



PHILIP MORRIS INTERNATIONAL

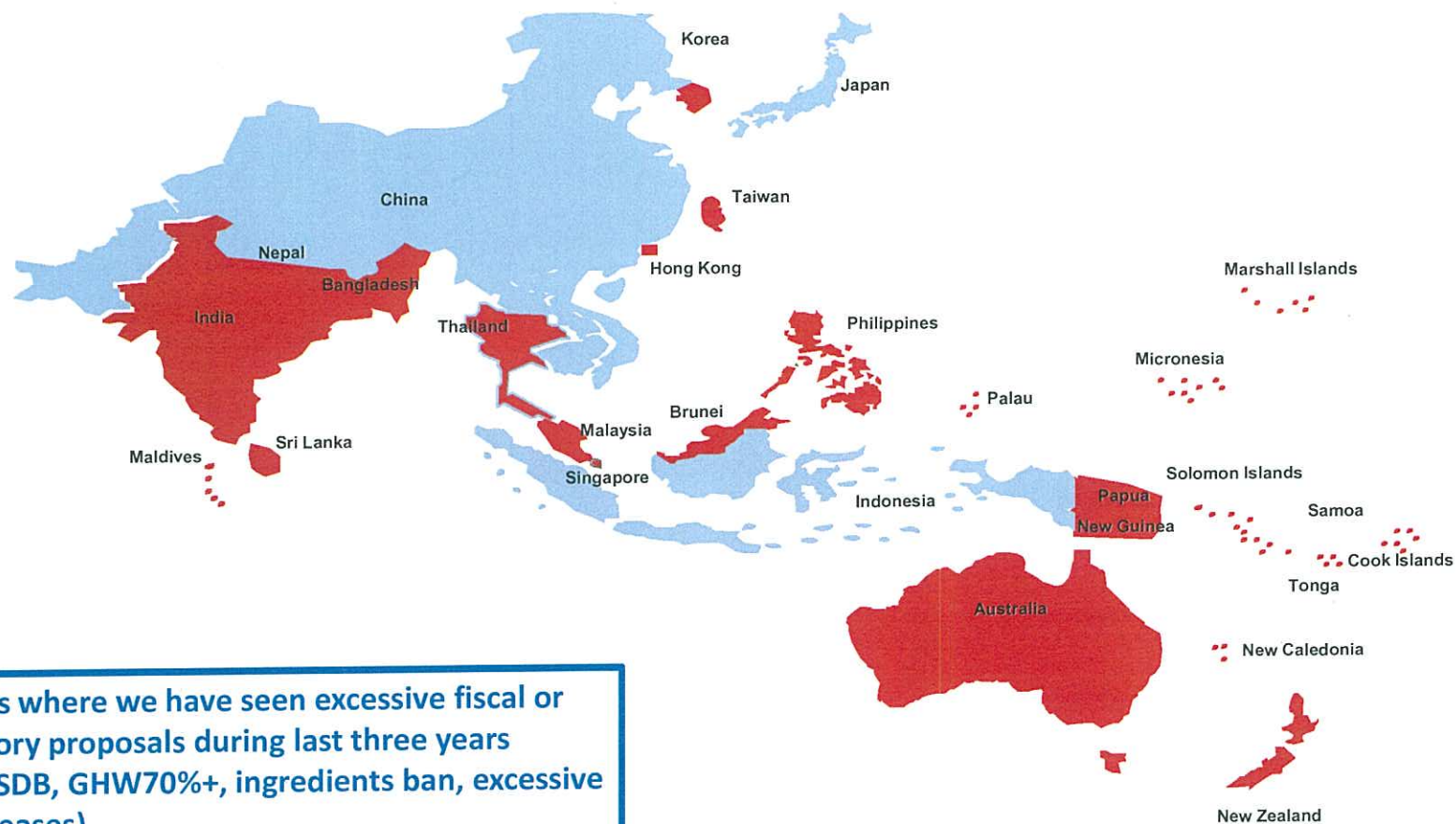
Corporate affairs approach and issues



PHILIP MORRIS INTERNATIONAL

PMI's approach and structure

What a difference 3 years can make



PHILIP MORRIS INTERNATIONAL

It will not become easier



EU TPD

- 65% GHW
- Menthol ban
- Ban on innovation

BILL & MELINDA
GATES *foundation*

Increased
ATO pressure

Bloomberg
Philanthropies



De-normalization and
industry demonization



PHILIP MORRIS INTERNATIONAL

It is not all doom & gloom



Improved fiscal
systems globally

CoP5 and CoP6



Potential
paradigm shift



Win more than we
lose on regulation



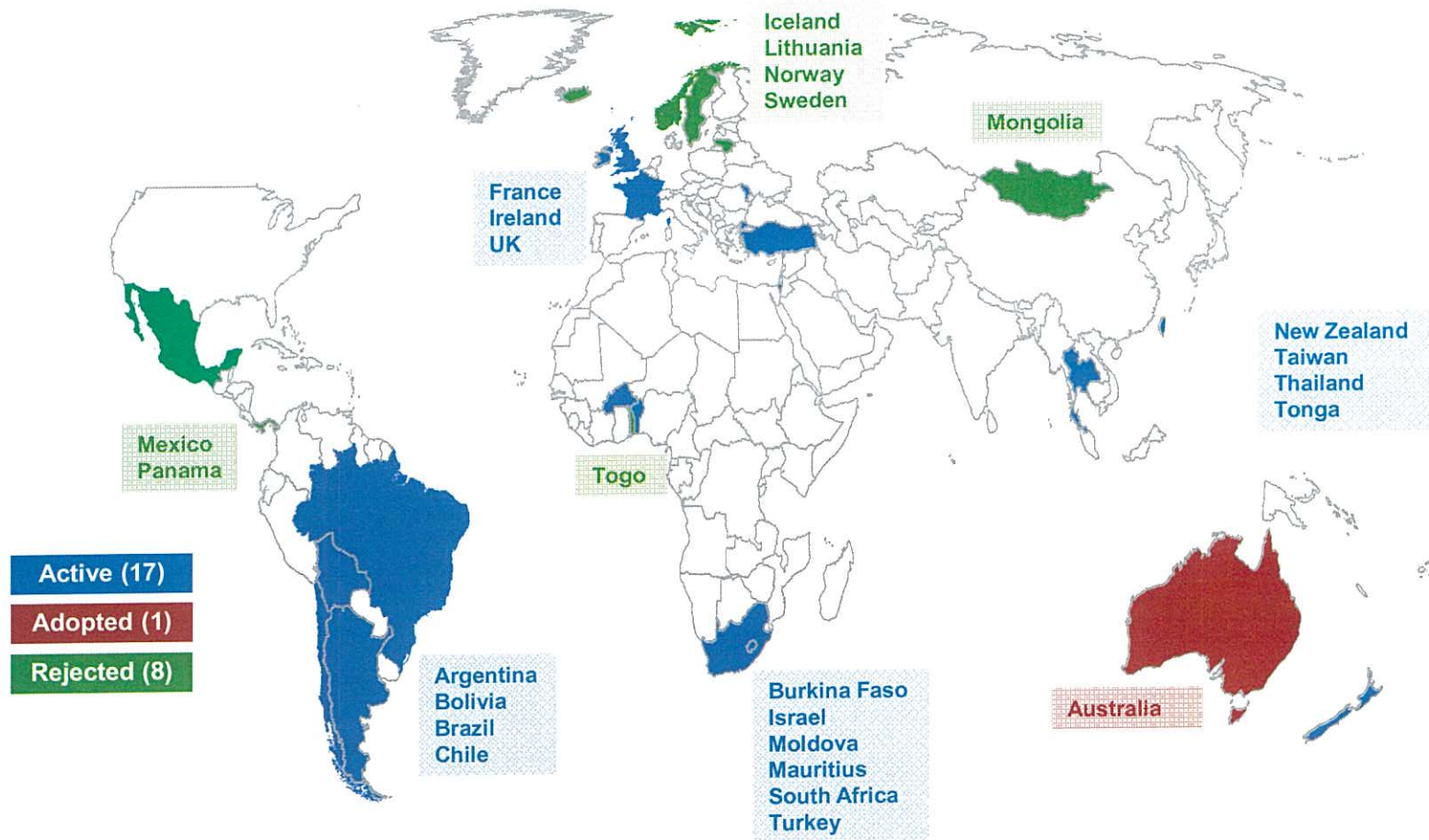
PHILIP MORRIS INTERNATIONAL

Global CA Objectives

- RRP
- **Regulatory** – defend brand differentiation and preserve consumers right to buy and enjoy tobacco products
- Fiscal
- Illicit trade
- Normalization
- CA capacity building



Plain packaging – becoming a mainstream issue



PHILIP MORRIS INTERNATIONAL

WTO case

- Five challengers – Indonesia, Ukraine, Honduras, Dom. Republic, and Cuba
- Panel established in May 2014
- A record number of 35 countries plus the EU have applied for observer status
 - Asian observers: China, India, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan and Thailand.
- Process going forward
 - Deadline for written submissions by observer countries is **April 10, 2015**
 - Australia and the complainants will each make several submissions
 - The panel is expected to release their findings by **mid 2016**
 - Provided appeals, final ruling is not expected until 2017



Components of a preventive plain packaging plan

Identify the local arguments



Constitutional assessment



Trade agreements and international treaties



Take command over media reporting



Potential process-based roadblocks



Leverage international stakeholders



Coalition building



Promote the bigger issue
i.e IPR



Support the
WTO case



PHILIP MORRIS INTERNATIONAL

Global CA Objectives

- RRP
- Regulatory
- **Fiscal** – maintain affordability, increase pricing power
- Illicit trade
- Normalization
- CA capacity building



Increased ATO focus on taxation

World No Tobacco Day theme

- 2014 – Raising taxes on tobacco
- 2013 – Ban on tobacco advertising, promotion and sponsorship
- 2012 – Tobacco industry interference
- 2011 – The Framework Convention on Tobacco Control
- 2010 – Gender and tobacco with an emphasis on marketing to women
- 2009 – Tobacco Health Warnings with emphasis on picture health warnings
- 2008 – Tobacco Free Youth (Break the tobacco marketing net)
- 2007 – Smoke-Free Environments
- 2006 – Tobacco: Deadly in any form or disguise
- 2005 – The role of health professionals on tobacco control
- 2004 – Tobacco and Poverty: A vicious cycle
- 2003 – Tobacco free film, Tobacco free fashion
- 2002 – Tobacco-free sports: Play it clean
- 2001 – Second-hand smoke kills. Let's clear the air.
- 2000 – Entertainment and Tobacco Promotion---Countering the Deception
- 1999 – Leave the Pack Behind
- 1998 – Growing up without tobacco
- 1997 – United for a tobacco free world
- 1996 – Sport and art without tobacco: play it tobacco free
- 1995 – Tobacco costs more than you think
- 1994 – Media and tobacco: get the message across
- 1993 – Health services: our windows to a tobacco free world
- 1992 – Tobacco free workplaces: safer and healthier
- 1991 – Public places and transport: better be tobacco free
- 1990 – Childhood and youth without tobacco: growing up without tobacco
- 1989 – Women and tobacco: the female smoker as added risk
- 1988 – Tobacco or Health: choose health

WHO FCTC COP6 Guidelines on Article 6 passed



PHILIP MORRIS INTERNATIONAL



Sixth session of the Conference of the Parties
to the WHO Framework Convention on Tobacco Control
Moscow, Russian Federation,
13-18 October, 2014



Overall regional fiscal priorities

- Ensure that tobacco taxation policy remains driven by MoFs
- Safeguard national fiscal sovereignty
- Prevent regional tax initiatives (tax harmonization, earmarking)



Increase our fiscal capacity

Fiscal expertise

- Maintaining / developing PMI fiscal know-how is a prerequisite for:
 - developing successful fiscal proposals and solid argumentation at market level
 - building credibility with MoFs and other external stakeholders

Internal initiatives

- Strengthen capacity in the field of fiscal intelligence & research (driven by OC)
- Regional tobacco taxation training (planned for Q1, 2015)
- Allocation of projects to fiscal affairs managers in the markets

External

- Expansion of fiscal stakeholder base
- Structured outreach effort to international economic organizations



Global CA Objectives

- RRP
- Regulatory
- Fiscal
- Illicit trade
- **Normalization** – People, Product, Principles, Planet, Productivity
- CA capacity building



