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RCPI Recommendations for Budget 2016

Recommendations from the RCPI Policy Group on Alcohol

1. Adopt the Public Health (Alcohol) Bill 2015 introducing a Minimum Unit Price for alcohol and other important measures that can save lives and reduce alcohol health harm.

2. Increase excise duty at least in line with inflation.

3. Fund research, prevention and treatment programmes around alcohol.

Recommendations from the RCPI Policy Group on Obesity

1. Introduce a 20 per cent tax on sugar-sweetened drinks, including juices and sports drinks.

2. Fund research and resource effective evidence-based programmes and interventions for the prevention, treatment and management of obesity.

3. Introduce subsidies for healthy food options and resource healthy food interventions including the expansion of school breakfast clubs and school fruit schemes.

Recommendations from the RCPI Policy Group on Tobacco

1. Apply a minimum of a 60 cents increase on a packet of 20 cigarettes and a proportionate increase on related products on an annual basis.

2. Add a 5 cents ‘environmental levy’ on tobacco packs.

3. Remove/reduce VAT on nicotine replacement patches.

4. Introduce price cap regulation on tobacco industry profits.

General Public Health Recommendation from the RCPI

1. Protect public health in the context of the Transatlantic Trade and Investment Partnership and all other trade agreements.
Introduction

This document outlines budgetary recommendations to reduce the costly health harms associated with excessive alcohol consumption, overweight/obesity and smoking. Each of these health risk factors result in multiple health harms and incur high costs to the State in direct health costs and indirect costs such as lost productivity, and in the case of alcohol, crime. Excessive alcohol consumption, overweight/obesity and smoking cause serious diseases which can be prevented. The economic cost of treating the disease outcomes of excessive alcohol consumption, overweight/obesity and smoking will overwhelm our healthcare services if we do not focus our resources on prevention and implement the necessary policy and regulatory support measures. Fiscal measures play a hugely important role in changing behaviour as evidenced by the smoking bans and minimum unit pricing on alcohol. The WHO also has long-recognised the potential of fiscal measures to encourage healthy dietary behaviour.¹

The Royal College of Physicians of Ireland (RCPI) has established policy groups on alcohol, obesity and tobacco (see Appendix 1 for list of members). Our policy groups aim to draw attention to the health harms associated with these risk factors and to recommend evidence-based policy options to reduce associated harms. This document highlights the fiscal and budgetary measures recommended by our expert clinical groups, for introduction in budget 2016. Budgetary measures that reduce harmful alcohol consumption, tackle overweight/obesity and discourage smoking have direct health benefits. They also deliver short and longer term benefits for the State, in terms of taxation revenues raised through increased excise duties, and reduced costs associated with treatment, lost productivity, crime and other societal costs.
Alcohol Harm in Ireland

The RCPI Policy Group on Alcohol welcomes the publication of the Public Health (Alcohol) Bill and strongly recommends the early adoption, implementation and resourcing of all of the provisions outlined in the Bill.

Every month 88 deaths in Ireland are directly attributable to alcohol. Alcohol-related harm costs the country an estimated €3.7 billion a year in health, crime/public order and other ancillary costs, such as work-place absenteeism.

A 2014 report by the World Health Organisation found that Irish alcohol consumption levels have declined from the height of the Celtic Tiger but are on the rise again (11.9 litres per year in 2008-2010, down from 13.4 in 2003-2004). However, consumption levels remain above the Healthy Ireland target of 9.2 litres as set out by the Government. The same WHO report lists Ireland as the second highest binge drinking nation in the world behind Austria and found that almost 40% of those aged over 15 were binge drinkers in 2010, as a result of the widespread availability of cheap alcohol in the off-sales trade.

The National Substance Misuse Strategy report (2012) recommended that alcohol should be made less affordable and less available through excise duties and minimum unit pricing. We propose that the Government should tackle the problem of excessive alcohol consumption by introducing Minimum Unit Pricing (MUP) and increasing excise duty on alcohol annually at least in line with inflation.

Effect of pricing and taxation on alcohol consumption

The volume of alcohol sold and consumed is price-dependent. It has been shown that the effects of price and tax changes on alcohol consumption are much greater and of greater effectiveness in comparison to other prevention policies and programmes to reduce alcohol health harm.

