% of this occurring in the developing world.1 This was equivalent to 1.7% of global net losses of natural forest each year, or a mean average in tobacco-growing countries of 4.6% of total national deforestation in the five-year period from 1990–1995.1 Overall, around half of the wood consumed for tobacco farming was gathered from common land and native forests, rather than from sustainable sources, and in some countries usage of wood from unmanaged sources was much higher.1 Case reports on farming activity in specific countries attested to the environmental damage caused by farming, and also to the ineffectiveness of measures for reforestation, citing instances of inappropriate plant stock and poorly supported programs.1,11 Likewise, tobacco industry claims of extensive tree planting from the same time period did not stand up to scrutiny.12

Geist concluded that tobacco’s impact on forest resources had reached ‘high’ or ‘serious’ levels (above the national mean average of 4.6%) in almost one-third of the 66 developing countries in which tobacco is grown, including South Korea, Uruguay, Bangladesh, Malawi, Jordan, Pakistan, Syria, China, Zimbabwe, Argentina, Tunisia and
Burundi. In contrast, the impact of tobacco farming on woodland in developed regions such as Canada and North America, where there was a net increase in forest cover, was low. Reports commissioned by the tobacco industry in the 1980s and 1990s also signalled alarm at deforestation due to tobacco growing and curing.

The International Tobacco Growers’ Association, an affiliation of tobacco growers, claims that preservation of natural resources is a priority and that sustainability is encouraged in most countries where tobacco farmers use wood for fuel. The International Tobacco Growers’ Association states that tobacco growers have contributed to the doubling of natural woodland in regions of southern Brazil.

On their websites, the major international tobacco companies claim adherence to principles of environment protection and sustainability while pointing out that in the main, the companies do not own tobacco farms and do not have direct control over farming practices. For example, British American Tobacco encourages farmers to use non-wood fuels and sponsors forestry programs, as well as using packaging materials from suppliers who use sustainable sources. Philip Morris International states that it has developed ‘Good Agricultural Practices’ guidelines, which include avoidance of deforestation and establishment of reforestation. Independent verification is not available that the reforestation programs, such as those publicly supported by the tobacco industry, are successful.

### 10.14.2

#### Pesticide use

Commercial tobacco growing involves the use of a range of herbicides, fungicides and insecticides to maximise crop production. In recognition of consumer concern about chemicals present in tobacco, as well as the environmental sequelae of inappropriate use of agrichemicals, all three tobacco companies operational in Australia include reassurances about leaf quality on their websites. Imperial Tobacco states that it provides ‘training on the safe and correct use of pesticides and fertilisers, and techniques to help farmers reduce the need for them’.

Philip Morris and British American Tobacco both point to their companies’ leaf growing programs that aim to promote quality crops without compromising environmental or human safety.

Until they were banned in the mid-1980s, Australian-grown tobacco was treated with organochlorines such as DDT and dieldrin, chemicals that have the ability to accumulate in the environment and the body. In 1981 the National Health and Medical Research Council expressed concern when the Australian Government Analytical Laboratories determined that Australian cigarettes contained 43 times more DDT and 30 times more dieldrin than samples of British or American cigarettes. Residues of DDT and dieldrin were still evident in soil and river sediments from the tobacco-producing Ovens and King region in Victoria in 1989, and may have been implicated in a higher rate of breast cancer detected between 1982 and 2002 in women living in the area.

Research has shown that at least one Australian tobacco manufacturer—Philip Morris—was aware as recently as 1994 that the leaf it was using still contained organochlorines from pesticides banned in the preceding decade. Australian cigarette manufacturers are not required to divulge the levels of pesticide residues present in their tobacco products. Now that all tobacco leaf in Australian cigarettes is acquired on the international market and much of this leaf is sourced from developing countries, where use of agrichemicals may be less regulated, the question of pesticide residues levels in Australian cigarettes remains open, despite the assurances of the tobacco manufacturers. There is evidence from internal industry documents that the tobacco industry internationally has fought hard to retain the rights to use certain pesticides and has sought to influence regulatory processes in some countries.

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1. See: [http://www.tobaccoleaf.org/default.asp](http://www.tobaccoleaf.org/default.asp). The International Tobacco Growers’ Association is also discussed in Section 10.17.5.
2. This may be somewhat disingenuous. For example, there is evidence that the tobacco companies may exert influence over farmers via the leaf dealers (See: Otanez MG, Muggli ME, Hurt RD, Glantz SA. Eliminating child labour in Malawi: a British American Tobacco corporate responsibility project to sidestep tobacco labour exploitation. Tobacco Control 2006;15(3):224–30).
3. Imperial Tobacco does not manufacture cigarettes in Australia, but does import here. British American Tobacco Australia manufactures tobacco products for Imperial Tobacco Australia under licence. However Imperial Tobacco Australia does import a range of tobacco products. See Section 10.4.3.
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10.14.3

Tobacco production and climate change

Climate change (or global warming) is caused by the increased concentration of certain gases trapped within the earth’s atmosphere. These gases, which include carbon dioxide, methane, nitrous oxide and manufactured substances such as chlorofluorocarbons, are heated by and retain warmth from the sun, leading to rises in average temperatures. These ‘greenhouse gases’ are present in greater quantities due to a range of human activities, including burning fossil fuels, clearing land, some aspects of farming (including using fertilisers), and some industrial processes.24

All phases of tobacco production have the potential to contribute to climate change, from farming to curing the leaf (which for some kinds of tobacco requires the use of heat generated by wood, oil, coal or gas), and the manufacturing process.

The tobacco industry generally acknowledges issues concerning climate change, presenting policy statements and evidence of benchmarking towards reducing greenhouse gas emissions. British American Tobacco25, Imperial Tobacco Group26 and Philip Morris International8 all dedicate pages on their international websites to their engagement with responsible environmental policies. All three tobacco companies are among the 3000-plus signatories to the Carbon Disclosure Project, responding to regular questionnaires stating their performance in reduction of greenhouse emissions and progress towards targets.

The tobacco industry did not always embrace global environmental concerns. In the early 1990s, lobby groups closely connected with Philip Morris contributed to the public debate about climate change by denouncing the scientific evidence upon which arguments for global warming were based—along with other scientific ‘controversies’ such as the health impacts of secondhand smoke and radioactive waste from nuclear power reactors.27, 28

10.14.4

Genetically modified tobacco leaf

Public anxiety about genetically modified (GM) crops has lead to ambivalent attitudes towards GM tobacco. According to Imperial Tobacco, ‘we do not seek to use genetically modified tobacco, as we do not believe that our consumers wish to purchase products that may contain genetically modified materials’.29 Other companies are investing substantially in GM research.

Over the decades the tobacco industry has put considerable effort into altering the qualities of tobacco leaf through genetic manipulation. From an agricultural viewpoint, GM technology has offered prospects for maximising crop disease resistance and output. Tobacco companies have also experimented with genetic engineering as a way of manipulating nicotine concentrate—both reducing it,30 with the aim of providing a potentially less hazardous product, and increasing it, with the apparent intention of boosting addictiveness.31, 32 The most notorious example of tobacco industry efforts to achieve the latter is the case of British American Tobacco’s ‘super-tobacco’, a genetically engineered plant variant that contained a much higher than usual amount of nicotine and was intended to make the company’s products more addictive.33

GM science is now being applied in the pursuit of less harmful forms of tobacco. Philip Morris (USA) has contributed $17.5 million to fund the mapping of the tobacco genome by the North Carolina State University,ii and has also funded research into genetically modified tobacco leaf that produces fewer carcinogens when smoked. RJ Reynolds, another US-based firm, has also successfully applied for field permits to test new tobacco strains.34 Vector Tobacco launched QUEST, a brand which used leaf genetically engineered with reduced nicotine.35, 36 The manufacture and sale of QUEST brand cigarettes was discontinued in 2009.37

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i The Carbon Disclosure Project is an independent, international, non-profit institution that encourages publicly listed corporations to measure, manage and reduce emissions. The Carbon Disclosure Project website is the largest repository of corporate greenhouse gas emissions data in the world. See: http://www.cdproject.net/

ii See: http://www.progg.org/tgi/index.html
References


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Ethical farming issues

The WHO Framework Convention on Tobacco Control (WHO FCTC) is the first treaty negotiated under the auspices of the World Health Organization. At its third session (Durban, South Africa, 17–22 November 2008), the Conference of the Parties to the WHO FCTC decided to establish a working group on economically sustainable alternatives to tobacco growing in relation to Articles 17 and 18. At the fourth session of the Conference of the Parties in Uruguay, the working group presented a report that included recommendations for policy options. These policy options include:

- promotion of opportunities for economically sustainable livelihoods and development of markets
- developing opportunities to counter seasonal trade in alternative crops
- reducing tobacco production and/or promotion
- assistance and cooperation in capacity building for economically sustainable alternative livelihoods
- establishing an international information exchange system.

The International Labour Organization addressed the fourth session of the Conference of the Parties as an observer and highlighted that viable economic alternatives needed to be developed for many tobacco-dependent communities where members’ livelihoods would be seriously affected as a consequence of the implementation of the WHO FCTC. The International Labour Organization called on the Conference of the Parties to adopt a holistic approach when considering employment alternative policies for those to be affected, and reiterated its willingness to continue collaborating with the WHO FCTC by sharing its experience and expertise in labour market-related issues.

A tobacco control advocate with direct experience observing tobacco farmers in Malawi has noted that, ‘tobacco industry activities to promote farmer welfare and sustainable agriculture do have some direct impact on farmers’ livelihoods, such as an increase in the number of children who attend school and improved access to clean water. But at what cost? The industry’s activities are really more about promoting an image of corporate responsibility to deflect public attention from tobacco-related child labour, deforestation, pesticide poisoning and soil depletion—in Malawi and other countries.’

Tobacco farming and child labour

According to the International Labour Organization, in many countries child labour is mainly an agricultural issue. Globally, 60% of all child labourers between the ages of five and 17 years work in agriculture, which includes tobacco farming. This means more than 129 million girls and boys are affected worldwide. The majority (67.5%) of child labourers are unpaid family members. In agriculture this percentage is even higher, and is combined with early entry into forced work, between five and seven years of age.

Child labour is common in many regions in which tobacco is grown, although the overall number of children involved is not known. Reports of the plight of child workers in tobacco plantations are available from commentators in Uganda, Zambia and Kenya and Malawi. These accounts describe the long hours and labour intensity of tobacco farming, and the economic necessity for children to work. Apart from denying children access to education, work in the tobacco fields may also be hazardous, exposing children to pesticides and other chemicals, and to toxicity due to nicotine in the leaf (‘green tobacco sickness’—see also Chapter 3, Section 20).