Continued efforts to support normalization



Best in class employer and processes



ALP and charitable contributions



RRPs



PHILIP MORRIS INTERNATIONAL

Sharing our story



External events



Internal communication



PHILIP MORRIS INTERNATIONAL

Achieving scrutiny on ATOs

- ATOs play a key role in driving regulatory and fiscal policies and face little scrutiny.
- We need to do a better job tracking, responding and challenging ATOs when appropriate.
- Key actions underway:
 - Global project team established
 - Specialist manager to be hired at the OC
 - AU will be Asia's pilot market
- Each market can:
 - Identify all local ATOs
 - Begin tracking
 - Report unusual behavior



Global CA Objectives

- RRP
- Regulatory
- Fiscal
- Illicit trade
- Normalization
- **CA capacity building** – new tools and stakeholders



Success factors in Corporate Affairs

**Ability to play the
political game**

**Sufficient
preparedness**



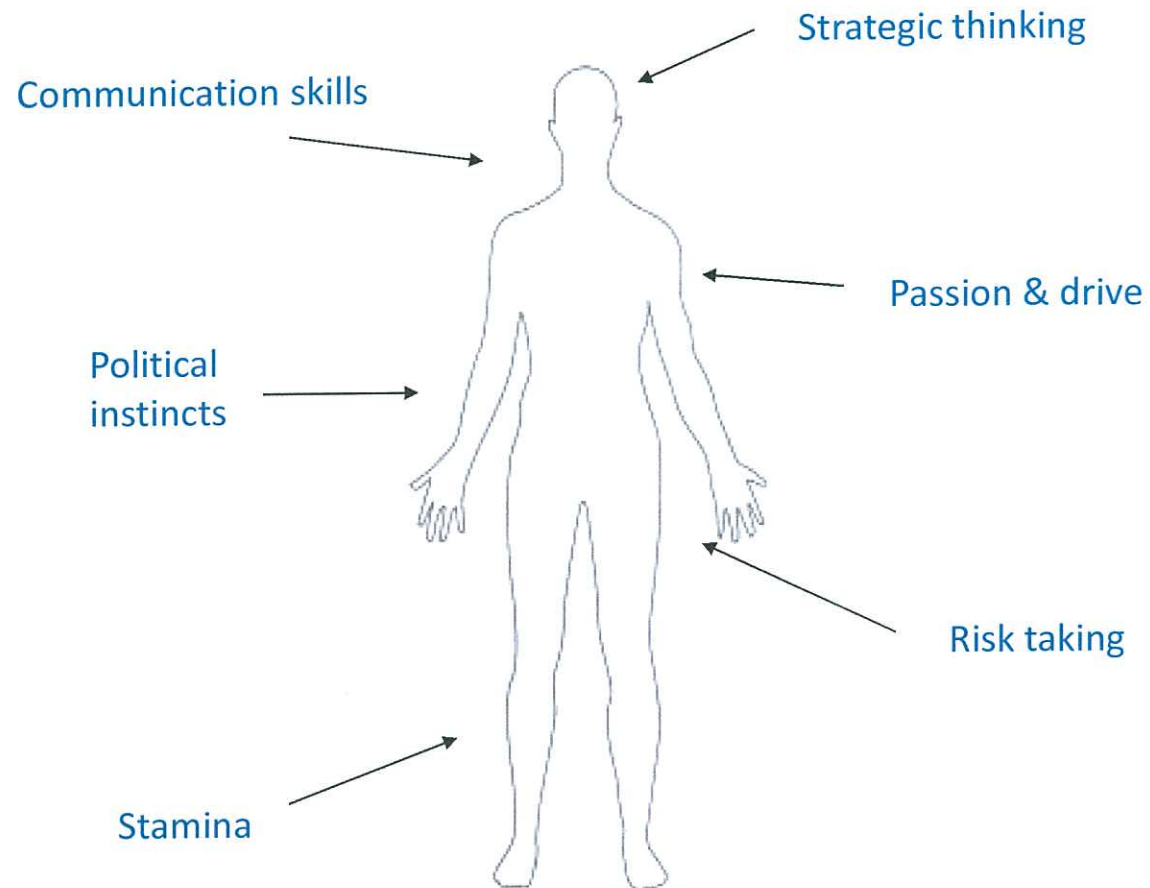
PHILIP MORRIS INTERNATIONAL

Playing the political game

- Political rationale ≠ business rationale
- Roadblocks are as important as solutions
- Find the broader public interest in our issues – it's not about tobacco
- Move tobacco issues away from MoH
- Find allies that cannot be ignored
- Allow for political cover and political wins
- All politics are local



The anatomy of today's CA people



The importance of being prepared

- Identify consumer needs
- Concept development
- Pack & product design
- Consumer research



Key Account listings

Retailer engagement

POS merchandising

Consumer engagement



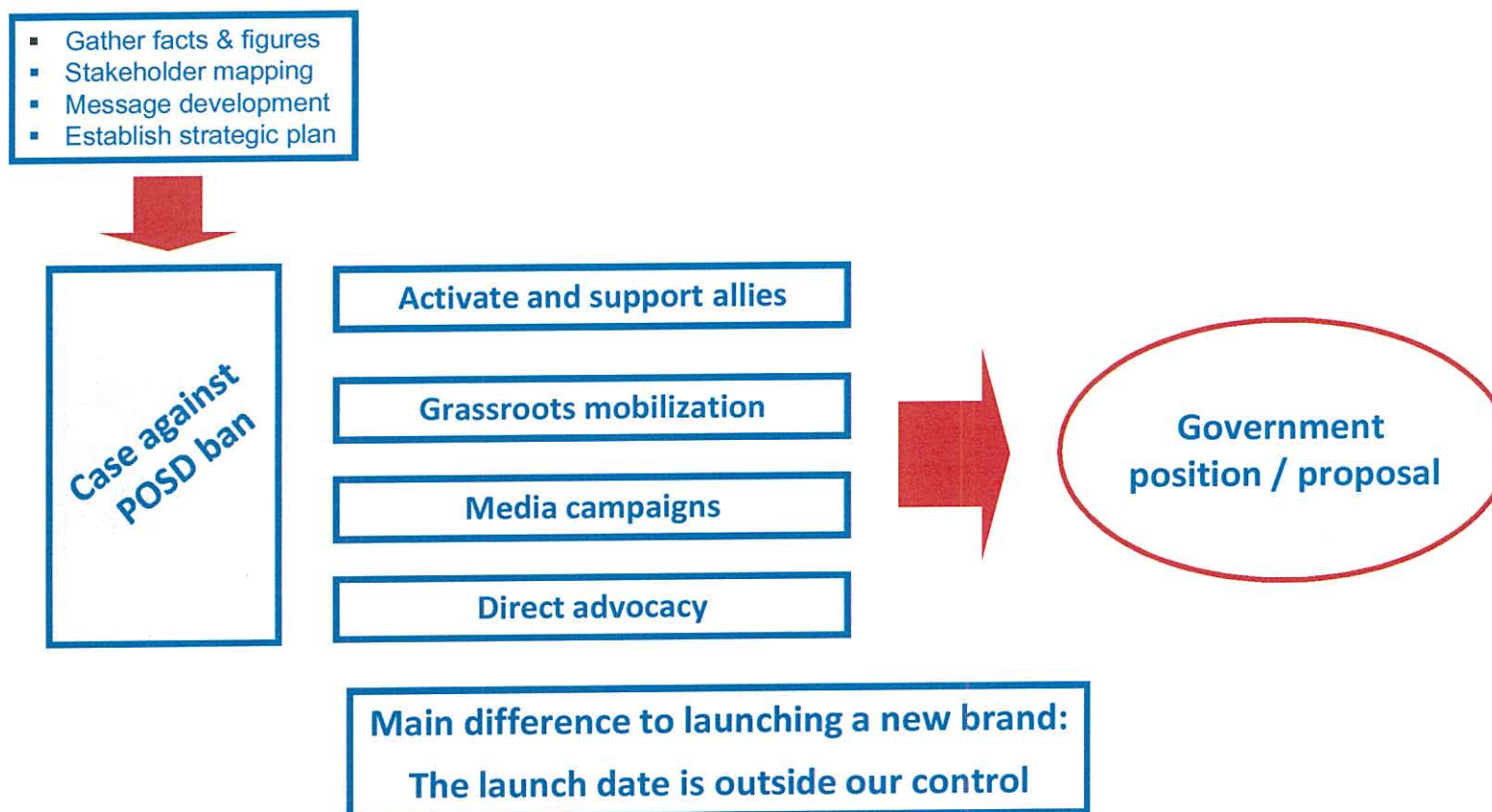
Consumer trial
and take-off



PHILIP MORRIS INTERNATIONAL

The importance of being prepared

A typical brand launch in CA



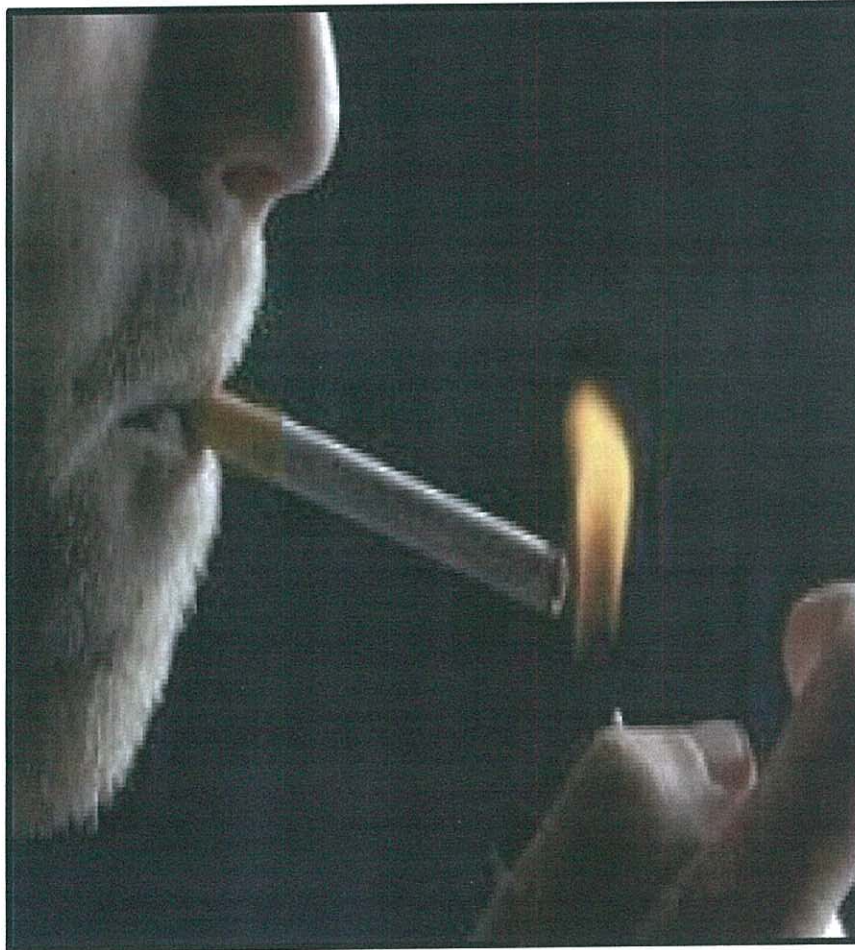
What are we aiming for?

No surprises	Political intelligence gathering	Early warning systems in place Right mindset – “Healthy paranoia”
Playing the political game	Full political engagement	Build allies across several ministries Ability to influence the influencers Complete political power map Speak the right language – be relevant
Shaping the public opinion	Media relations	Ability to find right spin Ability to sell stories direct & indirect Established relationships with: – Key reporters
Utilizing the low hanging fruit	Use our own people	Employees Distributors Suppliers
Alliance of credible messengers	Third party coalition building	Broad business organizations Trade & retailer organizations IPR, TM, & anti-counterfeiting orgs. Think-tanks and policy groups
Establishing a critical mass	Ability to mobilize broad groups	Retailer mobilization Grower mobilization Consumer mobilization Marketing & advertising organizations International trade bodies (e.g. EU)
Have the best expertise on our side	Effective use of consultants	Lobbyists Door-openers Strategists Spin doctors
The right messages	Market specific argumentation	One-liners for PMI and allies Message testing research Impact assessment studies Legal opinions



PHILIP MORRIS INTERNATIONAL

PMI's position on regulation



PHILIP MORRIS INTERNATIONAL

Health Effects of Smoking

Smoking causes serious disease and is addictive.

More than 5,000 chemicals -- or smoke constituents -- are formed when tobacco is burned. More than 100 of these smoke constituents have been identified by public health authorities as causes or potential causes of smoking related 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. In addition, smoking is addictive, and it can be very difficult to stop smoking.

These are the views of leading scientific and public health organizations around the world. They are also the views of Philip Morris International.