Price can be used to simultaneously reduce consumption and increase exchequer revenues. Below is a table showing the price elasticity in Ireland of beer and spirits and the changes in consumption for a given change in price. For example, an increase in price of 20% for beer would result in a decrease in consumption of approximately 7%. The change in consumption is less than the change in price, which means that a price change based on taxation will generate additional revenue for the exchequer.
<table>
<thead>
<tr>
<th>Item</th>
<th>Price elasticity&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Increase in price</th>
<th>Effect on consumption</th>
<th>Increase in price</th>
<th>Effect on consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer</td>
<td>-0.36</td>
<td>10%</td>
<td>-3.60%</td>
<td>20%</td>
<td>-7.20%</td>
</tr>
<tr>
<td>Spirits</td>
<td>-0.5</td>
<td>10%</td>
<td>-5.00%</td>
<td>20%</td>
<td>-10%</td>
</tr>
</tbody>
</table>

**Employment supported by alcohol sales**

Research shows that the economic cost to the state and society resulting from existing levels of alcohol consumption in Ireland far outweigh the benefits gained through employment, trade and tax. We have seen a national trend of increasing proportions of alcohol sales moving from the on-trade sector to the off-trade sector. This move has had a detrimental impact on jobs in pubs and hotels, while creating relatively few jobs in the off-trade sector. Pubs and other on-trade locations are more labour intensive than those in the off-trade. If the Government were to introduce policy to increase the cost of off-sales alcohol, this could reverse this trend in drinking location. There is thus scope for substantial increases in employment as well as reductions in alcohol health harm.

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<sup>1</sup> Based on actual changes in consumption following excise duty changes in Ireland.
Alcohol Recommendation 1: Public Health (Alcohol) Bill

Recommendation 1: Adopt the Public Health (Alcohol) Bill 2015 introducing a Minimum Unit Price (MUP) for alcohol and other important measures that can save lives and reduce alcohol health harm.

This measure will restrict the sale of the strongest and cheapest alcohol in the off-trade and reduce the economic cost to the State of alcohol-related harms.

The Drinks Industry Group of Ireland (DIGI) estimates that 60% of alcohol sold in Ireland is purchased in the off-trade, often at discounted prices. Cheap alcohol and multi-buy discounts, particularly common in supermarkets, encourage excessive consumption, especially among problem drinkers and young people. While excessive consumption also occurs in the on-trade (including pubs, clubs, and restaurants) it remains a more controlled environment. We propose that efforts to reduce alcohol consumption should focus on the off-trade, where cheap alcohol is sold and the fewest jobs are maintained. Studies have shown that harmful drinkers and younger drinkers are more likely to consume cheap alcohol, and alcohol price increases have been shown to reduce harm related to alcohol.

There is also evidence that hazardous drinkers tend to choose cheaper drinks whether they are young binge drinkers or problem drinkers.

MUP sets a price, based on the alcohol content of an alcoholic beverage, below which no alcoholic beverage can be sold and which therefore cannot be undercut. Because MUP targets problems caused by cheap alcohol and mainly affects problem drinkers and adolescents/young adults, it has little or no impact on the majority of alcohol drinkers. It would affect the price paid by the consumer of cheap alcohol in retail outlets where very cheap alcohol is sold, for example in supermarkets. It would not affect the cost price paid by the retailer, and would not change the price of a drink in bars and restaurants.

MUP reduces the possibility of selling alcohol at a loss, which supermarkets in particular are inclined to do. Supermarkets and off-licence sales would therefore be affected and pubs would see no change in price.