Poverty is a major impetus behind child labour, but not the only one: the International Labour Organization also identifies other important influences including social inequality, paucity of educational opportunities and options for decent adult employment, strongly agrarian economies, and traditional and cultural norms. Unscrupulous
employers may play a part, and external events such as natural disasters, epidemics (e.g. HIV/AIDS) and armed conflict also push children into the role of breadwinner.\(^9\)

In 2002 the International Tobacco Growers’ Association established the Eliminating Child Labour in Tobacco Foundation\(^i\) with a membership comprising workers’ unions, tobacco manufacturers and the International Tobacco Growers’ Association itself, with the aim of assessing the extent of child labour in tobacco growing, supporting projects to combat child labour, and sharing best practice.\(^10\) The International Labour Organization acts an advisor to the foundation. The Eliminating Child Labour in Tobacco Foundation's 2010 Annual Report details activities in several countries, including Malawi, Tanzania, Uganda, Zambia, and Kyrgyzstan.\(^11\) Unsurprisingly the tobacco industry states its abhorrence of child labour, and each of the companies that operates in Australia outlines its policies on its website.\(^12-14\) All three companies are also members of and provide financial support to the Eliminating Child Labour in Tobacco Foundation.

The effectiveness of these policies and programs remains a matter for debate. Research by the Center for Tobacco Control Research and Education into the background and \textit{modus operandi} of the Eliminating Child Labour in Tobacco Foundation provided evidence/made the case that the primary concern for the tobacco companies involved was to enhance their corporate image, without initiating any real change that might undermine the financial benefits presented by child labour.\(^15\) The authors of this study comment that the costs of banning child labour and introducing decent working conditions and remuneration for adult tobacco workers in Malawi would be around US$10 million a year, a sum easily affordable given the enormous revenues of the tobacco companies.\(^15\)

### 10.15.2  
**Tobacco farming and ‘fair trade’**

‘Fair trade’ describes commercial transactions in which farmers and labourers who produce a commodity are paid a fair price, allowing for decent wages, living conditions and community sustainability.\(^13\) Fair trade is most often associated with tea, coffee, cotton and cocoa grown in the developing world and sold to more wealthy countries.

As noted in Section 10.8.1, most tobacco is sourced from the developing world where farming conditions are often harsh. Acknowledging this, the concept of fair trade in tobacco has been launched with 1st-Nation cigarettes, a brand produced by a small company lead by and employing Mohawk Natives on the Akwesasne Reservation close to the border of New York and Ontario, using tobacco sourced from selected independent tobacco farmers in Malawi. At the time of writing, these cigarettes could only be purchased in the UK.\(^16\)

While the good intentions of the individuals involved are not in doubt, the concept of a ‘fair trade’ cigarette has raised eyebrows. If the touchstone of fair trade products is ethical trading practices, what are the implications if the product itself is inherently dangerous when used as the manufacturer intended?\(^17\) Ironically, the very people which 1st-Nation wishes to support—poor tobacco farmers in the developing world and First Nation peoples of North America—are especially affected by tobacco-caused death and disease.\(^18\) To date, 1st-Nation has not been accredited by any international fair trade organisation, since none of these organisations has endorsed standards that cover tobacco production.\(^16\)

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i  For further discussion about the International Tobacco Growers’ Association, refer to Section 10.17.5  
iii  See the international website for Fairtrade for further information: [http://www.fairtrade.net/about_fairtrade.html](http://www.fairtrade.net/about_fairtrade.html)  
iv  Like some other Indigenous peoples, First Nation people have a higher prevalence of smoking than the rest of their country’s population and hence bear greater health consequences (see Chapter 8, Section 3.4). The burden of death and disease due to smoking is shifting to the developing world, where prevalence of smoking has not declined and in some regions continues to increase (see Chapter 3, Section 36).
References


10.16

The environmental impact of tobacco use

Cigarette butts are common litter items. An estimated 60% of Australian smokers do not dispose of their butts appropriately when smoking outside. Tobacco packages consisting of cardboard, foil and plastic wrappers, and matches, match boxes and lighters also contribute to the volume of smoking related litter in Australia.

According to Keep Australia Beautiful’s National Litter Index for 2009–10, cigarette butts remain the most pervasive litter item nationally, and an average of 32 cigarette butts per 1,000m² were identified across all national sites during the year of 2009–10 (up from 30 cigarette butts in 2008–09, the same as 2007–08 and down from 35 butts in 2006–07 and 34 butts in 2005–06). Clean Up Australia’s annual Rubbish Report 2010 similarly reports that cigarette butts were the most commonly found rubbish item for the fifteenth year in a row. Cigarette butts, which make up 19.5% of total rubbish, were most commonly found on beaches and in parks.

The Butt Littering Trust³, a tobacco industry supported organisation discussed in detail in Section 10.16.1, has estimated that around seven billion cigarette butts are littered in Australia every year. This figure was calculated by assuming that of the 23 billion cigarettes that were consumed nationally in 2002, 50% were smoked outdoors, and about 59% of these were discarded as litter, making the estimated figure around 7 billion.

Discarded cigarette butts have serious effects for the environment. Cigarette filters are made of plastic and are not readily biodegradable, taking from two months to 12 years to break down. Chemicals in tobacco remnants in cigarette butts and toxic residue within the filters leach into soil and water, directly polluting these environments and having a measurable effect on wildlife. Cigarette litter is a point source for metal contamination in waterways and the rapid rate of leaching may increase the risk of acute harm to local organisms. Leachate from cigarette butts is acutely toxic to representative marine and freshwater fish species. Discarded cigarette butts may also present health risks to infants and animals due to indiscriminate ingestion. Severe toxic outcomes due to butt consumption are rare, but the ubiquity of cigarette butt waste and its potential for adverse health effects on human and animals warrants further investigation of possible policy interventions to reduce butt littering.

In addition, discarded cigarettes and matches are an important cause of fires in Australia. The littering of cigarette butts is illegal in every state and territory.

Some researchers and commentators have proposed novel solutions to reducing butt litter, including applying a clean-up levy on cigarette packs, developing biodegradable filters, putting a monetary deposit on filters (similar to bottle recycle programs), increasing the availability of butt litter receptacles, and banning the sale of filtered cigarettes altogether. Others have proposed passing the responsibility and cost for recycling or disposal of cigarette butts on to the manufacturers, as occurs in some US states for products such as batteries, carpet, cell phones, electronics, fluorescent lighting, mercury thermostats, and paint and pesticide containers. Implementing entirely smokefree outdoor areas, such as college campuses, could also reduce total butt litter and ground clean-up costs.

Various agencies around Australia have identified butt littering as an important environmental problem and are working to encourage other agencies and the public to address the issue. During 2007 the Commonwealth Department of the Environment, Water, Heritage and the Arts announced a ‘National day of action on cigarette butt litter’ to be promoted through local councils. The Victorian Litter Action Alliance has compiled a Litter Prevention Kit and encourages local municipalities to take action on butt litter. In 2007, Sustainability Victoria launched a campaign to reduce butt litter timed to coincide with the banning of smoking in licensed premises. Through its National Litter Index, Keep Australia Beautiful gives prominence to the butt littering problem.

The Tobacco Control supplement issue, The Environmental Burden of Cigarette Butts (May 2011, vol. 20), contains a collection of studies and commentaries on the cigarette butt littering issue. Many of these studies are cited in
10.16.1

The tobacco industry’s response to tobacco litter

Examination of internal tobacco documents has revealed that tobacco companies perceive cigarette butt waste as a vulnerability that tobacco control advocates might exploit. While the industry recognises it needs to be seen as addressing the problem, it cannot promote any messages that potentially criticise smokers or smoking itself. Industry techniques to reduce cigarette litter, such as anti-litter campaigns and giving away portable personal ashtrays and installing outdoor ashtrays, do not appear to have any positive, measurable effect on butt littering behaviour. The tobacco industry has failed to mitigate the impact of cigarette litter. Public health and community leaders should continue to focus on smoking cessation to reduce overall butt litter and consider more innovative solutions as outlined in Section 10.16.1.

The issue of tobacco-related litter has registered on the corporate responsibility agenda of the tobacco companies operating in Australia, but all distance themselves to some degree from the problem, making it clear that appropriate disposal of waste resulting from their products is not fundamentally their responsibility. Imperial Tobacco's Corporate Responsibility Review 2007, declares that, 'Consumers have a responsibility to properly dispose of their litter, whether this is cigarette butts, chewing gum, drinks’ cans, fast food containers or any other items. We believe the best approach to tackling cigarette litter is for key stakeholders, such as the tobacco industry, government, environmental bodies, business and local communities, to work together to educate and to encourage this.' On its international website, British American Tobacco likewise observes that ‘people cause litter’, but adds that it continues to research improved biodegradability of its products. Philip Morris engages less directly still, but does note on its international corporate website that out of concern for 'the reduction of waste and of the environmental impact of our packaging' , it has reduced the weight of its cigarette packaging in Australia.

In Australia, each of the tobacco companies has directly participated in anti-litter campaigns. In 2003, British American Tobacco Australia developed the Butt Littering Trust, and British American Tobacco Australia remains its sole source of funding. The stated intention of the Butt Littering Trust is ‘to be Australia’s recognised leading organisation on butt littering reduction and provider of Butt-Free Solutions to reduce cigarette butt littering’. Over the 60-plus programs it has funded, chiefly in partnership with local government authorities and the ‘Keep Australia Beautiful’ organisation, the Butt Littering Trust claims to have reduced butt litter by about 26%. Imperial Tobacco Australia and Philip Morris Australia have also jointly sponsored other butt littering reduction programs with ‘Keep Australia Beautiful’ in some states. Typically, support is in the form of providing funding and publicity materials including butt bins, posters, stickers and personal ashtrays. The activities of the Butt Littering Trust have come under some scrutiny. Observers have pondered how an organisation that is entirely funded by a tobacco company can claim to be independent. Other factors leading to cynicism about the activities of the Butt Littering Trust and British American Tobacco Australia’s motivation for funding it concern the trust’s concentration of effort on community education about butt disposal, rather than taking a broader view about reducing tobacco use itself. Added to this, there is evidence that the trust has acted to further tobacco industry interests by lobbying against the ban of smoking in outdoor eating areas attached to cafés in at least one local government area. Funding anti-litter campaigns such as the Butt Littering Trust gives the tobacco industry the opportunity to gain some positive publicity, while keeping strict control of the messages smokers receive, and making useful local government connections along the way.

The Butt Littering Trust’s programs do not appear to have been effective. The New South Wales Department of Environment and Conservation commented in 2006 that ‘Cigarette manufacturers have largely limited their product stewardship activities to funding community education. They appear to consider that such funding fulfils their product stewardship obligations. However, the activities and projects funded have not translated into widespread reduction of cigarette butt litter. The impact of current activities funded by cigarette manufacturers has not delivered a reduction in butt littering’ (p21).
In addition to butt littering, the packaging of tobacco products is a source of waste and litter in Australia. All three of the Australian tobacco manufacturers belong to the Australian Packaging Covenant, a voluntary initiative by government and industry, with the aim of reducing the environmental effects of packaging on the environment. As part of the Australian Packaging Covenant reporting requirements, all three companies submitted action plans by 31 March 2011. This voluntary program could be strengthened through legislation that provides financial incentives and penalties to increase appropriate disposal and recycling of packaging, such as container deposit schemes, as has been endorsed for beverage containers.
References


Tobacco industry lobbying: overview

While in the market place the tobacco companies are fiercely competitive, when it comes to protecting their collective patch—preserving corporate viability—they have demonstrated strategic and financial collaboration at the highest level. In Australia and internationally, the tobacco industry has developed a comprehensive, multi-faceted, multi-level approach to defending its interests. This has included creating ways to undermine the credibility of the medico-scientific community and public health interests, developing networks of influence throughout the business community and the political world, permeating community interest groups and charities, and mobilising smokers, retailers, hoteliers, trade organisations and others whose interests overlap with those of the tobacco industry.