There are a broad variety of conventional combustible cigarette brands available on the market with varying features (style of the cigarettes, taste, tar or nicotine yields etc.). Smokers should not assume that any of these features means that one cigarette is less harmful or addictive than another.

For more detailed information about what scientific and public health organizations are saying about the health effects of smoking, please refer to the links on the right of this page.

Smoking causes serious disease and is addictive.

PMI's position on regulation

Philip Morris International (PMI) supports comprehensive regulation of tobacco products based on the principle of harm reduction.

To be effective, evidence-based regulatory policy must be based on evidence that will achieve its aim of improving public health. Regulatory measures 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, retailers, tobacco growers, consumers and other members of the tobacco supply chain. Regulatory policy must consider the potential to trigger adverse consequences which undermine public health objectives, such as increasing the demand for illicit cigarettes, other tobacco products, and/or cheap cigarettes.

While we support effective evidence-based tobacco regulation, we do not support regulation that prevents access from buying and using tobacco products or that imposes unnecessary impediments to the operation of the legitimate tobacco market. In that regard, we oppose measures such as standardized packaging (also known as plain or generic packaging), point of sale display bans, total bans on communications to adult consumers, bans on the use of all ingredients in tobacco products, other measures designed to standardize tobacco products or packaging, and proposals that prevent the development, marketing and sale of products that are proven to reduce the health risks of tobacco use.

Such prohibitionist policies severely restrict, if not eliminate, the ability of tobacco companies to compete. The consequences, which are often overlooked or ignored to the detriment of public health, include increases in the illegal tobacco market—a market that does not comply with regulations, including minimum age laws, and funds organized crime. As explained by John Whiting, Assistant Director of Criminal Investigations with Her Majesty's Revenue & Customs in the UK:

Tobacco smuggling is organised crime on a global scale with huge profits ploughed straight back into the criminal underworld, feeding activities like drug dealing, people smuggling, and fraud.

John Whiting
Assistant Director of Criminal Investigations with Her Majesty's Revenue & Customs in the UK

The focus of regulators, the public health community and legitimate tobacco companies should be on establishing regulatory frameworks based on the principle of harm reduction. They should include:

- 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; and
- regulations governing products that have potential to reduce risk.

We support:

Advertising and marketing restrictions
Public place smoking restrictions
Descriptor restrictions (e.g. 'low-tar,' 'light,' 'ultra-light,' 'medium' or 'mild')
Health warning labels
Ingredients testing and reporting
Regulation of "Reduced Risk Products"
Harm Reduction
Media and education campaigns on smoking
Youth access prevention programs

We do not support:

Plain packaging
Point-of-sale display bans
Excessive health warning sizes
Ingredients bans

Drivers of regulation

WHO
FCTC



Anti-tobacco
organizations

Bloomberg
Philanthropies

BILL & MELINDA
GATES foundation

Country
leaders



Canada



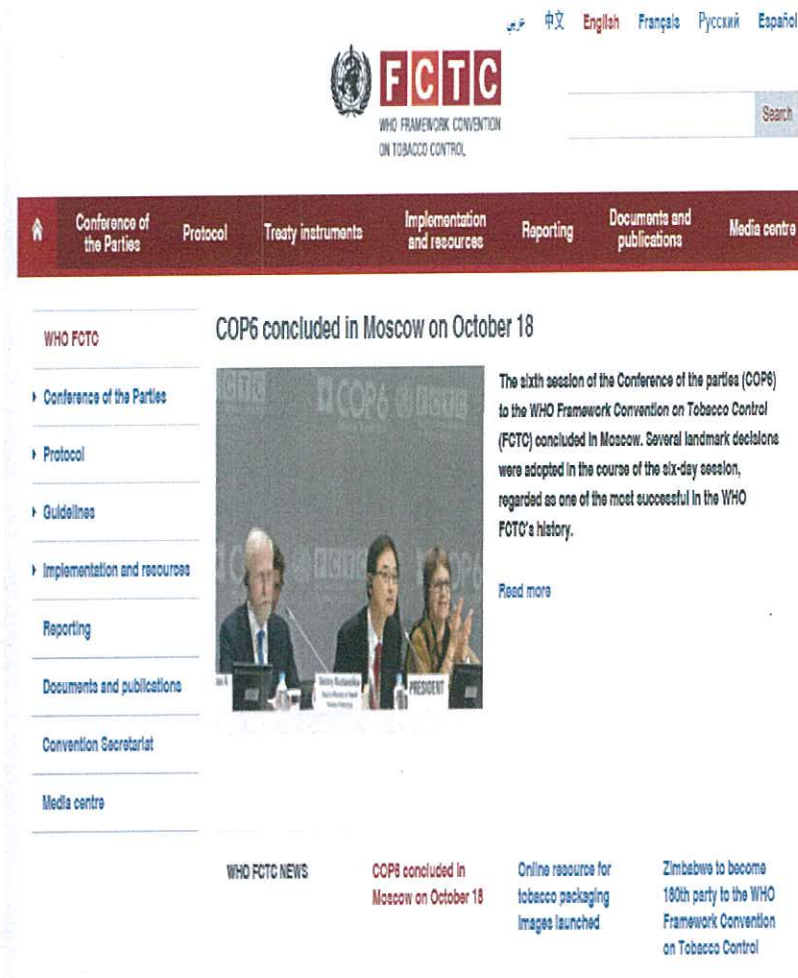
Australia

Big
pharma



PHILIP MORRIS INTERNATIONAL

FCTC: a regulatory runaway train



- PMI supported the enactment of the FCTC in 2003.
- However, **anti-tobacco extremists** within the WHO and the larger anti-tobacco community **expanded the original provisions of the FCTC** via issuance of guidelines / policy recommendations which are non-binding and increasingly **extreme** and **out of scope**.
- **Examples:**
 - **Extreme** – In CoP5, draft guideline proposed regulating seasons for planting tobacco; provisions applying a one-size-fits-all model in tobacco taxation
 - **Out-of-scope** – regulating ENDS in CoP6

FCTC: areas we support



- Laws that strictly prohibit the sale of tobacco products to minors
- Regulation of public smoking
- Mandate the placement of health warnings on tobacco product packaging
- Development of a regulatory frameworks to govern less harmful products
- Support the use of reasonable tax and price policies to achieve public health objectives provided that they do not result in increased illicit trade
- Media and education campaigns on smoking

FCTC: a regulatory runaway train



FCTC
WHO FRAMEWORK CONVENTION
ON TOBACCO CONTROL

- Public exclusion



- Media exclusion



- Groups denied observer status on the basis of suspicion (Eg. Interpol)



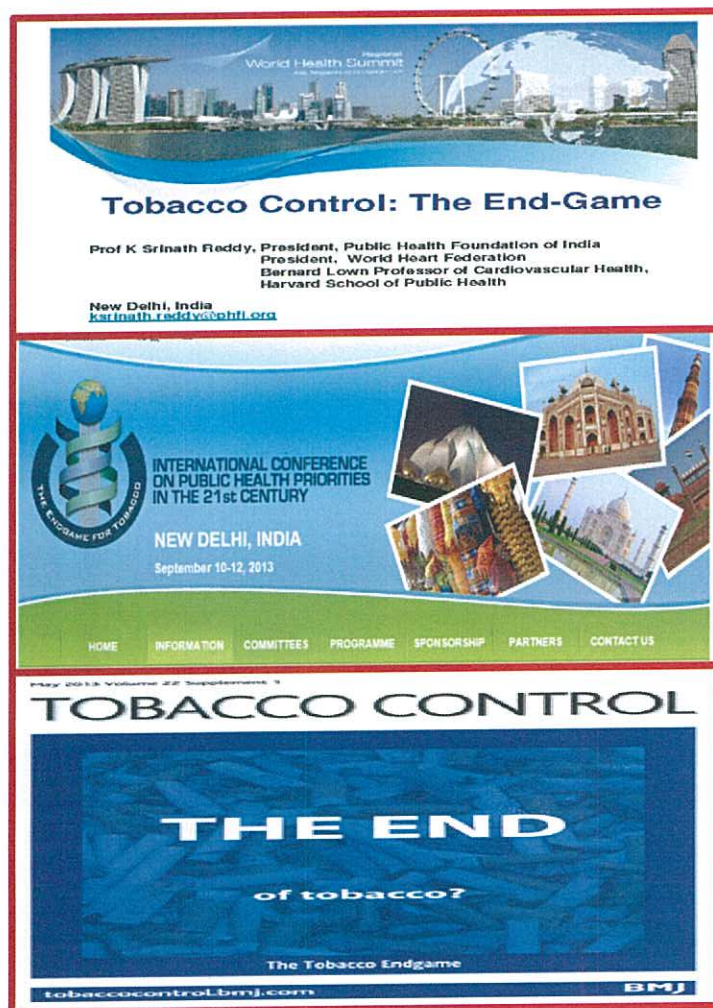
- Wi-Fi deliberately disconnected / delegates were incommunicado



- Health delegates without credentials were allowed entry and provided fake badges



FCTC and beyond: “Endgame” strategies



- E**xplore unique facets of the tobacco burden in low and middle income countries
- N**est tobacco control into the broader health and development agenda
- D**eliberate on ideas for tobacco endgame for global and regional translation
- G**ain global insights on current tobacco endgame theory and capacity needs
- A**ssess opportunities for collaboration and donor support for tobacco endgame interventions
- M**ake channels for knowledge sharing in tobacco endgame strategies
- E**nvision an effective way forward for a tobacco-free world

‘Endgame’ is a strategic plan to reduce prevalence within a set period (E.g. < 5% globally by the year 2025.)

- De-normalizing tobacco use

Proposed strategies:

- Phasing out tobacco usage, by proposing that individuals born in or after the year 2000 have their supply of tobacco restricted.
- Prohibition on sale of food items containing tobacco or nicotine as ingredients.

FCTC and beyond: “Endgame” strategies

The screenshot shows a blog post on the 'Public Health Expert' website. The header features the site's name in large blue letters with a row of stylized human figures in blue and yellow. The article title is 'Possible Strategic Approaches to Achieve the NZ Government's Smokefree 2025 Goal', posted on November 20, 2014, by Kate Sloane. The author is Associate Professor Nick Wilson. The post discusses previously published NZ-based modelling work on smoking trends and interventions. A 'smokefree' logo is visible at the bottom. The sidebar includes a search bar, a list of tags (e.g., alcohol, cancer, climate, diet, food, harm, reduction, health, inequalities, healthy, culture, eating, healthy), and a 'RECENT POSTS' section with a link to 'Divesting from fossil fuels - is this good for public health?'.

A study published in the New Zealand Medical Journal reveals that despite plain packaging and tax increases, tens of thousands of Kiwis will still be smoking by 2025.

Radical proposals to achieve NZ Smoke-Free 2025

- Tax increases (10% annually) + intensified existing evidence-based interventions
- Forcing tobacco firms to phase out nicotine
- Restricting tobacco sales to pharmacies
- Subsidizing less harmful alternatives such as e-cigarettes
- Profit tax*