Demand for alcohol has been shown to be price sensitive. Young binge drinkers and problem drinkers tend to choose cheaper drinks. MUP is considered by the WHO to be one of the most cost-effective actions to reduce alcohol consumption in populations with
moderate or high levels of drinking. This is based on analysis and costing of a range of interventions, including education, advertising and drink driving legislation.\textsuperscript{17}

The introduction of a 10\% increase in MUP in parts of Canada was associated with an 8.4\% reduction in total consumption. There was also a reduction in alcohol-related deaths just one year after MUP increases came into effect.\textsuperscript{18}

The Sheffield Alcohol Research Group has also done extensive work in modelling the impact of minimum price in the UK and Ireland.\textsuperscript{19} Their research looked at impacts for different categories of drinker (moderate, hazardous and harmful). The group concluded that the introduction of a MUP of 1 euro in Ireland would have the following effects:

- Alcohol consumption per drinker per week for the overall population would reduce 8.8\%.
- High risk drinkers (more than 40 std. drinks per week for men and 28 for women) would decrease their consumption by 15.1\%.
- Annual deaths due to alcohol would decrease by 197.
- Hospital admissions would decrease by 5,878.

Meanwhile, there is evidence of likely effectiveness and acceptability of MUP in Ireland. 35\% of respondents to a survey published in 2012 by the Irish Health Research Board said that they would decrease the amount of alcohol which they purchase in response to a 10\% price increase. A majority of respondents also agreed that there should be a MUP for alcohol.\textsuperscript{20}

The Revenue Problem of VAT Recovery on Below Cost Selling

VAT on alcohol is currently charged at a rate of 23\%. Where alcohol is sold below cost, however, the seller can recover the VAT on the difference between the sale price and the cost price. The National Off-Licence Association has estimated that approximately €21 million of VAT receipts are lost to the State in this way annually.\textsuperscript{21}

The Drinks Industry Group of Ireland asserts that the off-sales market segment is dominated by the multiples, discounters and symbol groups including chains such as Dunnes Stores, Tesco, Lidl and Aldi. These supermarket chains can often afford to use alcohol as a loss leader which means that while losing money on alcohol sales, increased profits are made on sales of other goods to customers attracted by the cheap alcohol. A price based on Minimum Unit Pricing is likely to be above cost price. Thus, supermarkets would no longer be able to claim VAT refund on alcohol sold below cost. This would potentially generate €21 million annually for the exchequer.
Alcohol Recommendation 2: Excise Duty Increase

**Recommendation 2: Increase excise duties at least in line with inflation.**

The effect of this measure will be to reduce affordability and increase exchequer revenue.

Alcohol consumption in Ireland more than doubled between 1963 and 2001. The reduction in consumption since then is directly related to affordability of alcohol. Alcohol consumption is affected by the level of personal disposable income. If income rises faster than price, then the real price of alcohol falls. If taxation is to be effective in decreasing consumption, increases in tax should match or exceed rises in disposable income.

It is frequently argued that excise duties on alcohol are already very high. But in fact, alcohol has become much more affordable in recent years. Tax as a proportion of the sale price of beer is actually less than it was 20 years ago. Tax as a percentage of price fell from 37% in 1994 to around 29% in 2007.\(^{22}\)

While the businesses opposed to excise increases typically seek to present such measures as 'punishing ordinary drinkers', the reality in Ireland is that drinkers as a group generate costs of about €3.7 billion per annum to Irish society via the harm they encounter themselves and the harm they inflict on others. In contrast the total excise and VAT revenue from drinkers is only €2 billion per annum.\(^6\) Therefore an excise increase will constitute another small step towards ensuring that those of us who drink alcohol cover the enormous costs of the harm which we create.

Excise duty increases have successfully been used to reduce cigarette smoking. Between 1994 and 2010, excise on tobacco was increased by 171% which led to a reduction in cigarette sales of 31% and an increase in excise duty receipts from cigarettes of 149% or €1.1 billion in 2011.\(^{23}\)

In 2011 a Tax Strategy Group estimated the increased revenue that could be raised from increasing excise duty. Their estimates suggest that an increase in excise duties which translated into a 20c increase in the price of a drink (beer, spirits or cider) in a pub would raise the following revenues:\(^{24}\)
<table>
<thead>
<tr>
<th>Drink</th>
<th>Additional excise and VAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer (pint)</td>
<td>€144m</td>
</tr>
<tr>
<td>Spirits (half glass) in pub</td>
<td>€73.5</td>
</tr>
<tr>
<td>Cider (pint)</td>
<td>€20.2</td>
</tr>
</tbody>
</table>

Based on the above estimates, an increase in excise duty in line with inflation would result in additional revenues for the exchequer while it would also help to reduce alcohol consumption due to its price sensitivity.