The capacity of the tobacco industry to interfere with tobacco control legislation has been identified as a major barrier to the introduction of health measures. In the WHO Framework Convention on Tobacco Control (WHO FCTC), Article 5.3 (which outlines the general obligations of members) states that, ‘In setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law’.

At its third session in November 2008, the Conference of the Parties adopted guidelines for implementation of Article 5.3. Eight key areas are outlined for recommended action:

1. Raise awareness about the addictive and harmful nature of tobacco products and about tobacco industry interference with Parties’ tobacco control policies.
2. Establish measures to limit interactions with the tobacco industry and ensure the transparency of those interactions that occur.
3. Reject partnerships and non-binding or non-enforceable agreements with the tobacco industry.
4. Avoid conflicts of interest for government officials and employees.
5. Require that information provided by the tobacco industry be transparent and accurate.
6. Denormalise and, to the extent possible, regulate activities described as “socially responsible” by the tobacco industry, including but not limited to activities described as “corporate social responsibility”.
7. Do not give preferential treatment to the tobacco industry.
8. Treat State-owned tobacco industry in the same way as any other tobacco industry.

Analyses of tobacco industry interference tactics, based on many years of observation and research, have been published, such as those by Sweda and Daynard, Saloojee and Dagli, Trochim et al and the National Cancer Institute (US). The 2009 WHO report, Tobacco Industry Interference in Tobacco Control, summarises these various tactics; see Table 10.17.1.

The following sections discuss some of the ways in which the industry has worked towards its goals. The subject has been extensively explored in the medical and public health literature and references cited in the following pages provide the interested reader with a wealth of further information. Several commentators have concluded that systematic and rigorous monitoring of these activities is an essential first step in countering industry interference in tobacco control.

Freedom of choice arguments

The term ‘nanny state’ applied to either health groups or governments is a favourite cliché used by tobacco industry and its allies to oppose further regulation. ‘Labelling arguments as “nanny statist” is a form of ad hominem attack that aims not to expose the limitations of a position, but to discredit the individual advancing that argument.’

The preferred counter frame of opponents of the ‘nanny state’ is ‘freedom of choice’. In August 2011, an entire Australian political party was launched on the premise of ‘freedom of choice’: The Tobacco and Alcohol Party of...
Australia. This party ‘objects to nanny state politics’ and was formed to act as a ‘voice for choice’ for consumers. No statistics are publicly available on the number of members recruited or any financial support that has been received from donors, but the official Facebook page for the party only had 31 members as of 16 August 2011.

Proponents of government intervention to protect and support health recognise that individual choices do not happen in a vacuum but are heavily influenced by the environment in which they are made. Regulation of the environment can assist individuals to be freer to make their own choices.12 The state can help to create an environment that empowers people to make their own choices. This is particularly true in the case of tobacco, where the industry acts aggressively, through persuasive marketing and product development, to recruit new consumers and keep existing ones.13

The tobacco industry and its supporters seek to portray themselves, not as profit seekers, but as defenders of fundamental freedoms. They use ‘freedom of choice’ arguments to enlist the support of civil libertarians, media interests and the business community against any regulation of smoking and tobacco promotion.14 Freedom of choice arguments shift the blame and full responsibility for complex public health issues on to the shoulders of individuals in order to negate the role that the industry plays in fostering unhealthy behaviours. Table 10.17.2 outlines the common arguments used by ‘freedom of choice’ advocates.

### Table 10.17.1
Tobacco industry interference in tobacco control summary of tactics

<table>
<thead>
<tr>
<th>Tactic</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intelligence gathering</td>
<td>To monitor opponents and social trends in order to anticipate future challenges</td>
</tr>
<tr>
<td>Public relations</td>
<td>To mould public opinion, using the media to promote positions favourable to the industry</td>
</tr>
<tr>
<td>Political funding</td>
<td>To use campaign contributions to win votes and legislative favours from politicians</td>
</tr>
<tr>
<td>Lobbying</td>
<td>To make deals and influence political processes</td>
</tr>
<tr>
<td>Consultancy programme</td>
<td>To recruit supposedly independent experts critical of tobacco control measures</td>
</tr>
<tr>
<td>Funding research—including universities</td>
<td>To create doubt about existing evidence of the health effects of tobacco use</td>
</tr>
<tr>
<td>Smokers’ rights groups</td>
<td>To create an impression of spontaneous, grass roots public support</td>
</tr>
<tr>
<td>Creating alliances and front groups</td>
<td>To mobilise farmers, retailers, advertising agencies, the hospitality industry, ‘grass roots’ and anti-tax groups with a view to influencing legislation</td>
</tr>
<tr>
<td>Intimidation</td>
<td>To use legal and economic power as a means of harassing and frightening opponents who support tobacco control</td>
</tr>
<tr>
<td>Philanthropy</td>
<td>To buy friends and social respectability from arts, sports and cultural groups</td>
</tr>
<tr>
<td>Corporate social responsibility</td>
<td>To promote voluntary measures as an effective way to address tobacco control and create illusion of being a ‘changed’ company and to establish partnerships with health interests</td>
</tr>
<tr>
<td>Youth smoking prevention and retailer education programs</td>
<td>To appear as being onside with efforts to prevent children from smoking and to frame smoking as an adult choice</td>
</tr>
<tr>
<td>Litigation</td>
<td>To challenge laws and intimidate tobacco industry opponents</td>
</tr>
<tr>
<td>Smuggling</td>
<td>To undermine tobacco excise tax policies and marketing and trade restrictions and thereby increase profits</td>
</tr>
<tr>
<td>International treaties and other international instruments</td>
<td>To use trade agreements to force entry into closed markets and to challenge the legality of proposed tobacco control legislation</td>
</tr>
<tr>
<td>Joint manufacturing and licensing agreements and voluntary policy agreements with governments</td>
<td>To form joint ventures with state monopolies and subsequently pressure governments to privatise monopolies</td>
</tr>
<tr>
<td>Pre-emption</td>
<td>To overrule local or state level of government by taking away its power to act</td>
</tr>
</tbody>
</table>

Source: World Health Organization, 2009

### Table 10.17.2
Freedom of choice arguments and the tobacco control counter arguments12, 14, 15

<table>
<thead>
<tr>
<th>Freedom of choice arguments</th>
<th>Tobacco control response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smoking is an adult choice</td>
<td>Most people start smoking when they are children</td>
</tr>
<tr>
<td>Quitting smoking is easy, people will quit if they no longer wish to smoke</td>
<td>Smoking is addictive and most smokers regret ever starting and face difficulties when quitting</td>
</tr>
<tr>
<td>Tobacco is a legal product</td>
<td>If the risks were known when tobacco was first introduced on the market it would not have been legal to sell it</td>
</tr>
<tr>
<td>People are well aware of the health and risks of addiction and choose to smoke anyway</td>
<td>Most smokers underestimate the health risks and become addicted as children; the tobacco industry actively hid the truth about the health risks from the public</td>
</tr>
<tr>
<td>To preserve individual liberty, both smokers and non-smokers should be accommodated in public places; banning smoking is unnecessary</td>
<td>Secondhand smoke is harmful to non-smokers and the two most vulnerable groups—children and employees—have no choice about whether or not they are exposed</td>
</tr>
<tr>
<td>Education on the harms is the best option and then people can choose for themselves whether or not to smoke</td>
<td>Education alone has very little impact on smoking rates and unless accompanied by regulation could lead to greater disparity, concentrating smoking further in the most disadvantaged populations</td>
</tr>
</tbody>
</table>
**10.17.2 Economic importance of the industry**

Another common argument perpetuated by the tobacco industry and its allies is that the tobacco business is a vital contributor to the health of economy. Warner has outlined the common economic myths circulated by the industry and has also provided a counter summary of the economic realities. See Table 10.17.3 for a summary of the tobacco industry economic myths.

One of the most important economic considerations in tobacco control is that, 'tobacco inflicts a greater harm among disadvantaged groups.' Smoking is both a contributor to and a consequence of poverty and disadvantage. Policies and interventions focusing on smoking prevention and cessation among the poor are an important component of national and international tobacco control. The imbalance between the tobacco industry’s economic strength and the typically low political power of public health authorities in low and middle countries emphasises that focusing on the most disadvantaged must be a global effort.

**Table 10.17.3 Tobacco economic myths versus reality\textsuperscript{16}**

<table>
<thead>
<tr>
<th>Tobacco industry economic myth</th>
<th>Economic reality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without the cultivation of tobacco, manufacture of tobacco products and distribution and sale of products, a country’s economy will suffer devastating economic consequences. Jobs will be lost, incomes will fall, tax revenues will plummet and trade surpluses will veer dangerously in the direction of deficits. Specific tobacco control policies will cause severe economic hardship in specific non-tobacco industries—especially smoking bans in hospitality.</td>
<td>The myth in the tobacco industry’s economic importance argument is that a significant economic presence necessarily implies significant economic \textit{dependence}. Implicit in the industry’s argument is the notion that a decline in tobacco economic activity will entail a comparable decline in the economy. However, when resources are no longer devoted to a given economic activity, they do not simply disappear into thin air; rather they are redirected to other economic functions. Empirical analyses have found this to be patently false and smoking bans may in fact be bring economic benefits to the hospitality sector.</td>
</tr>
<tr>
<td>A large tax increase is undesirable because it will reduce government revenues by decreasing legal cigarette sales. This will result from decreased smoking and increased smuggling of lower priced cigarettes from neighbouring countries.</td>
<td>While smokers are price sensitive, they are not sensitive to the degree suggested by this argument. For all politically feasible tax increases, revenue increases would be expected in nearly every country in the world, at least for some period of years. Smuggling claims are greatly exaggerated by the industry. In any event, smuggling can be successfully combated through better and more complete record keeping, the use of prominent tax stamps, increased penalties for violation of the law, vigorous enforcement of the law, and the banning of in-transit trade.</td>
</tr>
<tr>
<td>Even if a tax increase would raise government revenues and decrease smoking, it is fundamentally unfair because its burden would fall disproportionately on the poor.</td>
<td>A given tobacco tax typically will be distributed regressive. A tax increase, however, may not be regressive. This can result because the poor are typically considerably more responsive to price changes than are the affluent. Legislators can reduce concerns about inequity by dedicating some portion of the revenues from the increased tax to assist low income smokers to quit.</td>
</tr>
</tbody>
</table>

- A small number of countries, including most notably Malawi, are so dependent on tobacco that any substantial declines in their tobacco industries would represent a genuine shock to their economies; see Section 10.15 on ethical farming for more information.
Chapter 10: The tobacco industry in Australian society

Section: 10.17.2

Date of last update: 26 March 2012

References


10.18

Tobacco industry lobbying: the tools

10.18.1

Tobacco industry-sponsored consultants

The tobacco industry has long seen the advantage in financing and helping promote publicity for outspoken, media-savvy scientists who are prepared to challenge accepted views on smoking and health or various aspects of tobacco control, while appearing to be independent. Cooperation between the tobacco companies on a global scale has ensured that competent tobacco industry spokespeople have been shared. In Australia, it has been documented that at least nine visiting industry-sponsored scientists gained substantial publicity between 1969 and 1979, promoting a range of industry-friendly views debunking the health evidence about smoking. Over the years the views of these individuals were widely reported, often uncritically, by the news media. It is probable, given the timing and content of some of these publicity initiatives, that tobacco industry consultants adversely influenced the course of tobacco control initiatives in those early days.