PHILIP MORRIS INTERNATIONAL

Preparing for CoP7

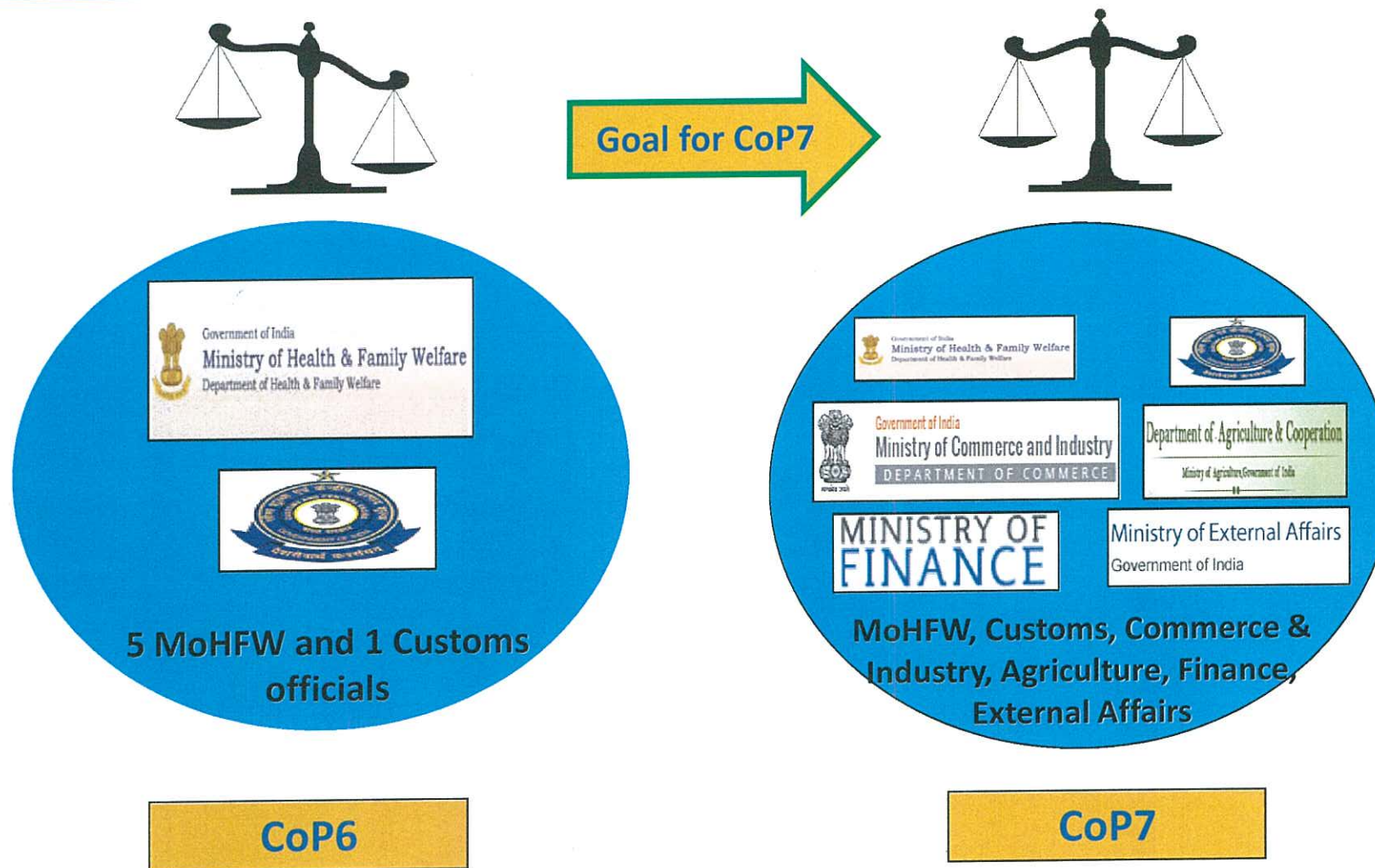


CoP7 will be held in India

- India **offered to host** the seventh session of the CoP in 2016 which was held in India in 2015.
 - There is no definite venue yet for CoP7 to be announced at the CoP6 in 2015.
- Host country provides logistical support (eg. Accommodation, transport arrangements, venue for meetings, visa services, etc.)
 - Host country's role vis-à-vis the agenda isn't clear.
 - Host country will be pressured for a tobacco control "announceable".



Push for a balanced delegation



It has happened in the past



Kondapi Tobacco Growers Association

N. MADHUSUDAN
P. N. REDDY
B. M. REDDY

2013

Mr. Anand Sharma
Hon. Minister of Commerce
Government of India
New Delhi

Subject: Inclusion of Tobacco Board representative in FCTC
Art. 17 & 18 working group

We have learnt that the working group that is going to draft the recommendations of Articles 17 and 18 which deal with tobacco crop size reduction and present it at the next FCTC CoP is in the process of being set up. It is noted that there is participation by representatives of the Indian tobacco growing community in the working group itself.

As you may be aware, the FCTC's 17th Conference of Parties (CoP) took place between 17th and 19th November 2012 in Seoul. It had members and guests from over 100 countries. India was represented by the tobacco farming community in India's delegation to the CoP. We were disappointed to see that our requests had not been included by your ministry.

The delegation from India, who had been sent to CoP to discuss upon the fate of the 60 million strong tobacco farming community in India, had little knowledge of the background of crop cultivation and agricultural conditions in India. This was obvious in the extreme and emotional position taken by them, needless to say, they had little respect from other signatories and were isolated in their position. As a result, the guidelines put forth by the working group at Articles 17 and 18 were determined in the FCTC. The general consensus among signatories is that the proposed guidelines were impractical and unreasonable.

This was a great relief for us. If the proposed guidelines had been accepted, the impact on our livelihoods would have been devastating. We would like to highlight that several large tobacco growing nations are not signatories to the FCTC. Thus, the extreme measures that were proposed would not have had the desired amount of tobacco demand for tobacco products, but would instead, just shift the source of supply from India to other countries. Our fate would not be someone else's gain.

THE FINANCIAL EXPRESS
Read to Lead

Farmers seek inclusion in global body on tobacco crop control

More than 2 lakh registered tobacco farmers from India have asked for representation in the global working group under the United Nations' Framework Convention on Tobacco Control (FCTC), which is expected to take up the issue of crop size reduction next year. Tobacco farmers organisations have pointed out that in the 5th Conference of Parties (CoP) under FCTC, held in November 2012 in Seoul, an agreement on reducing global crop size could not be arrived at due to lack of representation from farmers.

"India was represented only by health ministry officials, who have inadequate knowledge about the tobacco crop. This led to the FCTC seeking to reduce the tobacco crop size to reduce the crop size," said

The Tobacco Institute of India
Regd. Office: 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000

Shri Anand Sharma
Hon. Minister for Commerce & Industry
Government of India
New Delhi - 110 002

Subject: Inclusion of Tobacco Board representative in FCTC
Art. 17 & 18 working group

The 17th Conference of Parties of the Framework Convention on Tobacco Control (FCTC) ended in Seoul on 17th November 2012. The proposed guidelines on Articles 17 & 18, dealing with alternative crops to tobacco and tobacco's environmental impact, were discussed in the general consensus amongst CoP delegates was that they lacked practicality and were unreasonable.

This provided great relief to tobacco growers, in our country and all over the world, who were extremely concerned with the proposed guidelines. Had they been accepted, the proposals would have had a potentially devastating impact on the livelihoods of millions of growers, farm workers, and their families without having any effect on supply or consumption. And, therefore, no positive impact on the health objectives of the FCTC to reduce consumption.

The decision taken by CoP's 17th session to set up a new Working Group to go back to the original mandate, which was to help governments find alternative crops to tobacco, in case the demand for tobacco products declined due to measures taken under the FCTC.

CoP's 17th session also acknowledged the completely impractical nature of the proposed guidelines. This was primarily due to the absence of organisations/persons with domain knowledge (e.g. Farmer organisations, experts from the Commerce and Agriculture Ministries, etc.) amongst those who drafted the proposed guidelines.

A new phase begins now with the re-drafting of the proposed guidelines of Articles 17 & 18. We sincerely hope that the interests of the very large Indian tobacco farming community will be protected, including farmers' earnings from tobacco cultivation. It must be noted that we are still underrepresented in terms of identifying and developing economically viable alternatives that would support tobacco farmers and workers.

Business Line
Tobacco farmers peeved at no representation at WHO meet



Tobacco farmers are sulking at the Indian delegation, represented by the Health Ministry officials, supporting extreme regulations.
Hyderabad, Dec. 4:
Indian tobacco farmers are not happy. They say their repeated requests to include Agriculture and Tobacco Board at WHO Conference of Parties (CoP 5) held in ignored.
They were sulking at the Indian delegation, represented by the Health Ministry's tobacco crop through extreme regulations.

Magnum Sreenivasulu Reddy
MEMBER OF PARLIAMENT



7/1/2013 11:10:10
2nd Floor, Parliament
Opposite, Parliament
New Delhi
200002
200002
200002

18th December 2012

Dear Mr. Anand Sharma Sir,

Subject: Request for inclusion of Tobacco Board Representative in FCTC
Art. 17 & 18 Working Group - Reporting

I understand that the Working Group that is going to deliberate on Articles 17 and 18, which deal with tobacco crop cultivation for the CoP in 2014 is currently being constituted. It is crucial that there is participation by representatives of the Indian tobacco growing community in the Working Group for the time.

In this context, I had written to you previously on 17th November, 2012 requesting representation of tobacco farming community in India's delegation to the FCTC's CoP which took place in Seoul between 12th and 17th November, 2012. The tobacco farming community was very disappointed that all our requests and petitions to refer were not even as the delegation from India to the CoP was one-sided with representation from Ministries of Finance and Health only.

Lack of representation of the Indian tobacco farming community at the CoP resulted in the delegation from India proposing some extreme recommendations on crop size reductions. These recommendations are exceedingly detrimental for the 60 million strong tobacco farmers, farm workers and their families in India who are dependent on tobacco crop for their livelihood. Due to strong opposition for the Working Group's recommendations from countries like Brazil, Zimbabwe, Malawi, China, Vietnam etc., the FCTC has deferred any decisions on Article 17 and 18 till the CoP meeting in 2014 and approved the Working Group to go back to the original mandate.

Business Line

Indian farmers want say in global talks on tobacco crop control

K V KURMANATH

SHARE COMMENT PRINT

HYDERABAD, JAN. 23. Indian tobacco growers have asked the Government to ensure a berth for them in the global talks that seek to put a clamp on tobacco crop. Irked at not being taken as members of the Indian delegation at the recent talks at Korea recently, the tobacco growers demanded that they need to be heard as they are the key stakeholders.

They asked for representation in the Working Group being currently constituted to draft recommendations on Articles 17 and 18 of the Framework Convention on Tobacco Control (FCTC) at the 6th Conference of Parties (CoP 6) to be held next year.

These articles are aimed at reducing the tobacco crop size across the globe, keeping in view the resistance to this crop.

Engage the Prime Minister



Likely roles for PM Modi in CoP7:

- Attend the opening ceremony and deliver a speech
- Private meeting with WHO Dir. Gen. Dr. Margaret Chan

Engagements with PM Modi:

- Not to exclude media and the public
- Not to allow enactment of extreme anti-tobacco measures in the lead to CoP7

Ensure public/farmers are let in

In CoP6:

- The public – including farmers' organizations - were excluded from observing the proceedings.

Public exclusion



Ensure the media are let in

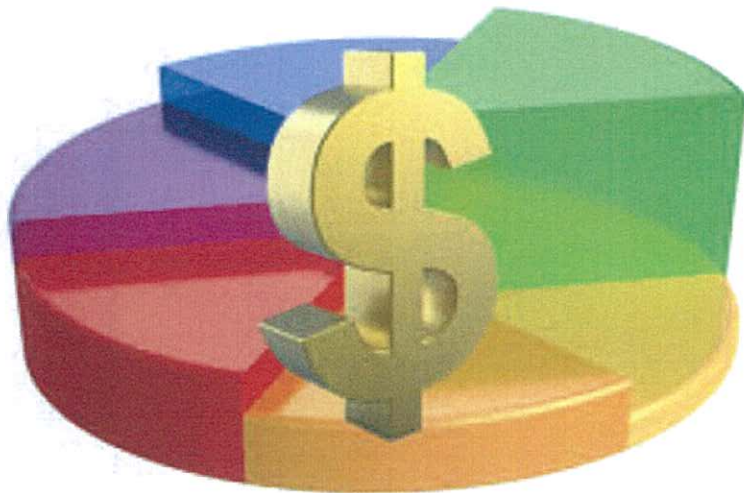
In CoP6:

- Media were also excluded starting on the 2nd day of the conference.
- No clear explanation was given except for the fact that they could have connections with the tobacco industry and therefore could undermine the items/decisions being discussed.

Media Exclusion



What CoP7 would require?



Learning from CoP6:

- PM Russia was responsible for hosting a Coordinating Room for 42 persons.
- This required the full time presence of 2 Managers and 2 CA executives who did nothing but run documents plus IS support.
- Tapping the resources of the PR team that helped arrange ITGA's news conference, etc.



What lies ahead

National plan

- Develop and execute a campaign to establish balanced positions and representation from India at COP meeting.
- Develop and execute a campaign to preempt Indian government's plans to use COP meeting as a platform for announcing new extreme regulation.

Support to global plan

- Identify opportunities for gathering intelligence during the COP meeting.
- Identify and coordinate with local media agency to:
 - support PMI's communications plan around COP meeting;
 - facilitate media engagement of third-party stakeholders (e.g. tobacco farmers, harm reduction advocates...) with reporters for international and local media; and
 - support the organization of potential stakeholder events around COP meeting.