However, increases in excise duty must be combined with the introduction of MUP. This is because at present large retailers have the ability to absorb increases in excise duties which has seen them maintain the low price of alcohol and increase the price of other goods instead.

There is a strong case to be made that excise duties on all alcohol be raised in the 2016 budget and that the Government commit to increasing excise duties in future, at least in line with inflation in order to ensure that alcohol does not become more affordable.
Alcohol Recommendation 3: Funding for research, prevention and treatment programmes around alcohol

**Recommendation 3: Fund research, prevention and treatment programmes around alcohol.**

This will have the long-term effect of significantly reducing the cost burden of alcohol related health harm including hospital admissions.

There is very little funding available for research into alcohol-related health harms, especially alcoholic liver disease. Dedicated funding is needed for independent front-line research in this area. National education and alcohol harm prevention campaigns, especially those rolled out in schools, should be funded by government, not by industry who have an inherent conflict of interest. Based on the polluter pays principle, the Government should use social responsibility levies on the alcohol industry to support these measures. Regarding treatment, outpatient detoxification services should be established and aftercare in the community supported particularly with respect to relapse prevention.
Tackling Ireland’s Obesity Epidemic

Ireland is in the midst of an obesity crisis. The steady increase in the prevalence of overweight and obesity in Ireland during the last three decades mirrors trends in other countries and represents a huge public health challenge because of the associated morbidity and mortality from diseases like diabetes, cancer and heart disease. Health gains achieved as a result of measures which addressed smoking, high blood pressure and high lipid levels are in danger of being reversed by obesity. Recent data for Ireland indicates that:

- 1 in 4 Irish children are overweight or obese.
- 25% of three year olds, 25% of nine year olds and 26% of thirteen year olds are overweight or obese.
- 2 out of every 3 Irish adults are overweight or obese.
- Three quarters of older Irish adults are overweight (44%) or obese (34%) with higher rates seen in men.
- 2 in 3 Irish adults with intellectual disability over 40 are overweight or obese (66.7%).
- By 2030, 89% of Irish men and 85% of Irish women will be overweight or obese, the highest projected level of any European country.

In addition to the many serious health problems, obesity also has a significant negative economic impact, with estimated costs of over €1billion annually. The intake of added sugars by adults and children in Ireland exceeds recommended levels. The strongest evidence of effectiveness of taxation approaches is for sugar-sweetened drinks (SSDs), namely all non-alcoholic water based drinks with added sugar. These include sugar-sweetened soft drinks, energy drinks, fruit drink, sports drinks and fruit-juice concentrates. These products are typically high in calories and energy dense but have few other nutrients, often referred to as empty calories.

A number of countries including Mexico, France, Norway, Samoa, Australia, Finland, Hungary and some states in the USA, have introduced fiscal measures on unhealthy food products and beverages. Some approaches target specific levels of ingredients such as saturated fat while others focus on particular food products such as soft drinks and salty snacks. Reviews of the effectiveness of these interventions in addition to modelling studies examining the impact of taxation measures, consistently conclude that taxation has the potential to
improve health. It has been suggested that taxation levels in the region of 20% are needed to achieve detectable changes in consumption, body weight and disease occurrence. The reviews highlighted the importance of managing substitution effects by taxing a wide range of products of ingredients.\textsuperscript{35}
Obesity Recommendation 1: Introduction of SSD tax

Recommendation 1: Introduce a 20 per cent tax on sugar sweetened drinks, including juices and sports drinks.

This measure will help reduce individuals' sugar consumption in line with WHO guidelines.\(^{36, 45-53}\)

Evidence of association between SSDs and Obesity

The RCPI Policy Group on Obesity Evidence Document, *The Race we don’t want to win* (2014)\(^{37}\), provides ample evidence documenting how sugar intake, particularly consumption of SSDs, contributes to obesity.