In the late 1970s and into the 1980s, the Australian tobacco industry cultivated a home-grown dissenter, Sydney general practitioner Dr William Whitby, who self-published two books (Smoking Is Good for You and The Smoking Scare De-Bunked). Although there is evidence that the industry recognised that Dr Whitby’s particular brand of pro-smoking fanaticism might pose a liability, it provided the means for his views to be widely disseminated and Whitby’s works were retained in the armoury of international tobacco circles well into the 1990s.

The tobacco industry adopted similar techniques in efforts to subvert the accumulating medical evidence on secondhand smoke, as well as deflecting attempts to introduce bans on tobacco advertising and other forms of regulation of tobacco products in Australia and internationally. For example, Philip Morris and other international companies collaborated to promote the views of scientists holding views on secondhand smoke counter to those of mainstream health authorities throughout Asia, Europe and the US during the 1980s and 1990s. During the 1980s British American Tobacco ‘ghost-wrote’ reports for JJ Boddewyn, which were published by the International Advertising Association, designed to counter bans on tobacco advertising. The Boddewyn reports on advertising were widely circulated internationally (including in Australia) and formed the basis of industry campaigns to oppose advertising bans.

Contemporary examples of high-profile tobacco industry-funded consultants include Patrick Basham and John Luik of the Democracy Institute. Basham directs the Washington and London-based Democracy Institute and is a Cato Institute adjunct scholar. Basham and Luik have published reports and newspaper editorial critiques of plain packaging legislation. In June 2011, Luik and Basham made a submission to Australia’s public consultation on plain packaging, primarily arguing that there is little evidence the legislation will reduce smoking and that it is a violation of intellectual property laws. Basham was funded by Philip Morris in August 2011 to visit New Zealand in order to discourage the government from following Australia’s lead in developing plain packaging legislation.

10.18.2

Tobacco industry-affiliated research foundations

On several occasions up until the mid-1990s the industry established pseudo-scientific research foundations designed to give credibility to the notion that there remains controversy about the medical evidence on smoking on health. Funding research organisations has also allowed the tobacco industry to:

- reap a public relations advantage from financing (apparently) independent research on smoking
- demonstrate its disagreement that smoking causes disease while appearing committed to finding ‘solutions’

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i http://www.democracyinstitute.org/Home.htm
ii http://www.cato.org/ The Cato Institute has a history of accepting funds from tobacco industry donors including Altria and RJ Reynolds.

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support research likely to produce outcomes advantageous to industry objectives, (including 'inconclusive' research showing that yet more research is needed)
■ suppress negative research
■ provide an excuse for ongoing delays in regulation or legislation
■ locate and foster credible public spokespeople with the appearance of independence
■ offer smokers reassurance
■ keep in the public eye 'distraction' or 'diversionary' research (which, for example, places emphasis on air pollution or sick buildings) to deflect attention from tobacco.

Generally research foundations of this nature were given official sounding names that betrayed no connection between the organisation and its financial backers. The organisations funded in-house research, and acted as funding agencies that provided grants to other groups, with or without obvious tobacco connections.

The first industry research group, established in the US in 1954, was the Tobacco Industry Research Council (later the Council for Tobacco Research), which promoted the industry's ends for more than 40 years until its closure under the terms of the Master Settlement Agreement in 1998.\(^{16}\) As an antidote to concerns regarding secondhand smoke, the industry established the Center for Indoor Air Research to fund projects that would support industry resistance to smokefree regulations.\(^{5}\)

The Master Settlement Agreement-mandated closure of multi-company cooperative research and lobbying organisations has lead to the sprouting of a new crop of organisations post-settlement, including the Institute for Science and Health (funded by British American Tobacco and Brown & Williamson), the Philip Morris-connected Life Sciences Research Office,\(^{18}\) and the Philip Morris External Research Program. A critical analysis of the first round of projects funded by the Philip Morris External Research Program shows that foci of the program's interest were projects that would deliver findings likely to support Philip Morris' corporate aims. An added bonus was using the program as a vehicle for identifying cooperative scientists, as well as gaining credibility and goodwill.\(^{16}\).

Other groups have been established to divert attention and trivialise smoking in ways appealing to the popular media. In the early 1990s the Advancement of Sound Science Coalition, funded by Philip Morris, purported to be a grassroots coalition of people fed up with health scares and 'junk science'.\(^{19}\) Associates for Research into the Science of Enjoyment (ARISE) claimed to be an affiliation of independent scientists but was actually substantially funded by several tobacco companies. ARISE's brief was to show how 'everyday pleasures, such as eating chocolate, smoking, drinking tea, coffee and alcohol, contribute to the quality of life'.\(^{20}\)

Internal tobacco industry document research continues to expose global examples of tobacco industry funding of research institutes to refute secondhand smoke concerns,\(^{21, 22}\) question the evidence and legality of tobacco control reforms, and build alliances.\(^{23}\)

### 10.18.3 Australian-based organisations

The Australian Tobacco Research Foundation (ATRF) opened for business in 1970, the joint creation of the three major tobacco companies operating at the time (WD & HO Wills, Rothmans and Philip Morris), which shared its funding and oversaw its governance. Although criticised from the start for its overt mission of forestalling tobacco regulation and widespread cynicism that it would contribute to robust, impartial research, the ATRF fulfilled a useful PR function for the following two decades, chiefly by providing evidence that the Australian tobacco companies supported independent medical research.\(^{15}\) The ATRF entered terminal decline in 1988, when, in response to building criticism from health interests about the shared interests of and blurred organisational boundaries between the ATRF and the tobacco companies, the entire scientific advisory committee of the ATRF wrote to the Medical Journal of Australia declaring its unanimous agreement that smoking caused disease.\(^{24}\)

Negative publicity, compounded by increasing rejection of tobacco research money by the medico-scientific community, lead to the scaling down and eventual closure of the ATRF in 1994.\(^{15}\)

Meanwhile the industry was engaged against secondhand smoke through the offices of another seemingly independent organisation. In 1987 the Tobacco Institute of Australia facilitated the establishment of a local offshoot
of the US-based Air Conditioning and Ventilation Associates Atlantic, which came to be known as Healthy Buildings International. Its brief was to promote the tobacco industry view that the evidence about secondhand smoke was inconclusive; that secondhand smoke is a minor issue in the context of overall indoor air quality; and concerns about smoking indoors could be adequately met with appropriate ventilation and by providing smoking areas. Healthy Buildings International gained a high public profile, achieving extensive media coverage and a wide professional audience for its views, while always asserting its status as an independent organisation. During the 1990s Healthy Buildings International gained membership on an advisory committee charged with revising Australian Standards for indoor air, a position which allowed it to influence the committee’s recommendations, as well as keep Philip Morris abreast of developments, until Healthy Buildings International was exposed and its position on the committee terminated in 2002.

In 2002, the Institute of Public Affairs admitted to receiving tobacco industry funding. In 2010, during interviews following the Federal Government’s plain packaging legislation announcement, Tim Wilson (an Institute of Public Affairs employee) refused to clarify if the Institute of Public Affairs currently received tobacco industry funding, simply stating that ‘any funding has no impact on the policy positions we take whatsoever’. The official Institute of Public Affairs response to the funding question was that, ‘the IPA does not disclose its membership list. However, members are welcome to disclose their membership of the IPA’. When ABC Media Watch approached the three Australian tobacco companies, Imperial Tobacco responded stating it did not currently nor had it in the past provided funding to the Institute of Public Affairs. British American Tobacco Australia responding by stating that, ‘any such arrangements are commercial in confidence’ and Philip Morris International gave a similar reply: ‘we do not disclose the details of these relationships’.

10.18.4 Tobacco industry-funded research in academic institutions

As discussed in Section 10.18.2 above, the industry has used its own funding bodies, their connection with the industry often obscured, as a conduit for distributing money into mainstream universities and other research institutes.

Over the years, acceptance of tobacco industry funding has been widespread in Australia and globally, generating rafts of studies with findings beneficial to the tobacco industry. In turn, this research has permeated the peer-reviewed medical press. For example, in 2005 Philip Morris provided the funding for an Israeli study into the determinants of uptake of smoking in young women, which examined the influences of genetics, environment and psychological characteristics. Critics pointed out that the study neglected to include the possible impact of tobacco advertising. The successful infiltration by the tobacco industry of reporting of published research in Germany has been credited with serving the industry’s interests of increasing the social acceptability of smoking and undermining tobacco control initiatives in that country. Prominent researchers at Weill Cornell Medical College caused controversy in 2008 when it became public that they had earlier accepted grants channelled through a tobacco-funded organisation called the Foundation for Lung Cancer: Early Detection, Prevention and Treatment, and that findings from this research had been published in mainstream medical press without disclosure of tobacco funding.

As well as providing funding to individual scientists or departments, in some cases tobacco companies have established entire programs within universities. For example, Philip Morris has funded the Center for Nicotine and Smoking Cessation Research within Duke University’s Nicotine Research Project (in Richmond, Virginia). In 2002, in an audacious move that might be funny were it not so cynical, the University of Nottingham accepted funding from British American Tobacco to establish the International Centre for Corporate Social Responsibility, invoking, according to one observer, ‘the ethics of the cash register’ (see Section 10.11 for more discussion on the tobacco industry and corporate social responsibility).

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i Sick building syndrome is discussed further in Chapter 3, Section 25.

ii However Healthy Buildings International remains a commercial entity and on its website it continues to downplay the contribution of secondhand smoke to indoor pollution. See: http://www.hbi.com.au/smokepol.html

iii See: http://www.nottingham.ac.uk/business/ICCSR/about/FoundationofTheICCSR.html
To accept or refuse tobacco funding clearly raises important ethical questions. Arguments against accepting tobacco grants include that:

- it is unethical that profits earned by the companies’ manufacturing and marketing tobacco, the cause of many of the conditions against which medical and health workers are fighting, should be used for medical research
- even in an environment of limited funding for research, scientists must ask whether the value of their research outweighs its utility in furthering the corporate interests of the tobacco industry
- it lends credibility to industry claims that there is insufficient evidence to conclude that smoking (or secondhand smoke) is a cause of disease, and bolsters the industry ‘furphy’ that ‘more research is needed’
- it improves the corporate image of the industry to be seen to be involved in apparently altruistic activities and associated with respected scientists and institutions, and can provide leverage in wider policy-setting scenarios
- those in receipt of tobacco money may feel constrained about what they say publicly about health and smoking; tobacco funding may therefore silence a potentially influential and articulate opponent
- accepting money from a source with so clear a vested interest may lead to a biased research program, biased results and biased reporting
- even the requirement for researchers to divulge the sources of their funding may not expose underlying tobacco finance, which is often well concealed
- reliance on funds of tobacco origin leads to ‘institutional addiction’, in which organisations dependent on tobacco money become unwilling to bite the hand that feeds them.