PHILIP MORRIS INTERNATIONAL

The anti-tobacco movement

Changing our lexicon



Tobacco elimination not tobacco control



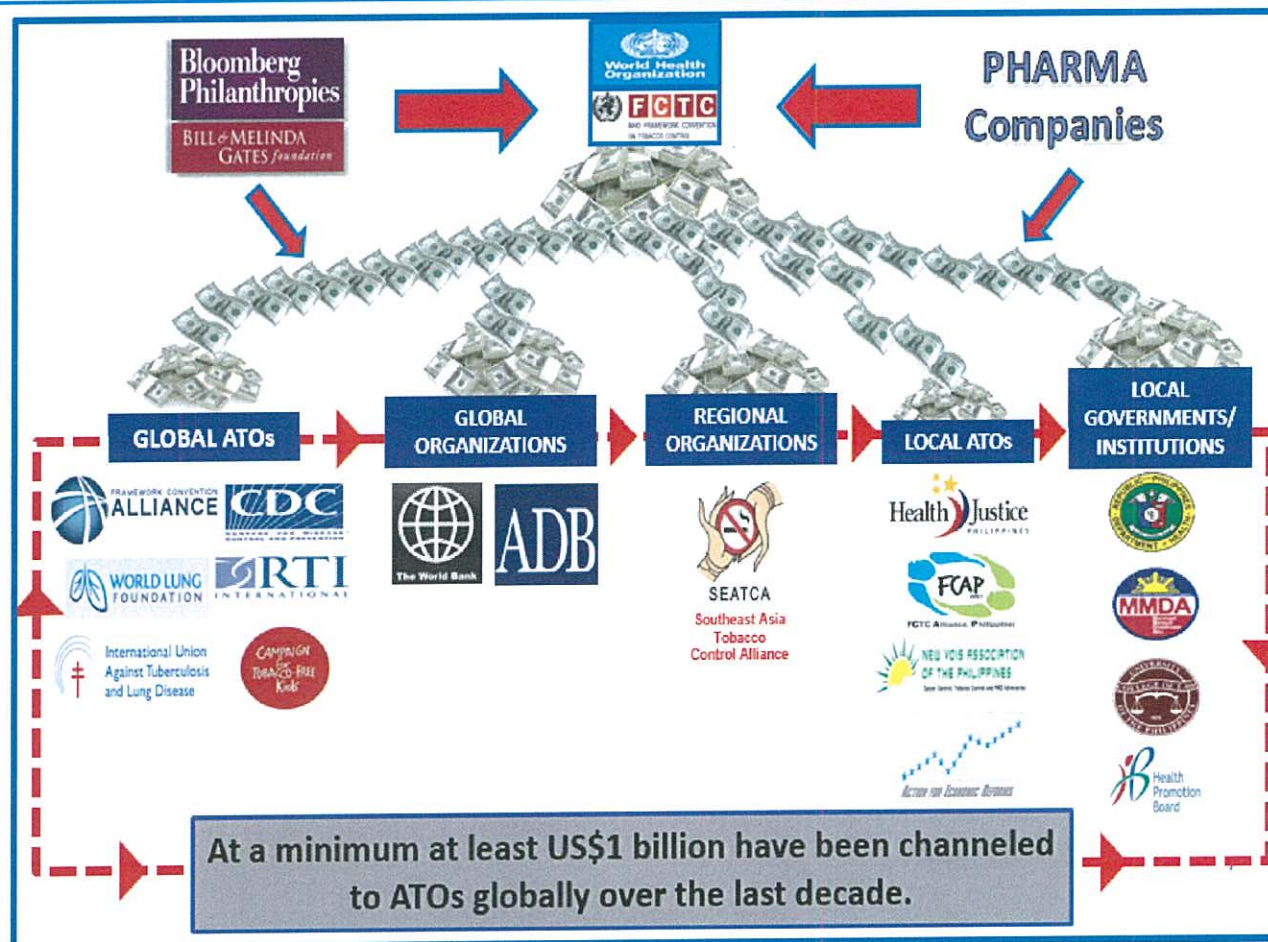
“The Conference built on the expanding global narrative of the tobacco endgame...”



PHILIP MORRIS INTERNATIONAL

Movement profile

Big



Big: Leading Indian ATOs



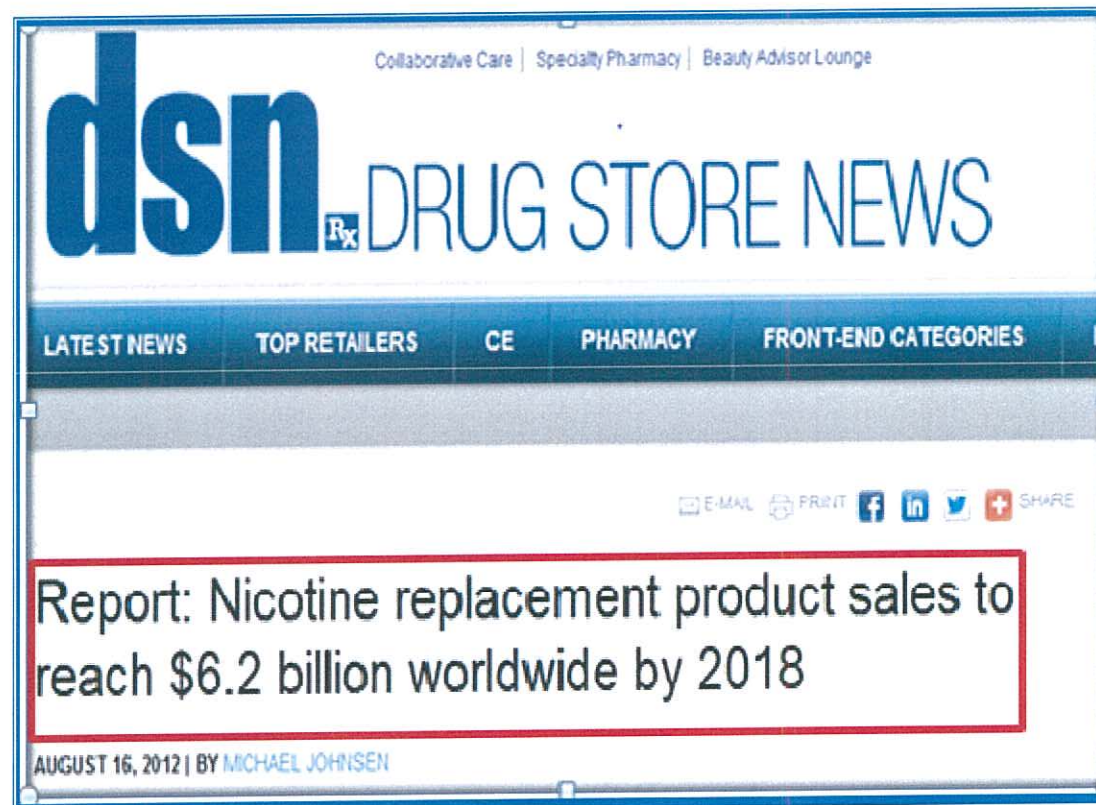
Organization	Founded in 1992, HRIDAY is a Delhi-based organization of health professionals, social scientists and lawyers, engaged in advocating various issues on health awareness among the youth. It is well connected domestically and abroad. In 2013, it was a major partner in the International End Game Conference held in New Delhi from September 10-12.
Activities	Information sharing to advance anti-tobacco objectives, coalition building, public health advocacy, conferences/workshops, media campaigns
Key issues	Tobacco control, alcohol control, diet and physical activity, diabetes, road safety, environment

Big: Leading Indian ATOs



Organization	VHAI is federation of 27 State Voluntary Health Associations, linking together more than 4500 health and development institutions across the country making it one of the largest health networks globally. Although a multi-issues organization, it devotes huge attention to tobacco control. It established the Resource Centre for Tobacco Free India which is an initiative to support a strong anti-tobacco lobby in India.
Activities	Information sharing to advance anti-tobacco objectives, coalition and capacity building, media campaigns, research, mass mobilizations
Key issues	Tobacco control, NCDs, COTPA amendments

Conflicted



Conflicted: the case of RWJF

The Robert Wood Johnson Foundation Financial Statements December 31, 2013 and 2012

The Robert Wood Johnson Foundation Statements of Financial Position December 31, 2013 and 2012

(in thousands)	2013	2012
Assets		
Cash and cash equivalents	\$ 494,621	\$ 508,349
Cash equivalents held as collateral	105,022	257,503
Investments at fair value		
Johnson & Johnson common stock	1,190,870	911,300
Other equity investments	7,175,997	7,106,125
Fixed income investments	326,465	626,945
Program related investments, net	18,172	10,032
Receivable on pending securities transactions	3,618	31,969
Investment redemption receivable	172,454	-
Investment purchase made in advance	10,000	-
Interest and dividends receivable	109	1,203
Contributions receivable	19,277	15,669
Other assets	52,164	52,639
Total assets	\$ 10,166,569	\$ 9,521,734

The Robert Wood Johnson Foundation Notes to Financial Statements December 31, 2013 and 2012

6. Investments

At December 31, 2013 and 2012, the cost and fair values of the investments are summarized as follows:

(in thousands)	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Johnson & Johnson common stock 13,000,000 shares in 2013 and 2012	\$ 11,063	\$ 1,190,870	\$ 11,063	\$ 911,300
Other equity investments				
Global equities	3,502,887	4,335,995	3,513,138	3,936,983
Alternative investments-limited partnerships	2,731,167	3,440,002	2,738,343	3,169,162
Fixed income investments	300,691	326,465	553,759	626,945
	\$ 6,545,808	\$ 9,293,132	\$ 6,816,303	\$ 8,644,370

RWJ Foundation owns 13,000,000 common shares of J & J valued at US\$1.2 Billion.

“Glocal”

	The Framework Convention Alliance (FCA) is a global organization working for the full implementation of the FCTC.
	Health Bridge is a Canadian-based international NGO that implements anti-tobacco projects and activities in Vietnam, India, and Bangladesh.
	The Campaign for Tobacco-Free Kids is a US-based ATOS that is active in international issues involving tobacco use.
	The International Union Against Tuberculosis and Lung Diseases is one of the major partners of the Bloomberg Initiative and it has managed over 110 projects approved in 33 countries.
	The World Lung Foundation is another major partner of the Bloomberg which collaborates with local ATOs and governments in countries worldwide.
	RTI International is a US-based research institution that conducts studies on wide-ranging topics including tobacco.
	CDC Foundation conducts the Global Adult Tobacco Survey (GATS) to monitor adult tobacco use, exposure to second-hand smoke, quit attempts, etc.
	Global Bridges is a US-based organization that lists the “building of global network of healthcare professionals and organizations” as one of its key objectives.
	The International Tobacco Control Policy Evaluation Project is a research institution which studies and surveys a variety of tobacco-related issues.
	The Institute for Health Metrics and Evaluation (IHME) is both a research organization and an academic department at the University of Washington. Its focus based on its website is health measurement tracking and health development.

“Glocal”: Americanization and professionalization



The screenshot shows the top navigation bar of the Campaign for Tobacco-Free Kids website. On the left is a red circular logo with the text "CAMPAIGN for TOBACCO-FREE Kids". To the right of the logo are two tabs: "UNITED STATES" and "INTERNATIONAL". Below these tabs is a horizontal menu with the following items: "> FACTS & ISSUES", "> TAKE ACTION", "> WHAT WE DO", "> WHO WE ARE", and "> MEDIA CENTER". The main content area is titled "Jobs" in red, followed by the job title "Country Director, Indonesia (Jakarta, Indonesia)" in bold. Below the title is a section labeled "Summary Description" which contains a paragraph of text about the organization's mission and the requirements for the position.

CAMPAIGN for TOBACCO-FREE Kids

UNITED STATES | INTERNATIONAL

> FACTS & ISSUES > TAKE ACTION > WHAT WE DO > WHO WE ARE > MEDIA CENTER

Jobs

Country Director, Indonesia (Jakarta, Indonesia)

Summary Description

The Campaign for Tobacco-Free Kids (CTFK) seeks nominations and applications for a strategic, seasoned, and politically astute Country Director to lead CTFK's efforts to promote strong tobacco control legislation and implementation in Indonesia. CTFK is a leading civil society organization dedicated to the fight to reduce tobacco use and its deadly toll in the United States and around the world. Qualified candidates will understand and have proven experience promoting policy change and will be a strategic partner to grantees, partners, and funders in preventing the devastating health impacts of tobacco use.