- A WHO-commissioned systematic review and meta-analysis of Randomised Clinical Trials (RCTs) found that intake of free sugars or SSDs was a determinant of body weight. The odds ratio\(^2\) for being overweight or obese was 1.55 among groups with the highest intake compared with those with the lowest intake.\(^{38}\)

- A research study (InterAct consortium, 2013) corroborates the association between increased incidence of type 2 diabetes and high consumption of sugar-sweetened soft drinks in European adults.\(^{39}\)

- An assessment of SSD consumption and weight status among 9600 children followed in the Early Childhood Longitudinal Survey in the United States found that children aged 5 years who regularly consumed SSDs had a higher odds ratio for being obese than those who were infrequent or non-drinkers.\(^{40}\)

- A systematic review of 32 prospective cohort studies and randomized controlled trials found evidence that SSD consumption promotes weight gain in both children and adults.\(^{41}\)

\(^2\) The odds ratio (OR) represents the odds that an outcome will occur given a particular exposure, compared to the odds of the outcome occurring in the absence of that exposure. An OR > 1 indicates that exposure is associated with higher odds of outcome.
• Analysis of the relationship between genetic predisposition and the intake of SSDs in relation to BMI and obesity risk found that the genetic association with BMI was stronger among participants with higher intake of sugar sweetened beverages than among those with lower intake.\textsuperscript{42}

• A systematic review found that the evidence consistently supports the conclusion that the consumption of SSDs has contributed to the obesity epidemic, estimating that SSDs account for at least one-fifth of the weight gained between 1977 and 2007 in the US population.\textsuperscript{43}

• A systematic review and meta-analysis to estimate the population attributable fraction for type 2 diabetes from consumption of sugar sweetened beverages in the United States and United Kingdom found that habitual consumption of sugar sweetened beverages was associated with a greater incidence of type 2 diabetes, independently of adiposity. It also found that artificially sweetened beverages and fruit juice were unlikely to be healthy alternatives to sugar sweetened beverages for the prevention of type 2 diabetes. Under assumption of causality, it found that consumption of sugar sweetened beverages over years may be related to a substantial number of cases of new onset diabetes.\textsuperscript{44}

• A review of sports and energy drinks, found that frequent or excessive intake of caloric sports drinks can substantially increase the risk for overweight or obesity in children and adolescents. The committee advised that caffeine and other stimulant substances contained in energy drinks have no place in the diet of children and adolescents.\textsuperscript{45}

Systematic reviews that reported financial conflicts of interest or sponsorship from food or drink companies were more likely to reach a conclusion of no positive association between SSD consumption and weight gain than reviews that reported having no conflicts of interest.

Evidence for a tax on SSDs

• Modelling of the effect of a 10% tax increase on SSDs in Ireland estimates that a 10% tax would reduce overweight and obesity among adults by 0.7% or 14,380 adults. The reduction would be even greater in younger adults (2.9% in those aged 18-24).\textsuperscript{46}
• Results of a 2014 IPSOS/MRBI Irish survey indicate that 52% of the Irish public support the introduction of a tax on sugar sweetened drinks to help reduce child obesity. 47

• It is estimated that the tax burden of an SSD tax would be low - approximately €35-43 per household per year or 67 – 82c per week. 48

• A meta-analysis found that higher prices were associated with lower demand for SSDs in studies from the US, Mexico, Brazil and France. 49

• A systematic review found that taxes and subsidies influenced consumption in the right direction, and that larger taxes were associated with greater changes in consumption body weight and disease incidence. The authors highlighted the need to prioritise empirical evaluation of existing taxes. 50

• Where a tax on SSDs was introduced on three Pacific Islands of Samoa, Nauru, and French Polynesia, there is some evidence of increased revenue and decreased consumption. 51

• Analysis of Irish expenditure data, found that in relation to taxes on high fat/sugar foods, while a tax on its own would be regressive, a tax-subsidy combination would be neutral with respect to poverty. 52

• A UK modelling exercise estimated that a 20% tax on SSDs would lead to a reduction in the prevalence of obesity in the UK of 1.3% (around 180,000 people). 53

• The Faculty of Public Health in the UK has called for the introduction of a 20p per litre excise duty on sugar-sweetened drinks. 54

Having examined the evidence, and taking into account that the introduction of a tax on SSDs is a new measure, and will require ongoing monitoring for effectiveness, there is evidence to support the introduction of such a tax as a means of reducing obesity levels.
Obesity Recommendation 2: Fund research and effective interventions to prevent, manage and treat obesity