On the other hand, those who argue in favour of accepting research funding from tobacco companies contend that:

- what is at issue is the quality of the work, not the origins of the funding
- appropriate firewalls and safeguards will ensure the research is conducted without bias
- any benefits the tobacco industry might gain in corporate image are minor compared to the potential public health benefits that may accrue from the research
- the peer review process ensures validity
- requirements for disclosure alerts the reader to any conflict of interest and makes the findings even more subject to scrutiny
- funding research is a useful purpose for industry profits.

In June 2004, Cancer Research UK and Universities UK agreed to a protocol that contains guidelines for institutions considering accepting tobacco funding. Cancer Research UK is the leading provider of research funding into cancer in the UK, and has a strict policy of avoiding any direct or indirect links with the tobacco industry. Cancer Research UK has stated that it will not fund research in a university where there is the possibility that there could be any association with work funded by a tobacco company. The cancer charity also states that it considers it has a duty to publicly criticise a university that accepts tobacco donations. For its part, Universities UK has stated that while it is up to individual universities to decide which funding they should accept, they should normally reveal the source of funds for research and should satisfy themselves that their reputation for impartiality, integrity and disinterested inquiry will not be compromised by any particular source of funds’ (p6). In the US, several schools of public health and of medicine (including Harvard University, Emory University, the University of California and Johns Hopkins University) have policies prohibiting acceptance of tobacco funding. In Australia, there is no over-arching agreement between universities but many have adopted policies governing or prohibiting the acceptance of tobacco money.

Given the scarcity of research dollars, a group of researchers, Cohen et al, have proposed assessment criteria and models that could be used to potentially illuminate the criticisms and problems associated with accepting tobacco industry funding for research. They propose the following eight criteria to evaluate four funding models:

1. Transparency and independence
2. Competitive funding process
3. Ownership of data and freedom to publish

Further information regarding the policies of Australian universities are in the article supplement; see: http://jech.bmj.com/cgi/data/58/5/361/DC1/3
The four models assessed were: 1) a dedicated tobacco tax or manufacturer license fee (legislation), 2) legally mandated contributions from tobacco companies (court ordered), 3) voluntary tobacco company contributions administered through an independent third party, and 4) voluntary tobacco company contributions direct to academic institutions. In their evaluation of the four funding models they conclude that there is no perfect model that scores well in every area. Overall, the most feasible models (3 and 4) were the ones deemed least acceptable to the public health and tobacco control communities.

10.18.5

Establishment of international manufacturers’ and growers’ organisations

For many years the tobacco industry has recognised that it needs to present a unified front against the tobacco control coalitions. In the late 1970s, at the instigation of Imperial Tobacco in the UK and Philip Morris International, a coalition of tobacco company executives from major companies operating in the UK, the US and Europe was formed with the shared purpose of defending the tobacco industry against attack and championing the ‘social acceptability’ of smoking. To this end, the manufacturers agreed to cooperate in perpetuating the ‘controversy’ over smoking and health and to maintain that there was no proven causal link between smoking and lung cancer. This industry group, which operated under conditions of utmost secrecy, was to become known as the International Committee on Smoking Issues and, in 1981, INFOTAB. Its brief soon extended beyond orchestrating the international smoking and health controversy. INFOTAB acted as a ‘hub’ for the industry’s national manufacturing organisations, tobacco companies and leaf dealers, facilitating the exchange of information and expertise. Up until it ceased operation in 1990–1991, INFOTAB provided its membership (including the Australian national manufacturing organisation: the Tobacco Institute of Australia) with:

- up-to-date information databases
- media monitoring
- relevant publications and reports
- pro-industry scientific findings
- resources and programs ready to implement
- reports on tobacco control activities
- responses to public health activities
- litigation updates.

In 1992, a new organisation—the Tobacco Documentation Centre (now operating under the name International Tobacco Documentation Centre)—was established and continues to fulfil some of the former roles of INFOTAB, chiefly information sharing. A second organisation, Agro-Tobacco Services, was set up in the same year to coordinate and support the International Tobacco Growers’ Association (discussed below). Agro-Tobacco Services was subsequently replaced by a UK-based public relations firm called Hallmark Marketing Services.

The International Tobacco Growers’ Association was founded in 1984, ‘with the objective of presenting the cause of millions of tobacco farmers to the world’. Among its activities, the International Tobacco Growers’ Association facilitates contact among its members, shares non-competitive information, represents its membership to national...
and international policy-makers, and defends tobacco farmers against national and international anti-tobacco growing campaigns.

Despite its claims of independence from the manufacturing industry, internal industry documents show that the International Tobacco Growers’ Association has been used very much as a lobbying front for the international tobacco companies, representing its combined interests and ‘managing’ tobacco issues in representations to the World Health Organization, the Food and Agriculture Organisation and other bodies.46-47

The International Tobacco Growers’ Association’s website stoutly defends tobacco farmers against environmentalists’ claims that tobacco farming has caused deforestation (see Section 10.14.1). The association also discusses its connection with the Eliminating Child Labour in Tobacco Foundation and its commitment to combating child labour (see Section 10.15.1).

10.18.6

Australian manufacturers’ organisations

10.18.6.1

Tobacco Institute of Australia

The now inactive Tobacco Institute of Australia (TIA) was the main locus for tobacco industry lobbying in Australia from its inception in 1978 until the late 1990s.44 Established as a national manufacturers’ association in response to growing negative publicity about smoking, the TIA was jointly funded by the tobacco companies operating in Australia at the time with a charter to ‘promote understanding of the tobacco industry in Australia’.48 The TIA did this chiefly by representing its member companies to the public, the government and other authorities and through negotiating policy issues on behalf of its constituency. In effect, the TIA’s major roles were to lobby against tobacco control measures, to present a united public face of the Australian tobacco industry wherever needed, and to sow seeds of doubt and denial about the health effects of smoking and other matters of ‘controversy’. Through its alliance with INFOTAB and other national manufacturers’ organisations (particularly the US Tobacco Institute),44 the TIA and its membership were also kept abreast of tobacco issues worldwide.

In her analysis of the workings of the TIA, Carter has divided the TIA’s 20 years of activity into four distinct chapters.44 In its first six years, the TIA’s work was primarily involved with networking and promoting tobacco industry views on smoking and health, advertising and children, secondhand smoke, and the tobacco industry’s financial importance. Its second phase, from 1983 until 1989, was marked by aggressive advocacy, mostly under the stewardship of chief executive officer John Dollisson. The TIA’s court case (and eventual bruising loss) against the Australian Federation of Consumer Organisations brought this chapter to a close, after which the TIA entered five difficult years of transient leadership, fractured support and apparent demoralisation. In the TIA’s final phase, from 1994 to 1997, it was staffed by lawyers and its approach to public affairs became more disciplined and pro-active.

In its heyday, the TIA ran high-profile media campaigns to promote its views, the main focus being secondhand smoke. In 1985 the TIA lodged a four page ‘advertorial’ spread in the Australian Women’s Weekly. The advertisement purported to represent the facts about passive smoking and in layout it appeared to be a feature article typical of the weekly. The TIA’s association with the advertorial appeared in small print at the end of the piece, ‘inserted in the interests of fair and open discussion by the Tobacco Institute of Australia Ltd’. The information on passive smoking provided in the advertisement was at odds with mainstream medical and scientific findings reported at the time. In response to complaints, the TIA’s advertisement was deemed by the Advertising Standards Council to be misleading in presentation (in that it was inadequately identified as paid advertising material) but no ruling was made on its content, this being outside the Advertising Standards Council’s remit.

For a detailed account of the activities of the TIA over its 20-year lifespan, refer to Carter.44

To read, view and hear a collation of public statements made by tobacco industry executives and officers from the TIA dismissing the impact of smoking on health, visit http://tobacco.health.usyd.edu.au/site/supersite/resources/docs/gallery_leaders.htm and http://tobacco.health.usyd.edu.au/site/supersite/resources/docs/diary_of_denial.htm
Two half-page newspaper advertisements were devised and lodged by the TIA in July of the following year, again defending the industry against claims regarding secondhand smoke. The advertisements appeared in 14 newspapers across Australia. The advertisements selectively quoted a number of sources, including the World Health Organization and the American Cancer Society, giving the impression that these bodies did not support the view that passive smoking is harmful to health. Among other things, one of the advertisements declared that ‘there is little evidence and nothing which proves scientifically that cigarette smoke causes disease in non-smokers’.

Again, in response to complaints made to the Advertising Standards Council and the Trade Practices Commission, the TIA was reprimanded. The issue was subsequently taken up by the Australian Federation of Consumer Organisations, which brought a case against the TIA in the Federal Court, on the grounds that the newspaper advertising was misleading or deceptive and therefore in contravention of Section 52 of the Trade Practices Act 1974. In a groundbreaking decision handed down by Justice Morling, the Australian Federation of Consumer Organisations won the case, and the TIA lost an appeal it subsequently brought against the decision. AFCO v TIA resulted in a landmark decision of international significance, in which a link between passive smoking and disease among non-smokers was accepted by a court of law. And in an outcome which could hardly have been worse for the TIA, the Morling decision gave legal impetus to the surge towards smokefree workplaces.

10.18.6.2 Tobacco Information Centre

The Sydney-based Tobacco Information Centre was established in December 1996 by Rothmans of Pall Mall (Australia), WD & HO Wills (Australia) and Philip Morris (Australia), ‘as a library of tobacco and smoking-related information’.

According to its publicly stated brief, the Tobacco Information Centre’s function was to ‘provide current, timely and high-quality tobacco-related information to Australia’s three tobacco companies’, as well as to government bodies, politicians, industry and trade organisations, special interest groups and members of the public. The Tobacco Information Centre categorically denied that it had any role in undertaking political lobbying, public affairs work or media liaison on behalf of its funding members.

The Tobacco Information Centre published a tobacco industry fact newsletter; another newsletter (Peace Pipe), which reported on ‘current smoking issues’; and a number of fact sheets. The Tobacco Information Centre no longer appears to be active.

10.18.7 Smokers’ rights groups

Smokers’ rights groups provide a further conduit for tobacco industry lobbying by claiming to represent the views of the smoker. They are intended to mobilise smokers, offering them reassurance and providing a vehicle by which they can voice opposition to tobacco control measures. Primarily arising in response to moves to restrict smoking in public places, smokers’ rights groups also address issues such as tobacco taxes. Smokers’ rights groups typically portray their membership as the beset-upon smoker, indulging in a legal behaviour, being unreasonably harassed by over-zealous ‘anti’s’.

Early Australian examples of smokers’ rights groups include the Smokers’ Rights League in the late 1970s, and FOREST (Freedom Organisation for the Right to Enjoy Smoking Tobacco), which was established in Victoria during the mid-1980s in response to concerns about secondhand smoke. Smokers were told that ‘by supporting FOREST you can support the interests of all smokers in Australia. You can have your say with State and Federal Governments, transport operators, advertisers, newspapers, radio and television and, through FOREST, you can let them all know you are tired of being pushed around…’ Fair Go began in New South Wales in the late-1980s with the brief of countering bans on smoking in New South Wales trains, before moving on to a broader canvas of smokers’ concerns. The Tobacco Smokers Freedom Movement emerged in Western Australia in 1993, offering cigarettes at discount prices and stating its intention to lobby on behalf of smokers’ rights.