Professional



Dr. Judith Mackay
Asian Consultancy on
Tobacco Control



Dr. Ulysses Dorotheo
SEATCA



Dr. Prakrit Vathesatogkit
ASH Thailand



Dr. Margaret Chan
WHO



Prof. Simon Chapman
University of Sydney



Prof. Rob Moodie
University of
Melbourne



Dr. K. S. Reddy
HRIDAY-SHAN



Burdon
Rittiphakdee
SEATCA
Dr. Domilyn Villarciz
FCA

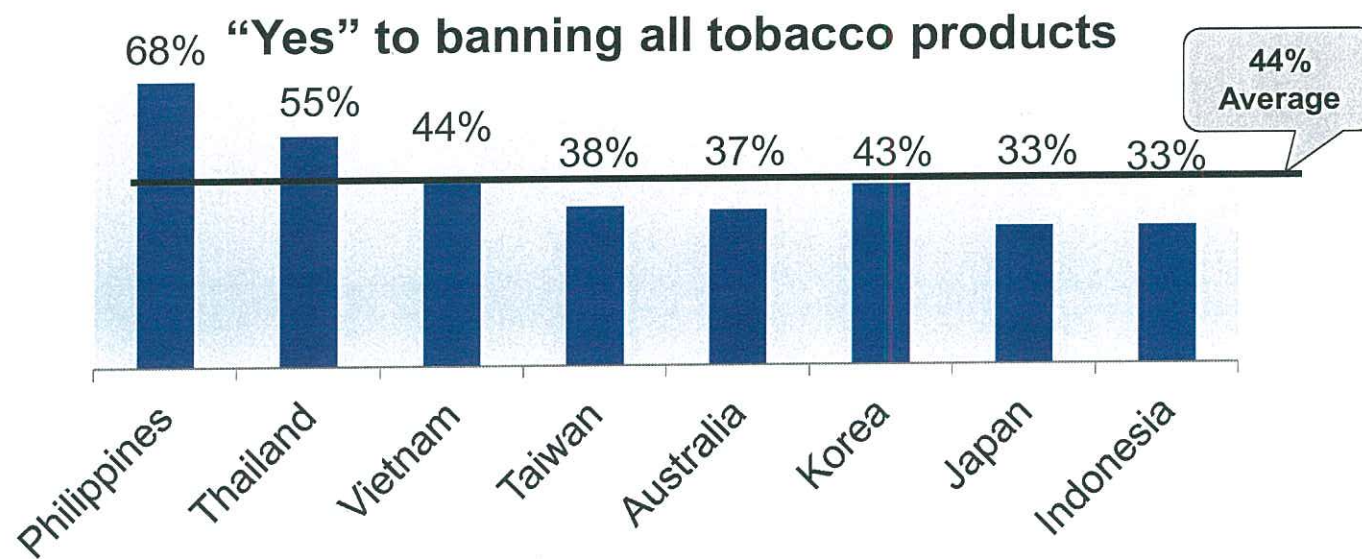
Predictable



“Popular”



Source: PMI CA Leading Indicator Monitor





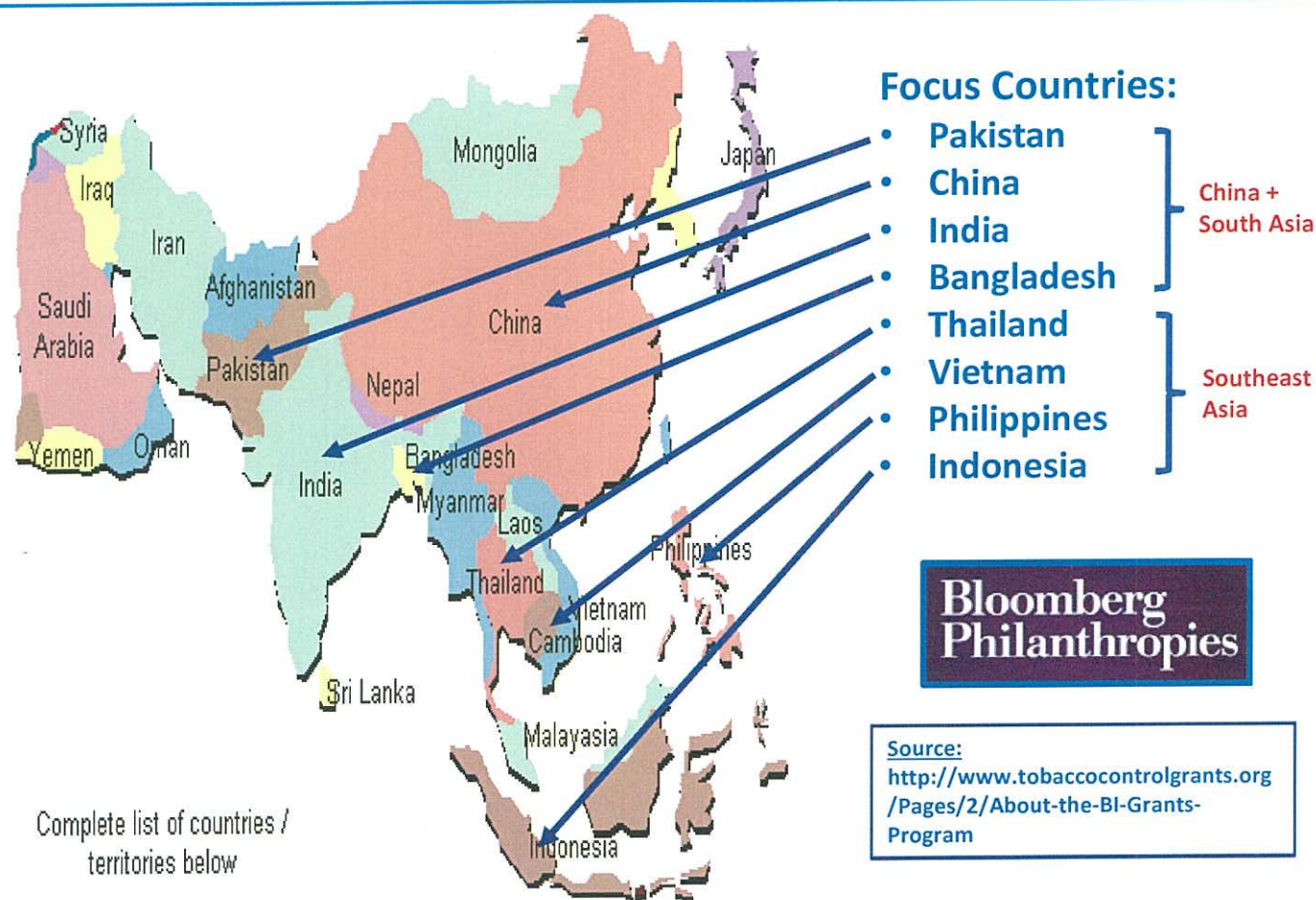
PHILIP MORRIS INTERNATIONAL

Movement strategies

Strategies overview

- ☐ Geographic focus
- ☐ Obstacles as defined by *them*
- ☐ Evolving strategies
 - ☐ Tax
 - ☐ Foreign aid
 - ☐ E-cigarettes and other reduced risk products

Geographic focus: Asia



No home country bias for Bloomberg

Bloomberg
Philanthropies

65%



From 2012-2014, Asia is the recipient of **65%** of Bloomberg's anti-tobacco funding.

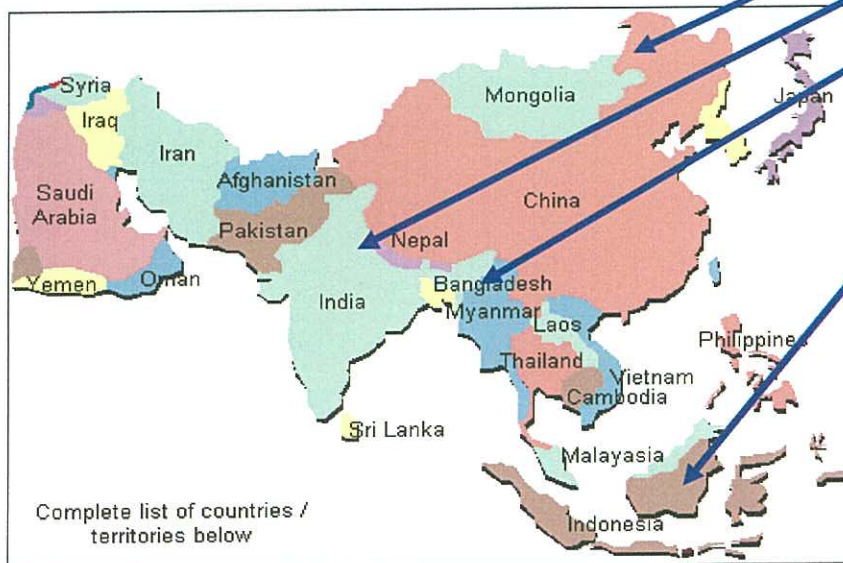
Bloomberg: tightening focus on CN, IN, BD, ID



**Bloomberg
Philanthropies**

New Roadmap, post-2013:

- Russia
- China
- India
- Bangladesh
- Indonesia



Complete list of countries /
territories below

Source:
<http://www.bloomberg.org/program/public-health/tobacco-control/#progress>

Bloomberg donations to Indian ATOs

GROUP	FOCUS	AMOUNT (US\$)
Population Services International	Smoke-free	220,000
Shikhsit Rojgar Kendra Prabandhak Samiti (SRKPS)	Capacity building	124,000
State Tobacco Control Cell - Gujarat	Tobacco control policy	103,101
Voluntary Health Association of India	Tobacco control policy	183,000
Healis- Sekhsaria Institute for Public Health	Gutka ban	28,460
HRIDAY	Tobacco control policy	140,000
Directorate of Public Health and Preventive Medicine, Government of Tamil Nadu	Tobacco control policy	162,000
Madhya Pradesh Voluntary Health Association	Smoke-free	213,027
Institute of Public Health - Karnataka	Tobacco control policy	135,693
Kerala Voluntary Health Services	Smoke-free	97,000
Voluntary Health Association of India	Tobacco control policy	253,385
Rajasthan Voluntary Health Association, Jaipur	Tobacco control policy	134,550

Bloomberg donations to Indian ATOs

GROUP	FOCUS	AMOUNT (US\$)
Himachal Pradesh Voluntary Health Association	Tobacco control policy	212,073
Population Services International	Tobacco control policy	219,975
Socio Economic and Educational Development Society (SEEDS)	Smoke-Free and Capacity Building	127,000
State Anti-Tobacco Cell - Karnataka	Tobacco control policy	222,348
Depa		
Mizo		
Heali		
The U		
The Union South-East Asia Office	tobacco control policy	42,255
Uttar Pradesh Voluntary Health Association	Smoke-Free	165,000
Voluntary Health Association of Assam	Capacity building and Tobacco control policy	83,486
Institute of Public Health - Karnataka	Tobacco Control Policy	173,744
Voluntary Health Association of India	Tobacco control policy	218,685
TOTAL BLOOMBERG DONATIONS		3,966,458

**From 2012 to present approximately
US\$4 million were channeled to Indian
ATOs**

Obstacles as defined by ATO leaders

- ☐ Political preoccupation with other issues, e.g. GFC.
- ☐ Reports of tobacco tax revenue but not social costs.
- ☐ Misperceived concerns about economic losses.
- ☐ Cross pressures due to the presence of state tobacco companies.
- ☐ Domestic litigation and the use of trade and investment treaties.

ATOs' strategies

- ☐ Continued industry de-normalization
- ☐ Fiscal and economic strategy
 - Socio-economic costs of tobacco farming
 - Crop diversification and alternative employment
 - Economic benefit analysis of tobacco, e.g. tax + jobs
- ☐ Foreign aid strategy
 - National development plans
 - UN Development Assistance Framework
 - UN Millennium Development Goals
 - “Cash on delivery aid” *aka* rewards
- ☐ E-cigarettes strategy
- ☐ Integrating tobacco control with other NCD priorities
- ☐ Bolstering funding for ATOs

Increasing ATO focus on political and fiscal issues

“A new framework is needed...moving from a purely medical perspective to a perspective that incorporates political, economic and financial considerations.”