Obesity research should be funded across all disciplines. This should include research and audit in the areas of obesity prevention and weight management as well as high-quality clinical and translational research to achieve increased understanding of energy balance, obesity and metabolism. Continued research and monitoring of all interventions is required.\textsuperscript{55,56}

All of the recommendations of the RCPI Policy Group on Obesity for the prevention of overweight and obesity should be resourced.\textsuperscript{36} An integrated service for weight management is needed and evidence-based interventions for overweight and obesity that are proven to be clinically effective are required in community, primary and secondary care. This will require substantial resourcing of Primary Care Teams throughout the country and appropriate facilities and equipment across all health services to treat children and adults suffering from overweight and obesity.
Obesity Recommendation 3: Subsidies for healthy food options

Recommendation 3: Introduce subsidies for healthy food options and resource healthy food interventions including the expansion of school breakfast clubs and school fruit schemes.

This measure will ensure children get recommended daily allowances of fruit and vegetables and will help educate young people on the importance of healthy eating.

Evidence for subsidising health food options

- Fears of the regressive effects of a SSD tax could be balanced out by subsidising healthy food options, which will also help to reduce diet-related disease. The key food groups to focus on are fruit and vegetables, which are not currently consumed at levels recommended for a healthy diet.\textsuperscript{57}
- Analysis of Irish expenditure data found that in relation to taxes on high fat/sugar foods, that a tax-subsidy combination (as opposed to tax only) would be neutral with respect to poverty.\textsuperscript{41}
- A US systematic review found that that higher fast food prices were associated with lower weight, particularly among adolescents. In addition lower fruit and vegetable prices were generally found to be associated with lower body weight outcomes among both low-income children and adults.\textsuperscript{58}
- NICE guidance on obesity recommends that school environments be assessed to ensure the ethos of all school policies help children to maintain a healthy weight, eat a healthy diet and be physically active. The guidance specifically refers to policies on building layout and recreational facilities, food and catering including vending machines and the food that children bring into school), the curriculum and school travel plans.\textsuperscript{59}
- A Cochrane review of various childhood obesity prevention interventions found that some of the most effective interventions were: inclusion of healthy eating, physical activity and body image in school curricula; increasing opportunities of physical activity during the week; improving nutritional value of food in schools; creating
school environments and culture that support healthy eating and being active and healthy eating, at school and at home.\textsuperscript{60}

- A US cohort study found that when students moved to middle school and gained access to school snack bars, they consumed fewer healthy foods and more sweetened beverages compared with the previous school year, when they were in elementary schools and only had access to lunch meals served at school.\textsuperscript{61}
**Tobacco Harm**

Tobacco is an addictive drug that kills when it is used as intended and tobacco use remains the leading cause of preventable death worldwide. One out of every two long-term smokers will die from a smoking related disease and an average smoker loses about 10 quality years of life because of smoking. The World Health Organisation (WHO) estimates that tobacco use is currently responsible for six million deaths each year, equating to one death every six seconds. This figure is predicted to rise to eight million deaths per year by 2030, while in Ireland 15 people die every day from a smoking related illness.

Tobacco smoke affects virtually every organ in the body, and it has been found that tobacco use and exposure to second hand smoke (SHS) leads to serious and often fatal diseases, including cardiovascular and respiratory disease as well as lung cancer and other cancers. It is also the leading cause of preventable death in Ireland. The most recent report from the US Surgeon General also cites a number of new findings that expand on the disease risks highlighted in previous reports by that office.

In addition to the health costs there are also high economic costs incurred due to tobacco use. It has been noted in the Government’s policy document *Tobacco Free Ireland* that it costs €7,700 to treat an inpatient for a smoking related disease and that Ireland spends roughly €500 million of its health expenditure on tobacco related diseases.
**Tobacco Recommendation 1: Excise Duty Increase**

**Recommendation 1**: A minimum of a 60 cents increase on a packet of 20 cigarettes and a proportionate increase on related products on an annual basis.

This will help to reduce the rate of smoking to the 5% target the Government has set in *Tobacco Free Ireland*. A significant proportion of this revenue should be used to fund smoking cessation services which will further decrease the rate of smoking.