The extent of the relationship between the tobacco industry and these Australian groups was never clarified, but overseas experience…

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1 For a full account of this court case as well as transcripts of the judgement, see Everingham and Woodward (ref).
demonstrates that the tobacco industry was directly involved in the establishment of and ongoing practical support for smokers’ rights organisations.\textsuperscript{53}

Internationally, smokers’ rights groups are deemed to have offered little in the way of lasting assistance to the tobacco industry, never capturing the membership or even the interest of smokers on a significant scale. Only a small number of groups appear to remain active, none of these in Australia.\textsuperscript{53} However, FOREST in the UK is a vocal opponent of all tobacco control legislation and is presently active with an up-to-date and modern website.\textsuperscript{1}

\section{10.18.8 Tobacco retailers as a lobby base}

Tobacco retailers constitute an obvious and readymade lobbying base for the industry to use to promote the industry view. First, they have an obvious interest in protecting their income stream against potential threat. Second, in their frontline position selling tobacco, they are able to provide information and promote industry views within the community. Third, their business profile gives the tobacco industry access to all levels of government.

From the earliest days of the smoking and health ‘controversy’, tobacco traders have been armed with the means to pacify nervous smokers. An investigation of trade journals (the Australian Retail Tobacconist and its state-specific predecessors) dating back to 1950 shows that these magazines included articles providing industry guidance on how retailers could reassure their customers. Retailers were also advised how to keep their products attractive to the ‘youthful novice’ smoker and young women smokers.\textsuperscript{53} The authors of this research contend that today’s tobacco trade journals may continue to perform the role of promoting industry views and providing counter arguments to tobacco control measures.\textsuperscript{54}

Prior to bans on advertising at point of sale, it was usual for tobacco companies to provide retailers with display cabinets, advertising material, support merchandise, and functional fittings such as outdoor awnings, hours of opening signs, and so forth. With increased restrictions on advertising in the media, the function of ‘point of sale’ advertising at retail outlets became ever more critical. The tobacco companies competed for dominance on the shop floor and in display units by offering financial and other incentives to retailers to give prominence to their brands.\textsuperscript{53} The central importance of the retail outlet as a conduit for communication with customers in the wake advertising bans is discussed in Chapter 11, Section 11.9\textsuperscript{c}

Tobacco retailers have been rallied to support the industry against the encroachment of tobacco control regulation in regard to tobacco advertising, smoking restrictions and tax increases on tobacco products.\textsuperscript{55} In 2008, Philip Morris canvassed retailers in New South Wales to solicit their support in opposing bans on tobacco displays at point of sale. As well as providing information (in several languages) about why retailers should feel concerned about further restrictions, Philip Morris urged retailers to express their views to relevant state politicians and offered further information and assistance if needed.\textsuperscript{56}

In 2010 the Alliance of Australian Retailers was formed to fight the Federal Government’s plans to introduce plain packaging of tobacco products.\textsuperscript{1} During the Federal election campaign in August 2010, it was revealed that the Alliance of Australian Retailers was launching a counter mass media campaign with the goal of stopping the plain pack legislation.\textsuperscript{57} Ads featuring portrayals of concerned retailers saying that plain packaging wouldn’t work and would damage their business appeared in newspapers, on television and radio.\textsuperscript{9} The campaign was funded by the major three tobacco companies. Days after the launch of the campaign major retailers withdrew their support. The Australian Association of Convenience Stores withdrew its support after being forced to do so by national grocery retailer Coles. Coles, which chairs the board of the Australian Association of Convenience Stores, forced the board to withdraw the retail group and its members, including Caltex, Shell and BP, from the campaign, after being misled on the nature of the ads.\textsuperscript{50} Woolworths revoked its membership of the Australian Association of Convenience Stores over the campaign and demanded that its $15,000 in annual fees be returned.\textsuperscript{52}

\begin{itemize}
  \item See: http://www.forestonline.org/
  \item See website: https://www.australianretailers.com.au/
  \item The television commercials can be viewed here: http://www.youtube.com/user/analogcreative
\end{itemize}
On 10 September 2010, ABC Lateline revealed, through leaked internal documents, emails and contracts, the full extent of tobacco industry influence on the Alliance of Australian Retailers campaign.\textsuperscript{60} On the day the alliance was formed it received funds from Imperial Tobacco Australia: $1 million, British American Tobacco Australia: $2.2 million and Philip Morris Limited: $2.1 million. It was further revealed that in May, before the formation of the alliance, Philip Morris’s Australian corporate affairs manager Chris Argent was seeking advice from the lobbying and public relations firm, the Civic Group. Philip Morris was seeking advice and assistance for a campaign to stop plain packaging laws during the federal election.

10.18.9 Marshalling opposition to smoking bans in entertainment and social venues

The tobacco industry has vigorously opposed restrictions on smoking because it limits opportunities to smoke, so reducing consumption, and further denormalises smoking behaviour, so discouraging uptake and influencing smokers to quit.\textsuperscript{51-64} The introduction of smoking restrictions in most Australian workplaces during the 1980s and 1990s was a major blow for the tobacco industry. In recent years, attention has moved to thwarting smoking restrictions in entertainment venues such as bars, restaurants, nightclubs and other licensed venues, and gambling environments. The tobacco industry has made strong allies of the hospitality industry in Australia\textsuperscript{65, 66} and internationally\textsuperscript{67, 68} chiefly through fostering fear that smoking bans will adversely affect their profitability if not their survival (an industry argument that is not supported by the evidence\textsuperscript{68}).

During the 1990s a former chief executive officer of the Tobacco Institute of Australia became the national executive director of the Australian Hotels Association, and since that time the Australian Hotels Association has actively supported the tobacco industry in opposing smoking restrictions and bans and challenging the scientific evidence on secondhand smoke.\textsuperscript{69} Key points made by the Australian Hotels Association include arguments claiming that smoking bans:

- cause the mass closure of licensed premises leading to economic downturn and job losses
- do not reduce prevalence of smoking
- lead to increased smoking at home around children and the risk of house fires
- contribute to increased domestic violence
- cause community nuisances including more cigarette butt litter, neighbourhood noise and footpath congestion
- increase the risk of drink spiking (if people leave their drink unattended to go outside to smoke)
- make more work for door security staff (managing traffic in and out of the venue)
- will reduce government revenues as well as increase problem gambling
- trample on civil liberties
- offer no health benefit.

In preparation for strict smoking restrictions introduced in Victoria in 2007, all three tobacco companies operating in Australia struck financial deals with several individual Melbourne hoteliers to assist with development of open air facilities where smoking could be permitted, in exchange for the exclusive right to sell their own brands.\textsuperscript{69}
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Tobacco industry lobbying: the targets

Major scientific reviews

The findings published in authoritative scientific reviews about smoking and health, the publicity they generate and the impetus they give to governments to introduce tobacco control policies inflict huge damage to the tobacco industry. Consequently the industry engages vigorously with scientific process using many of the tools described in the preceding sections, such as countering mainstream science with its own research and employing third parties to argue on its behalf. One of the earliest examples of the industry interfering with the content of an essential scientific review is when it successfully influenced the definition of addiction that led to the classification of tobacco as an ‘habituation’ in the 1964 US Surgeon General’s Advisory Committee report. Tobacco was later clearly defined as addictive in the 1988 US Surgeon General’s report.1

In the 1990s, the industry directly engaged in several attempts to disrupt the scientific review process. For example, in Australia, the industry mounted a concerted effort to undermine and derail the National Health and Medical Research Council’s review on passive smoking, which was finally published in 1997.2 The Tobacco Institute of Australia launched legal challenges regarding the procedure of the review, attempted to discredit individuals on the council’s working party, and commissioned several consultants to make submissions to the working party expressing pro-industry views. The industry also primed allies to speak to the media in its support. The Tobacco Institute of Australia had a fair measure of success, in that publication of the recommendations of the final report was prevented on purely procedural grounds. (There was no problem with the science or the recommendations themselves. Nonetheless this provided enough ammunition for the industry to dismiss the report and its findings widely in the media.)2

In the US, the tobacco industry launched a similar offensive against California’s Environmental Protection Agency, which issued a report on environmental tobacco smoke in 1997.4 The industry exerted pressure on the Environmental Protection Agency and related instrumentalities, attacked procedural issues and directly lobbied politicians. The industry also courted the news media in an effort to promote its views; Philip Morris went so far as to provide financial support for the National Journalism Centre (a school of journalism).5 As in Australia, the tobacco industry was successful in delaying the process and eventual release of the report, and took every opportunity along the way to gain positive publicity by discrediting the report and the procedures followed in its development.5 The International Agency for Research on Cancer was also targeted by Philip Morris with strategies intended to undermine its work on secondhand smoke by disputing the research, influencing media coverage and countering government attempts to introduce smoking restrictions.6

The industry also tried to prevent agencies outside of the health sector from publishing damaging tobacco control reports. In 1999 the World Bank published a landmark report on the economics of tobacco control, Curbing the Epidemic: Governments and the Economics of Tobacco Control,7 which concluded that tobacco control brings unprecedented health benefits without harming economies. This threatened the tobacco companies’ ability to use economic arguments to dissuade governments from enacting tobacco control policies and supporting the WHO Framework Convention on Tobacco Control (WHO FCTC), the first international treaty to be negotiated under the auspices of the World Health Organization. The industry hired public relations firms, had academics critique the Curbing the Epidemic report, hired consultants to produce estimates of the importance of tobacco to the economy, and worked through front groups, particularly the International Tobacco Growers’ Association, to question the report’s findings. These efforts were a near total failure, and the report remains an authoritative economic analysis of global tobacco control.8
Countering tobacco control legislation

Exerting effective influence on government decision making in Australia, and elsewhere, is an ongoing concern for the tobacco industry. Once legislation is in place, it is difficult to overturn. If shown to be effective in one part of the world, tobacco control legislation is often replicated in other jurisdictions. It is a general rule of thumb in tobacco control advocacy that the more effective a particular initiative is going to be, the more aggressively the industry will oppose it—often referred to as the ‘industry scream test’. Regulation that gains industry support is not likely to be any serious threat to the industry.

The history of industry opposition and lobbying in regard to legislation initiatives in Australia has been well documented. The earliest battlefields related to the introduction of restrictions on advertising and later, health warnings on tobacco packages. Regulatory initiatives to introduce restrictions on smoking and increase tobacco taxation have also provoked vigorous response. This strategic opposition continues, as evidenced by the well-funded tobacco industry campaign against plain packaging reforms.

Since the 1990s, in light of the industry’s corporate social responsibility agenda, the tobacco companies, to varying degrees, espouse appropriate regulation of their products. For example, the Philip Morris International website states, ‘to be effective, tobacco regulatory policy must be evidence-based. Regulations must be applied to all tobacco products and all tobacco manufacturers, and should take into account the views of all legitimate stakeholders including public health authorities, government finance authorities, tobacco manufacturers and other members of the legitimate tobacco supply chain, tobacco farmers, and consumers.’