Tobacco control in Asia

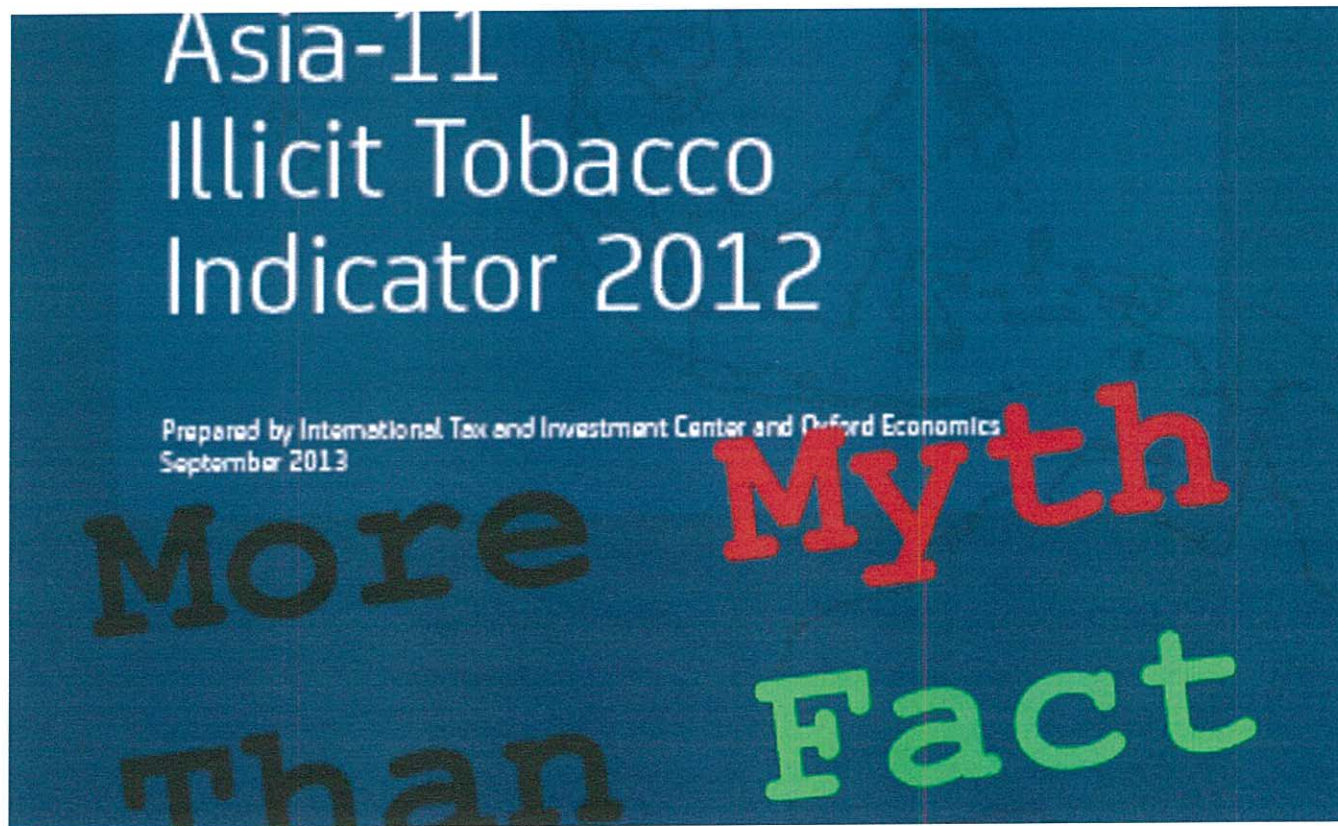
May 2013

McKay, Ritthiphakdee, Reddy,

For the first time in 27 years, a tax focus for WNTD

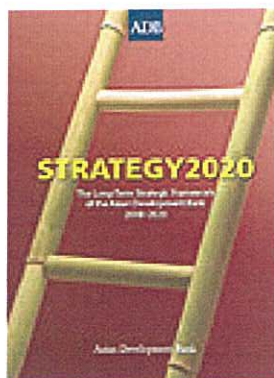
- 2014 - Raising taxes on tobacco
- 2013 - Ban on tobacco advertising, promotion and sponsorship
- 2012 - Tobacco industry interference
- 2011 - The Framework Convention on Tobacco Control
- 2010 - Gender and tobacco with an emphasis on marketing to women
- 2009 - Tobacco Health Warnings with emphasis on picture health warnings
- 2008 - Tobacco Free Youth (Break the tobacco marketing net)
- 2007 - Smoke-Free Environments
- 2006 - Tobacco: Deadly in any form or disguise
- 2005 - The role of health professionals on tobacco control
- 2004 - Tobacco and Poverty: A vicious cycle
- 2003 - Tobacco free film, Tobacco free fashion
- 2002 - Tobacco-free sports: Play it clean
- 2001 - Second-hand smoke kills. Let's clear the air.
- 2000 - Entertainment and Tobacco Promotion---Countering the Deception
- 1999 - Leave the Pack Behind
- 1998 - Growing up without tobacco
- 1997 - United for a tobacco free world
- 1996 - Sport and art without tobacco: play it tobacco free
- 1995 - Tobacco costs more than you think
- 1994 - Media and tobacco: get the message across
- 1993 - Health services: our windows to a tobacco free world
- 1992 - Tobacco free workplaces: safer and healthier
- 1991 - Public places and transport: better be tobacco free
- 1990 - Childhood and youth without tobacco: growing up without tobacco
- 1989 - Women and tobacco: the female smoker as added risk
- 1988 - Tobacco or Health: choose health

Attacks on our fiscal arguments and allies



Fiscal and economic strategy: PH sin tax debate

2008



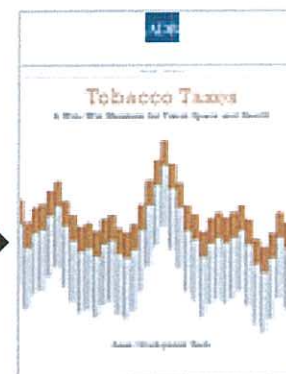
The word “tobacco” does not appear even once in ADB’s long range strategic plan to alleviate poverty.

2010-2011



WHO SEARO identifies ADB as a “priority” target for “regional advocacy”.

2012



ADB releases report calling higher tobacco taxes a “win-win” measure for fiscal space and health.

Fiscal and economic strategy: sustained pressure

Philippine sin tax experience offers lessons for East Asia region – global panel

MANILA – The “seven wins” of the Philippines’ sin tax law for the youth, the poor, health, economy, farmers, governance, and future are now raising the interest of international organizations and other governments in the Asia-Pacific Region.

This was a central theme that emerged in a recently-concluded East Asia and Pacific Regional workshop on Tobacco and Alcohol Tax Reform held last week at the Sofitel Hotel, Manila.

“Tobacco (and alcohol) taxation is truly a win-win policy. A win for revenues, and a win for public health. Tobacco kills 5.4 million persons worldwide every year. Unless urgent action is taken, the annual death toll can rise to more than 8 million by 2030. The reason why so many of us attended the workshop reflects the importance and urgency of the issue – as well as the effectiveness of taxation as an instrument in reducing it,” said Jim Brumby, World Bank Sector Manager for Poverty Reduction and Economic Management.

“I would like to acknowledge the monumental success of the Philippine government in pushing through with the sin tax reform. The workshop was held here in the Philippines in large part because of the interest that countries in the region—and beyond—have shown in these reforms,” Brumby said.

The regional workshop was organized by the World Bank—with the support of international organizations such as the World Health Organization, the Asian Development Bank, the Campaign for Tobacco Free Kids, the Southeast Asia Tobacco Control Alliance, and the International Union against Tuberculosis and Lung Disease—and was attended by government officials and civil society representatives from ten Asia-Pacific countries.

In the workshop, Department of Health (DOH) Secretary Enrique Ona lauded the first year of implementation of R.A. 10351 for bringing about the “largest financing growth in the history of the Department”—a 57.9-percent expansion in the DOH’s 2014 budget over that in 2013.

“It is still too early to determine the public health impact of RA 10351, but this has greatly increased excise tax collections translating into a significant increase in funding for our health programs,” Secretary Ona said. “The future looks bright for our program of Kalusugang Pangkalahatan or universal health care. The expanded fiscal space for health has already allowed us to enrol an additional 9.5 million families for 2014 to the National Health Insurance Program.”



THE WORLD BANK



World Health Organization



International Union
Against Tuberculosis
and Lung Disease



Australian Government

Department of Foreign Affairs and Trade

Foreign aid strategy: messaging

**“Alarming smoking habits
in poor nations”**

Financial Express, India
18 August 2012

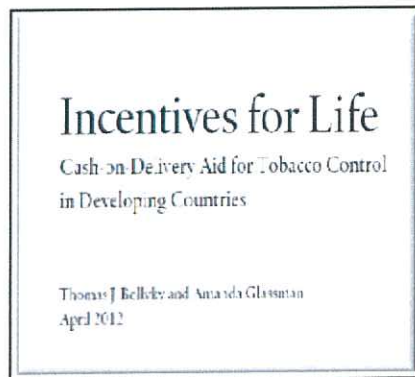
- **Aspirational messaging to political elites:** high smoking rates are endemic to developing societies; part of the journey to becoming economically and politically independent is to reduce tobacco use.

Foreign aid strategy: the cash *quid pro quo*



Tonga

Foreign aid strategy: cash on delivery



- COD is an “outcome driven bottom-up approach” to FCTC implementation.
- Funder and recipient enter into a contract where parties agree to a desired outcome and fix a payment for each unit of confirmed progress.
- Stages of achievement trigger certain sums of aid money.
- The recipient is free to spend payment according to its own need.

E-cigarettes strategy: attack industry, play to fear

- ❑ “1950s and 1960s” marketing
- ❑ Dual use leads to heavier smoking, inhibits quitting
- ❑ Not proven to help people quit

Background Paper on E-cigarettes (Electronic Nicotine Delivery Systems)



Rachel Grana, PhD MPH
Neal Benowitz, MD
Stanton A. Glantz, PhD

Center for Tobacco Control Research and Education
University of California, San Francisco
WHO Collaborating Center on Tobacco Control

Prepared for
World Health Organization
Tobacco Free Initiative

December 2013

WHO activity

**Background Paper on E-cigarettes
(Electronic Nicotine Delivery Systems)**



WHO FRAMEWORK CONVENTION
ON TOBACCO CONTROL

April 13, 2014 5:41 pm

**WHO plans to regulate e-cigarettes in
same way as normal tobacco**

By Duncan Robinson in London and Shannon Bond in New York

Electronic cigarette users are set to be banished to the pavement alongside their tobacco-smoking cousins – and face similar hefty prices – if the World Health Organisation pushes ahead with plans to regulate e-cigarettes in the same way as normal tobacco.

Leaked documents seen by the Financial Times revealed that parts of the WHO are keen to classify the battery-powered devices as tobacco under the Framework Convention on Tobacco Control, a WHO treaty that obliges governments to curtail smoking rates across the globe.

Rachel Grant
Neal Benowitz
Stanton A. Glantz
Center for Tobacco Control
University of California
WHO Collaborating Center
Prepared for
World Health Organization
Tobacco Framework Convention
December 2013

- Same restrictions as for conventional cigarettes for public place use, minimum age, sale, advertising
- Ban use of characterizing flavors, co-branding, dual-use marketing, unsubstantiated cessation claims
- Regulate e-cigarettes to set standards for product performance in order to minimize risks to users and bystanders, with the fresh air as the relevant comparator, not cigarette smoke
- Address consumer refillable e-cigarettes
- No country should be compelled to permit the sale of e-cigarettes

Divided public health community

The New York Times

A Hot Debate Over E-Cigarettes as a Path to Tobacco, or From It

Dr. Michael Siegel, a hard-charging public health researcher at Boston University, argues that e-cigarettes could be a beginning of the end of smoking in America. He sees them as a disruptive innovation that could make cigarettes obsolete, like the computer did to the typewriter.

But his former teacher and mentor, Stanton A. Glantz, a professor of medicine at the University of California, San Francisco, is convinced that e-cigarettes may erase the hard-won progress achieved over the last half century in reducing smoking. He predicts that the modern age gadgetry will be a glittering gateway to the deadly, old-fashioned habit for children, and that adult smokers will stay hooked longer now that they can get a nicotine fix at their desks.

The attack on 'heat not burn' has yet to begin



HEALTH WARNING TO BE PLACED HERE



PHILIP MORRIS INTERNATIONAL

Summary

The good news

- ❑ The ATOs' pivot towards political, economic and fiscal arguments suggests that **we're on the right track** with our government affairs, fiscal affairs and communications strategies.
- ❑ The ATOs will find it much harder to fight on profound questions of economics, law, intellectual property, agronomy and constitutional rights.
- ❑ On e-cigarettes and other reduced risk products:
 - We've got a great story to tell;
 - There are divisions within the anti-tobacco movement; and
 - E-cigarette users are more willing to fight back than smokers.
- ❑ ATOs play weak defense.

Gaps remain

- ❑ ATOs still have considerable political capital that has been built up over the years and a significant financial advantage.
- ❑ Our CA presence/ability to execute is limited in 3 key ATO target markets: India, Bangladesh and China.
- ❑ We're still building ASEAN-wide counterweights to SEATCA, the major ATO in Asia.
- ❑ We lack ideological think tanks and taxpayers' organizations in many markets.

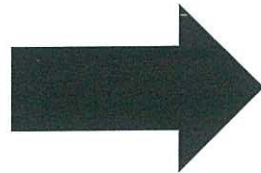


PHILIP MORRIS INTERNATIONAL

Plain packaging

What is plain packaging?