The World Health Organisation (WHO) (2014) noted that “*increasing the price of tobacco through higher taxes is the single most effective way to decrease consumption and encourage tobacco users to quit*”.68 This point has been reiterated by the most recent report from The U.S. Surgeon General (2014) which states: “*The evidence is sufficient to conclude that increases in the prices of tobacco products, including those resulting from excise tax increases, prevent initiation of tobacco use, promote cessation, and reduce the prevalence and intensity of tobacco use among youth and adults*”.67

The reason that taxation is effective in reducing consumption and initiation is that tobacco, like other commodities such as alcohol is subject to price elasticity. This is a measure used in economics to show the responsiveness of the quantity demanded of a good or service to a change in its price.69

Findings from the existing research on the price elasticity of cigarettes in Ireland centre around -0.4, this means that an increase of 10% in the price of a packet of cigarettes will result in a 4% decrease in consumption.70 The RCPI Policy Group on Tobacco is seeking a 60 cent increase in a packet of cigarettes and a proportionate increase on related products; this is approximately a 6% increase in the price of a packet of cigarettes. Based on the price elasticity of -0.4 the reduction in consumption would be 2.4%.

Increasing tobacco taxes by 60 cents would also increase tobacco tax revenues by a significant amount. This is contrary to what the tobacco industry says. They argue that the Government will lose revenues if they increase tobacco tax. However, the evidence is clear: calculations from the World Bank show that even very substantial cigarette tax increases reduce consumption and increase tax revenues. This is in part because the proportionate reduction in demand does not match the proportionate size of the tax increase, since
addicted consumers respond relatively slowly to price rises. Furthermore, some of the money saved by those who cease smoking will be spent on other goods which are also taxed.\textsuperscript{71}

In addition, tobacco taxation policies would not just generate additional revenue; they will also have a real and positive impact on reducing disparities in morbidity and mortality in Ireland.

A 2004 NHS review of interventions to decrease smoking found that “there is review-level evidence that increasing the unit price of cigarettes is effective at stopping tobacco use, and this remains true for vulnerable groups, women and men, low-income groups and people with lower educational achievement.”\textsuperscript{72}

Excise duties should be increased on an annual basis if the Government wants to reach the 5% tobacco consumption rate set out in \textit{Tobacco Free Ireland}.

\textbf{Tax Harmonisation}

Implementation of this measure should be assisted by harmonisation of tobacco pricing between the Republic of Ireland and Northern Ireland. We recommend that the pricing between the two countries is kept at a high level in order to deter consumers from purchasing cheap tobacco from either side of the border.

\textbf{Illicit Selling and Smuggling}

According to documentation produced by the Revenue Commissioners, roughly 15\% of cigarettes smoked in this jurisdiction are illegal and this costs the exchequer some €240 million per annum.\textsuperscript{73}

The tobacco industry claims that this is caused by high taxation. There is no doubt that smuggling is a serious concern but even in the face of smuggling, the evidence from the World Bank,\textsuperscript{71} from a number of countries, shows that tax increases still increase revenues and reduce cigarette consumption. They recommend that governments adopt effective policies to control smuggling.

To address the issue of illicit selling and smuggling, more severe penalties are therefore needed to be enforced. At present, the penalties in Ireland are inadequate and do not deter illegal activity. A group representing retailers have noted that the maximum fine for cigarette smuggling was increased in the Finance Act 2009 to just over €126,000. However,
fines for cigarette smuggling in the second quarter of 2011 were an average of €1,200.⁷⁴
RCPI proposes that the Government invest further financial resources in the fight against
illicit selling and smuggling over the coming years.
Tobacco Recommendation 2: Tobacco Packs Environmental Levy

Recommendation 2: A 5 cents levy on tobacco packs.

Tobacco waste is our biggest urban waste issue according to the Department of the Environment. Thus the introduction of a levy on tobacco packs will help reduce the current waste issue while raising revenue for the exchequer.

According to a 2012 study\textsuperscript{75} by the Department of the Environment, Community and Local Government, cigarette-related litter constitutes the highest percentage of litter in the locations surveyed. This is comprised mainly of cigarette ends which constitute almost half (48.62\%) of all litter items nationally. The percentage of national litter represented by cigarette ends has increased by 8.82\% from 39.80\% in 2004. This is the highest percentage of cigarette related litter in the past nine years of surveys.