The adoption of the WHO FCTC Article 5.3 guidelines is designed to help governments protect tobacco legislation from tobacco industry interference. Implementation of the 5.3 guidelines at a national level is already proving a challenge for key international philanthropic organisations that fund tobacco control and other health projects due to organisation executive ties to the tobacco industry.

Table 10.17.1 in Section 10.17 lists the industry tactics used most often to counter tobacco control regulation. Subsections 10.19.2.1–10.19.2.2 describe brief case studies as examples of how the industry has lobbied against regulation.

Case study: pre-emptive self-regulation

Arguing for self-regulation is a tried and true industry tactic. It provides the industry with a means of avoiding strong and effective governmental regulation by taking the initiative to introduce its own voluntary code of conduct. The industry reaps the dual benefits of appearing responsive to government and public concerns, while simultaneously ensuring that any such voluntary code is harmless to industry interests. In contrast, legislation carries penalties for non-compliance, is difficult to rescind, and closes the door on further negotiation.

Philip Morris introduced its own system of placing ineffective health warnings on its packaging for use in countries (particularly the developing world) where regulation was weak or not in place. Internal documents show that Philip Morris deliberately gave the appearance of responding to public health concerns (while doing so very much on its own terms) and simultaneously earned positive publicity for its responsible stance.

Until superseded by state and federal legislation, tobacco advertising in Australia was in large part subject to a series of voluntary agreements struck between the tobacco companies and the federal government. The elasticity of the voluntary agreements and the many and varied ways in which they were flouted by the tobacco companies have been well documented. (See Chapter 11 for further discussion.)
10.19.2.2
Case study: undermining the Framework Convention on Tobacco Control

The WHO FCTC initiated in 1999 by the WHO and signed by 174 countries (as of August 2011), represents an orchestrated threat to the industry on a global scale. It is therefore not surprising that the industry attempted to thwart the development and subsequent ratification of the FCTC.27

Between 1999 and 2001, British American Tobacco, Philip Morris and Japan Tobacco International worked together on ‘Project Cerberus’, an initiative intended to devise an alternative voluntary code for advertising and other industry conduct, which it hoped governments could be persuaded to accept instead of signing up to the WHO FCTC.28

Companies also conducted their own offensives against the WHO FCTC. For example, Philip Morris employed a public policy and issues management firm (Mongoven, Biscoe and Duchin) in 1997 to advise on the process for formulating and ratifying the WHO FCTC and how this might be subverted. Carter’s analysis of industry documents shows that Mongoven, Biscoe and Duchin gained high level access to the process within the WHO. Among its recommendations, Mongoven, Biscoe and Duchin advised Philip Morris to delay the process; to attempt to steer the convention towards a focus on children (thereby leaving the rest of the market open for ‘adult choice’); and to seek allies among non-government organisations. It was deemed especially important to influence the content of the convention, and to engage with individual member states with a view to nurturing wider regional support.27

The tobacco industry was unsuccessful in its attempts to prevent WHO FCTC ratification and subsequently attempted to influence WHO FCTC guidelines and to block local and national implementation of the WHO FCTC.29 There is strong evidence that the industry engaged in lobbying on a regional basis, attempting to influence governments to comply with the least stringent options stipulated in the WHO FCTC.30-33

10.19.3
Subverting public health initiatives and tobacco control organisations

It is not surprising that the tobacco industry should keep a watching brief on the activities of public health organisations that promote views inimical to their own. Cooperative efforts within the industry to keep abreast of developments in tobacco control go back at least as far as the World Conference on Smoking and Health in the late 1970s.34

One of the most detailed accounts of how the tobacco industry has responded to tobacco control initiatives is contained in the 260 page report published by the WHO in 2000.35 This report examined internal tobacco industry documents that were made public as a result of the Master Settlement Agreement of 1998 with a view to determining how the industry had sought to counter the objectives of the WHO. The documents revealed that multiple strategies had been used, including:

- establishing connections with WHO employees, consultants and advisors, and infiltrating the organisation with its own consultants in order to influence policy issues
- attempting to shift financial priority away from tobacco control activities
- engaging with other UN agencies (such as the Food and Agriculture Organization and the World Bank) to undermine WHO policy
- using ‘independent’ individuals and organisations to discredit the WHO’s policies and officers
- using apparently unrelated organisations to lobby on its behalf against WHO policies
- discrediting or distorting WHO research
- monitoring, at times secretly, WHO meetings and other activities.
Chapter 10: The tobacco industry in Australian society

The industry was especially keen to place a wedge between developing and developed countries by characterising the WHO as an organisation with ‘first world’ priorities, unfairly endangering the economic opportunities provided by tobacco industry in developing countries. The report concludes:

‘At the most fundamental level, this inquiry confirms that tobacco use is unlike other threats to global health. Infectious diseases do not employ multinational public relations firms. There are no front groups to promote the spread of cholera. Mosquitoes have no lobbyists. The evidence presented here suggests that tobacco is a case unto itself, and that reversing its burden on global health will be not only about understanding addiction and curing disease, but, just as importantly, about overcoming a determined and powerful industry.’ (p 244)

In the US during the 1990s, the tobacco industry countered major National Cancer Institute initiatives promoting community-based tobacco cessation projects. The program, American Stop Smoking Intervention Study (ASSIST), was the largest and most comprehensive tobacco control program launched in the US, and was strongly oriented to interventions and activities at a local level. The tobacco industry response was thorough. The industry monitored the projects; attempted to infiltrate them, obstructing them in some communities; and seeded negative media stories. A network of allies to assist in lobbying was organised. The industry attempted to have pre-emptive legislation introduced to protect tobacco advertising. The industry also attacked the basis of the project as a misuse of taxpayers’ money to unfairly target the tobacco industry and launched a number of law suits, which disrupted and delayed program implementation.

As well as targeting interventions, the industry paid attention to the organisations that worked against its interests. Evidence from internal tobacco industry documents in the US shows that tobacco companies attempted to infiltrate at least two organisations. STAT (Stop Teenage Addiction to Tobacco) and INFACT (the Infant Formula Action Coalition) were active and effective during the 1990s and pursued agendas antithetical to industry interests. In their efforts to gain intelligence on the activities of these groups, the tobacco industry used intermediaries to access materials on their behalf and to attend conferences, planted public relations consultants as spies to attend and report on meetings, and illegally tape recorded meetings. The industry has also made it its business to publicly discredit key individuals working in tobacco control.

The evidence of tobacco industry infiltration of health interests in Australia is sparse but it is probable that it has been attempted. According to a former CEO of the Tobacco Institute of Australia (as stated during court testimony in 2005), in the early 1990s the Tobacco Institute of Australia engaged a private investigations agency to arrange for rubbish bins belonging to certain health organisations, such as the NSW Cancer Council and the National Heart Foundation, to be searched in an effort to discover the health lobby’s forward planning and funding details.

Philip Morris USA took a different tack in 1995, undermining public health initiatives by appearing to offer them its support. As part of ‘Project Sunrise’, Philip Morris identified and then actively sought dialogue with public health advocates that it deemed to be ‘moderate’ in view and likely to be persuaded to see advantages in forming cooperative policies on tobacco control (such as concentrating on harm reduction strategies rather than on policies that would impact more negatively on industry profitability and survival). The benefits of any alliances would be multiple: they would buy Philip Morris social credibility; they could act as a conduit for Philip Morris’s views in arena in which Philip Morris would normally be excluded; and they might help ensure that any programs supported or regulation developed was acceptable to Philip Morris. But above all, Philip Morris could argue that people who did not wish to associate with them were ‘prohibitionists’ or ‘extremists’, establishing useful schisms between tobacco control advocates and diluting their effectiveness.
References


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Section: 10.19.3

Date of last update: 26 March 2012


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Intervention in political and judicial processes

In Australia it is a legal requirement that donations made by individuals or entities to registered political parties to the value of or greater than $10,000 are declared to the Australian Electoral Commission. The Australian Electoral Commission posts on its website donor annual returns dating back to the financial year 1998–99. Tables 10.20.1 and 10.20.2 show the total amounts of tobacco money received by the three major political parties in Australia since then.

In February 2004, the then leader of the Australian Labor Party (ALP) opposition, Mr Mark Latham, announced that the ALP would no longer accept donations from tobacco companies. The Liberal Party of Australia and the Australian National Party have continued to receive donations from Philip Morris Australia and British American Tobacco Australia on an ongoing basis, and have publicly stated that they see no reason to stop doing so. Neither the Australian Democrats nor the Australian Greens take tobacco company donations as a matter of policy.

Soon after Mr Latham’s announcement in 2004, a Private Members’ Bill was proposed by ALP MP Mr Duncan Kerr and seconded by Liberal Party MP Dr Mal Washer. If passed, the Commonwealth Electoral Amendment (Preventing Smoking Related Deaths) Bill (2004–05) would prevent political parties and individual candidates from accepting donations from tobacco companies. The Bill was first read in the House of Representatives on 16 February 2004 but was left to flounder quietly the following year in the absence of support from the then Liberal–National Coalition government.

Table 10.20.1
Donations to Australian political parties by Philip Morris Limited, 1998–99 to 2009–10

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Source: Australian Electoral Commission, Donor annual return search

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i Previously the limit was $1,500 – see discussion later in this section.


Prior to the ALP’s refusal of donations from tobacco companies, all three major political parties received significant contributions from Philip Morris Australia and British American Tobacco Australia. Imperial Tobacco Australia does not appear to have made political donations. In general, substantially larger amounts of funding have been directed by both tobacco companies towards the conservative parties (the Liberal and National parties) even prior to the ALP ban, which is likely to reflect preference by the tobacco companies for conservative politics, as well as the fact that the Liberal–National Coalition was in power for the entire period shown in the tables.

As of 2009–10, Australian political parties have received in total around $1.87 million in donations from British American Tobacco Australia, and $1.74 million from Philip Morris Australia since 1989–99. Since the ALP’s rejection of tobacco donations in 2004, the Liberals and the Nationals have jointly received an average of $280 000 annually from the tobacco industry—see Figures 10.20.1 and 10.20.2.

In December 2005, under the Coalition federal government led by Mr John Howard, rules concerning the minimum value of donations requiring disclosure were changed and the reportable limit increased from $1,500 to $10 000. According to The Age newspaper, this has simultaneously lead to an increase in political donations from all sources as well as opacity in tracing their origins. For example, investigations by The Age showed that although the donor annual return filed by the Liberal Party for the financial year 2005–06 detailed income directly received by the party from tobacco companies, it could not be ascertained from the return that some of the Liberal Party’s closely allied fundraising organisations such as The 500 Club and the Bayside Forum were also in receipt of tobacco money. Although these donations were declared by the tobacco companies in their own annual returns to the Australian Electoral Commission, the current system of reporting does not guarantee clear, one-stop disclosure of funding sources.

As the time of writing (August 2011) an inquiry into the funding of political parties and election campaigns is underway. The Joint Standing Committee on Electoral Matters is to enquire into and report by 30 September 2011 on options to improve the system for the funding of political parties and election campaigns. Interested persons and organisations were invited to make submissions addressing the terms of reference by Friday 24 June 2011.