In view of this environmental cost, we call on the Minister for Finance to introduce a 5 cents levy on tobacco packs. The introduction of this levy has been set out in Tobacco Free Ireland. It recommends that the Government should “consider the introduction of an environmental levy in the context of the Government’s waste policy ‘A Resource Opportunity’, the application of economic instruments and the review of producer responsibility.”\textsuperscript{65}

The introduction of a levy on tobacco packs will help to reduce the current waste issue of cigarette ends while also raising substantial revenue for the exchequer.
Tobacco Recommendation 3: VAT on Nicotine Replacement Patches

Recommendation 3: Removal/reduction of VAT on nicotine replacement patches.

This will make nicotine patches more affordable to people who want to quit smoking, especially to people on lower incomes who are restricted from purchasing nicotine patches due to their high prices.

Studies show that approximately 70% of smokers would like to quit smoking. Each year Irish smokers who are trying to quit pay several million Euros on VAT which applies to nicotine replacement patches.

The RCPI Policy Group on Tobacco is of the opinion that Ireland’s VAT rate of 23% on nicotine patches is too high, and it should be reduced or removed as an initiative to encourage smokers to quit smoking. The current VAT level on nicotine patches in the UK are 5% and although Ireland is restricted from lowering its VAT to that amount because of the EU directive on VAT, the Minister for Finance should still consider lowering VAT on nicotine patches to the lowest possible level.
Tobacco Recommendation 4: Tobacco Price Cap Regulation

Recommendation 4: Introduce a price cap regulation on tobacco industry profits.
This will ensure that tobacco’s excess profits are transferred to government revenues.

RCPI’s Policy Group on Tobacco also calls on the Minister for Finance to examine the introduction of a price cap regulation on the tobacco industry profits as proposed by the Irish Heart Foundation and Irish Cancer Society in 2013.  

Price cap regulation would set a maximum price that tobacco companies can charge for their product. This price would be based on an assessment of the genuine costs each firm faces in its operations, and an assumption about the efficiency savings it would be expected to make.

Price cap regulation would ensure that the tobacco industry’s excess profits are transferred to government revenues that can be used to fund smoking cessation services. The Government can ensure that the tobacco industry properly contributes to the costs it imposes on the State and on its citizens.
Protecting the health of the nation

Health researchers recognise that international trade and investment agreements can directly affect people’s health and wellbeing through rules around access, availability and quality of food and drugs, labelling, trade in unhealthy commodities (e.g. tobacco and highly processed foods) and environmental regulation. In accordance with the Healthy Ireland Framework and ‘health in all policies’ agenda, health should be given special consideration in all trade policies and negotiations.
General Recommendation 1: Healthy Trade Policy

**Recommendation 1: Ensure provision is made to fully protect public health in the context of the Transatlantic Trade and Investment Partnership (TTIP) and all other trade agreements.**

This measure will help ensure the highest standards possible for food and drug quality in Ireland.

There is growing evidence that that trade agreements pose a significant risk for food insecurity and non-communicable diseases. New international trade agreements such as the Trans Pacific Partnership agreement (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) are likely to include strong investor protections, enable greater industry involvement in policy-making and provide new avenues for industry to appeal government public health policies which it believes violates its trading privileges.

Ireland has recently fought a court battle with the tobacco industry to safeguard the passage of plain packaging legislation. The tobacco industry argues that this legislation has a negative impact on their business interests. The introduction TTIP between the European Union and the Unites States potentially allows multinationals such as the tobacco industry to circumvent the domestic courts system and challenge public health law under its Investor State Dispute Settlement (ISDS) mechanism. This would have substantial implications for national public health policy. The European Public Health Alliance make the point strongly that “it is essential that EU trade agreements do not limit the ability of national governments to legislate to protect and promote health and prevent negative health impacts such as cardiovascular diseases (CVD), especially heart disease and stroke, and related risk factors”.

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Appendix 1

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Prof Michael Walsh  Irish Cardiac Society
# Members of the RCPI Policy Group on Obesity

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