Table 10.20.2
Donations to Australian political parties by British American Tobacco Australia Limited, 1998–99 to 2009–10

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<td>2009–10</td>
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<td>314 015</td>
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Source: Australian Electoral Commission, Donor annual return search

1 This amount is indexed with effect from 1 July each year based on increases in the consumer price index. The current disclosure threshold amount from 1 July 2011 to 30 June 2012 is more than $11 900.
The report was tabled on the 9 December 2011. Although some Australian public health organisations were ‘calling for an end to any direct or indirect tobacco company donations, whether from local or foreign companies, and for measures to improve transparency and accountability’ the committee recommended against banning donations by any particular industry. It did recommend a lower threshold for the amount at which disclosure was required, and more frequent reporting.

Figure 10.20.1
Donations to Australian political parties by Philip Morris Limited, 1998–99 to 2009–10
Source: Australian Electoral Commission, Donor annual return search

Figure 10.20.2
Donations to Australian political parties by British American Tobacco Australia Limited, 1998–99 to 2009–10
Source: Australian Electoral Commission, Donor annual return search
References

Public attitudes to the tobacco industry

There is no doubt that the tobacco companies in Australia and in many other parts of the world have suffered devastating blows to their public image in recent decades. In the wake of litigation cases during the 1990s, which revealed duplicitous industry conspiracies to mislead and reassure smokers about the effects of tobacco use, encourage children to start smoking and undermine public health policy, the companies have embarked upon a multi-faceted public relations offensive designed to persuade the general public they have turned over a new corporate leaf.

Several studies have examined Australian attitudes to tobacco companies. One of the earliest was undertaken in Western Australia in 1988, a time when the tobacco companies were still publicly denying that smoking caused disease, were challenging the mounting evidence on secondhand smoke, and contending with an increased demand for tobacco control measures from a growing number of Australian health concerns. This research found that on the basis of public credibility, 75% of respondents felt that tobacco industry representatives were ‘not at all believable’, rating them lower than used car salesmen (69%).

Industry attempts to resuscitate its image appear not to have been of much influence. South Australian research in the late 1990s found that 80% of respondents (and 74% of smokers) thought that tobacco companies mostly did not, or never, told the truth about smoking and health; and Victorian research undertaken in 2004 reported similar findings. International research studying opinions in Canada, the US, the UK and Australia shows that overall, 80% of smokers do not believe that tobacco companies can be trusted to tell the truth. Distrusting the tobacco industry is associated with an increased likelihood of cessation behaviours among smokers, and negative attitudes to the industry have been harnessed by tobacco control advocates as a way of encouraging quitting.

Other research has investigated just how far people believe that the tobacco industry may reasonably be regulated. A survey of Australian smokers in 2004 showed that 69% of respondents felt that tobacco products should be more tightly regulated, and 49% agreed that tobacco companies should take responsibility for the harms caused by tobacco. Interestingly, 77% of smokers surveyed also believed the government does not really care about reducing the prevalence of smoking because of the revenue it receives from tobacco taxes. The authors of this study conclude that ‘stronger government action to control tobacco products and the tobacco industry is likely to be supported by the majority of Australian smokers and that failure of governments to act is associated with cynicism about in whose interests governments operate’ (p169).

An extension of tobacco industry disapproval is the acceptability of smoking itself. When Australians are surveyed on their attitudes and perceptions of tobacco use when compared to other illicit and legal drugs, interesting insights are revealed. In the 2010 National Drug Strategy Household Survey, approval of regular adult use of tobacco was only 15.3%. Of the people surveyed aged over 14 years, the drug (correctly) perceived to be associated with the most number of deaths was tobacco, with 36.0% nominating it over all other illicit and legal drugs. However, fewer than half of these people (15.8%) named tobacco as the drug most concerning to community. The proportion of people who first thought of tobacco when asked to name a drug associated with a drug problem was only 2.2%. These figures suggest that—despite the fact that so few people approve of its use—there is still room to improve the knowledge that the general public has about the relative harms associated with tobacco use.

‘Denormalisation’ of tobacco use and the tobacco industry

The changing public attitudes to the tobacco industry are a marker of the growing ‘denormalisation’ of tobacco use. Denormalisation refers to the transition in status of smoking from a widely practised and socially acceptable behaviour to one which is increasingly typified as destructive, dirty and anti-social. Denormalisation does not only apply to smoking. It has increasingly applied to the tobacco industry, which (as shown in the preceding section) has not enjoyed a particularly positive public profile in recent years. Public recognition that the industry has for many decades lied to smokers and the wider community about the health effects of tobacco use has been heightened by
high profile legal cases and the public release of previously confidential industry documents. The industry has been cast as the villain in popular culture (such as John Grisham’s novel The Runaway Jury and movies The Insider and Thank You for Smoking). The industry’s adoption of corporate social responsibility programs has been a major public relations campaign to regain corporate credibility (see Section 10.11).

Chapman and Freeman detail many markers of denormalisation of smoking in Australia that demonstrate just how marginalised smoking—and its champion, the tobacco industry—has become. These include prevailing attitudes in the community, as evidenced through an array of media reports, environmental and health campaigns and advertising for items such as insurance, accommodation and cessation aids.

Increasing limits on where smoking may occur means that smokers are for the most part defined as a group whose unwelcome behaviour entails segregation. Provision of smoking accessories such as cigarette lighters and ashtrays in cars is no longer standard in cars of Australian manufacture and some imported European vehicles; once-elegant tobacco packets are now disfigured by graphic health warnings.

In that denormalisation of smoking contributes to continued downward pressure on smoking rates by encouraging quitting and discouraging uptake of smoking, it can be seen as a marker of progress. However it is important to consider whether the denormalisation of smoking might lead to the marginalisation of those people who continue to smoke. There is a risk that as smoking becomes more concentrated among populations that are already disadvantaged (such as lower socio-economic status groups and the mentally ill), these individuals may have less motivation to quit or to access programs that might assist them. Stigmatisation of smokers could also lead to discrimination (for example in the workplace) and ‘victim blaming’ if smokers are regarded as responsible for their own illness.

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There is good evidence that it reduces overall consumption of tobacco products—see Alamar B and Glantz S. 2006.

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The future of the tobacco industry

In Australia and other developed country, mature markets

Australia is regarded in tobacco industry parlance as a ‘mature’ market, meaning that consumption is in decline. The best the tobacco companies can hope for is to gain a larger slice of a shrinking market, to sell more of their most profitable brands, and that reductions in the volume of cigarettes smoked and the numbers of people smoking will be gradual. Euromonitor, an international organisation that compiles business intelligence and industry data, predicts that ‘due to tighter legislation and the ongoing health and wellness trend in the country, smoking prevalence is expected to further decrease...with volume sales...continuing to decline.’ Nonetheless, this does not mean that the industry will not continue to be profitable in Australia in the short term. The industry can be expected to continue defending its interests as evidenced by its lobbying efforts against plain packaging reforms.

In January 2011, Citigroup issued a report that suggested that smoking could virtually disappear in developed countries by the year 2050. While acknowledging that in the short term tobacco will continue to be a highly profitable industry, Citigroup reasoned that in the ‘very long view, it’s hard to ignore 50 years of data. Smoking rates appear to be falling in a series of straight lines. If this continues, and it has for 50 years, then it means that the percentage declines in volumes will gradually accelerate. This seems to have been what is happening.’ As a consequence of its findings, Citigroup downgraded its investment rating on tobacco stocks. Euromonitor summarises Citibank’s reasons for adopting a less positive view of the industry’s prospects as being primarily due to an inability to raise prices, the advent of plain packaging, and that smoking rates will keep falling. The net result is that eventually cigarette price rises will no longer be able to sustain profit growth.

Euromonitor’s long-term volume forecast (to 2014) does not indicate a fall in total global cigarette consumption, provided China is included. However, despite the advent of Chinese Marlboro, it admits it is difficult ‘to envisage any of the international companies enjoying a major share of the Chinese market, even by 2040.’

In the same forecasting report, Citibank upgraded the investment status of Swedish Match—the smokeless tobacco (snus) company—because of pricing strength and volume growth. This is consistent with the smokeless tobacco product test marketing that the tobacco industry has undertaken in the US. These products appear to be targeting consumers and smokers in smokefree environments in order to expand the tobacco market and undermine smoking cessation. Given the current Australian sales ban on smokeless tobacco products, this is very unlikely to have a similar effect in Australia.

All the companies acknowledge the reality that their markets are likely to become yet more tightly controlled. Regulatory constraints that have been debated in the tobacco control arena include prescriptive controls on emissions and ingredients, deletion of brand names and imagery and the introduction of generic packaging, government controlled non-profit tobacco distribution and sale and even discussion of the ban on the commercial sale of products. But Philip Morris International, for one, is sanguine about the regulatory environment it confronts. Philip Morris International notes that, ‘These matters constitute largely un-chartered territory for regulators’, therefore raising the prospect that the company can influence the process (or, as the company puts it, offering ‘a good opportunity for PMI to provide expertise and comprehensive solutions as a result of our transparent and supportive approach to reasonable regulation’).

Litigation remains a real concern for the tobacco industry, in the US and elsewhere. While acknowledging that the litigation environment may be unpredictable, the companies state on their respective websites that they will vigorously contest any cases brought against them and that they have every confidence that they will prevail. Litigation against the tobacco industry is discussed in detail in Chapter 16.

In Australia and other developed countries, smoking will continue to become concentrated among the most disadvantaged sectors of the community and the industry will doubtless seek new ways to keep tobacco products as affordable as possible. In the US, the industry has reached its more ‘downscale’ customers by making donations to
key groups supporting the homeless and the mentally ill, thereby giving them access to an important market, while permitting the industry a nod in the direction of corporate responsibility. In Australia, very low-cost, discount brands have been imported to appeal to this price sensitive market.

10.22.2

Low and middle income country markets

The global outlook for the tobacco industry is far from pessimistic. According to the World Health Organization: "Tobacco use continues to be the leading global cause of preventable death. It kills nearly 6 million people and causes hundreds of billions of dollars of economic damage worldwide each year. Most of these deaths occur in low- and middle-income countries, and this disparity is expected to widen further over the next several decades. If current trends continue, by 2030 tobacco will kill more than 8 million people worldwide each year, with 80% of these premature deaths among people living in low- and middle-income countries."

The comparative lack of tobacco regulation in many countries and government willingness to embrace tobacco growing and manufacturing in return for substantial financial inducements makes these markets ripe for industry exploitation and there is every sign that this is occurring. Investment by the international tobacco companies in foreign markets is typically associated with increased per capita consumption, particularly in low and middle income countries. Coupled with this is that in many countries smoking prevalence among young teenage girls is catching up with that of boys, use of cigarettes and other tobacco products is widespread among children, and many children are contemplating taking up smoking. Added to this, in countries where few women smoke, the female market is being aggressively targeted and the prevalence of female smoking is rising. And as British American Tobacco Australia points out, even if smaller percentages of populations will smoke ... the number of adults in the world over the age of 20 is forecast to grow by 11% by 2015.

The 2011 World Health Organization report on the global tobacco epidemic shows that while progress has been made in advancing global tobacco, a minority of the population is still not protected by key policy reforms. See Figure 10.22.1.

Figure 10.22.1

Share of the world covered by selected tobacco control policies, 2010

Note: The tobacco control policies depicted here correspond to the highest level of achievement at the national level.

Source: WHO 2011
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