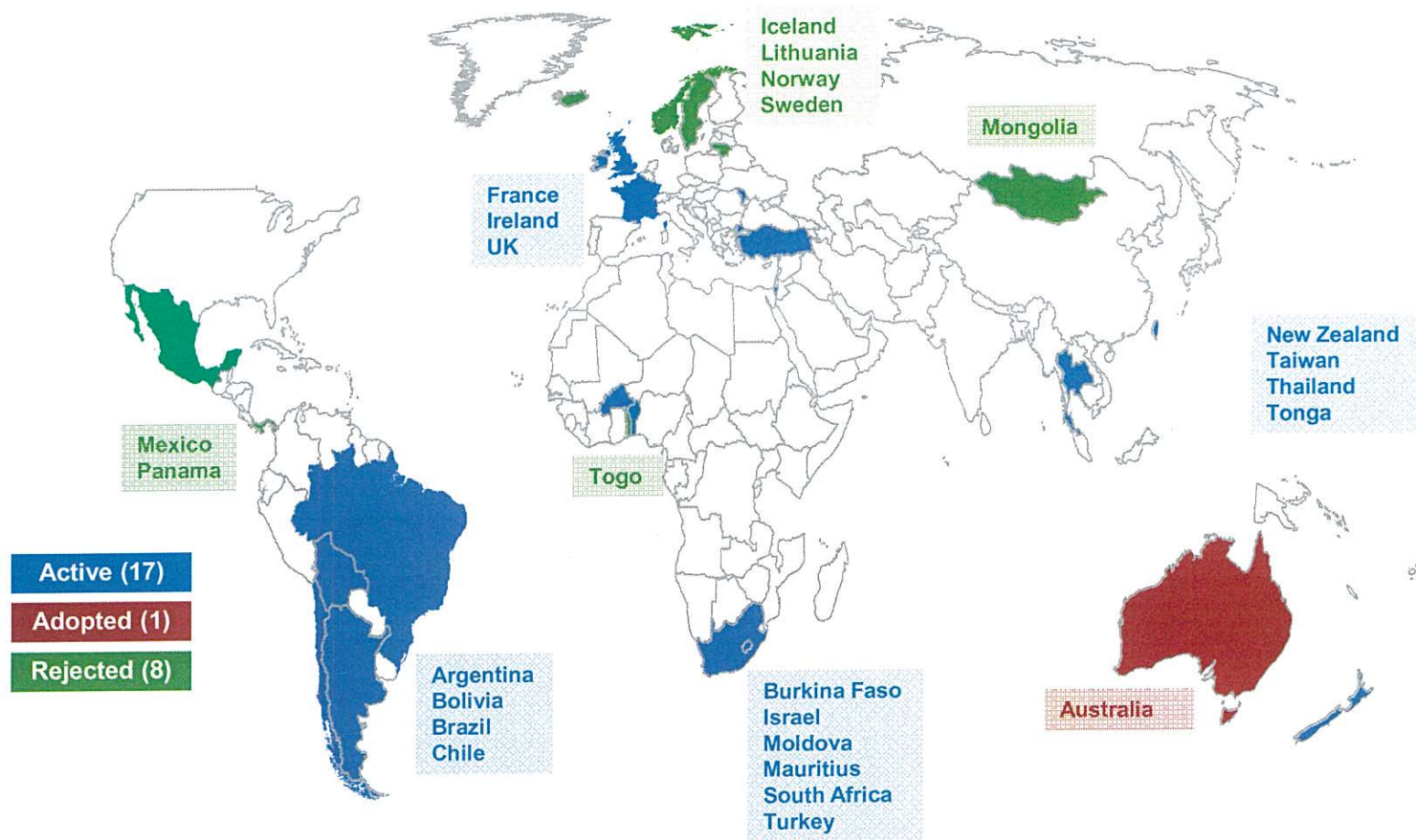
Plain packaging bans the use of all design and branding features from all tobacco packaging, including the stick.



The face of tobacco retail in Australia under PP



Plain packaging threats are spreading



Draft – Confidential for discussion purposes only

Rationale

Objectives of plain packaging

(a) reduce the appeal of tobacco products to consumers



Objectives of plain packaging

(b) increase the effectiveness of health warnings on the retail packaging of tobacco products



Objectives of plain packaging

(c) reduce the ability of the retail packaging of tobacco products to mislead consumers about the harmful effects of smoking or using tobacco products.



What they promised



Former AU Health Minister Tanya Plibersek

"Plain packaging was as much about stopping our kids from taking up smoking as it is about encouraging existing smokers to quit. xxx We are confident that plain packaging will reduce the number of smokers in the future."

Section 3 (1), Chapter 1 of the *Tobacco Plain Packaging Act of 2011*, states:

"The objectives of this Act are:

(a) to improve public health by:

- (i) discouraging people from taking up smoking, or using tobacco products; and
- (ii) encouraging people to give up smoking, and to stop using tobacco products; and
- (iii) discouraging people who have given up smoking, or who have stopped using tobacco products, from relapsing; and
- (iv) reducing people's exposure to smoke from tobacco products; xxx"



PHILIP MORRIS INTERNATIONAL

It hasn't worked

It hasn't worked



Australian Government
Australian Institute of
Health and Welfare

AIHW

Authoritative information and statistics
to promote better health and wellbeing

The **National Drug Strategy Household Survey 2013** confirms reports:

- The decline in daily smoking rates between 2010 and 2013 from **15.1% to 12.8%** is “continuing a downward trend from 1991”, i.e. the same trend as before plain packaging was implemented.
- Plain packaging has had **no impact on the objective to reduce youth smoking prevalence**. Youth smoking prevalence **increased** between 2010 and 2013. After a decade of declining, the **NDSHS data report smoking rates** among the 12-17 years olds **going up from 2.5% in 2010 to 3.4% in 2013**.
- Health warnings motivated significantly fewer smokers to change their behavior in 2013 after plain packaging was implemented (11.1%) than in 2010 before it was implemented (15.2%).

It hasn't worked



The Plain Truth about Plain Packaging: An Econometric Analysis of the Australian 2011 Tobacco Plain Packaging Act



Sinclair Davidson¹ and Ashton de Silva²

- There is no empirical support for the plain packaging policy. To date, the 'success' of the plain packaging policy has rested on very imperfect indicators – for example, the number of individuals calling Quit services and the like.
- There is no evidence to suggest household expenditure on tobacco has changed. From an economic perspective, plain packaging could lead to increased tobacco consumption.
- There is evidence to suggest that tobacco consumers are substituting to cheaper brands of cigarette.
- To the extent that branding disappears it also becomes easier for counterfeit or illegal tobacco to enter the Australian market.

It hasn't worked

The Sydney Morning Herald

“Teenagers in NSW are purchasing illegal, original-branded cigarette packets, claiming the original packaging makes them “cooler”.”

Fifteen-year-old student Rosie said the original packaging detracted from the effectiveness of plain packaging.

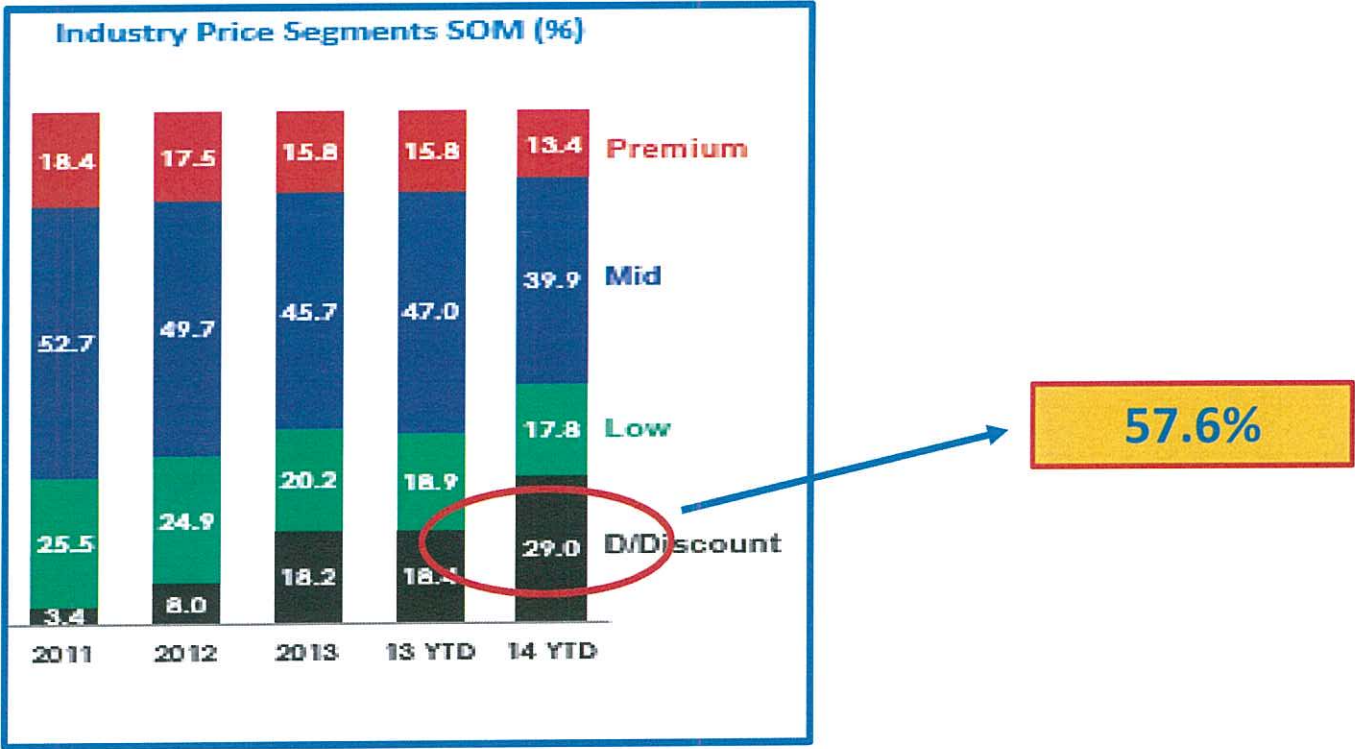
“It just makes people more excited about original packaging,” she said, “It helps that they are cheaper.”



PHILIP MORRIS INTERNATIONAL

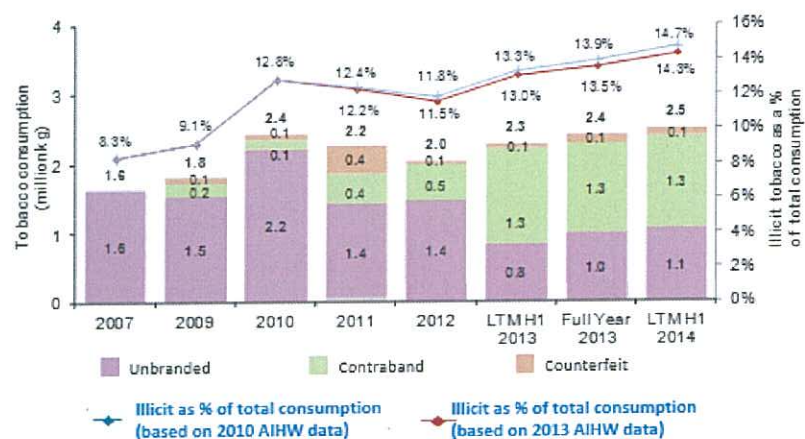
Significant impact on the industry

Price segments reflecting consumer switching behaviour

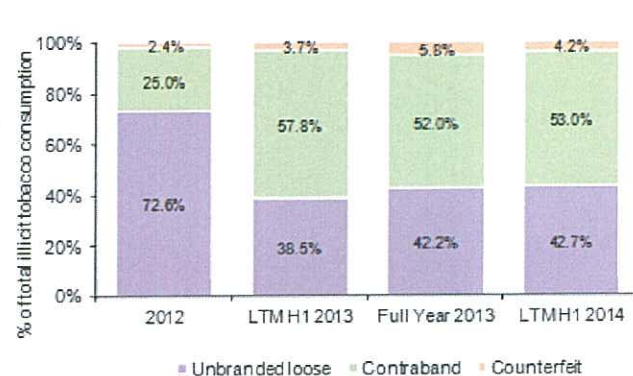


Changing mix of illicit

Consumption of illicit tobacco products by category, 2007 – 2013^{(1)(2)(3)(4)(a)(b)}



Share of illicit tobacco consumption, 2012 – LTM H1 2014⁽¹⁾⁽²⁾⁽⁴⁾



Notes: (a) Counterfeit and contraband estimations are unavailable for 2007
 (b) The 2012, LTM H1, FY 2013 H1 2014 results for illicit are calculated using the consumer survey for unbranded and the empty pack survey for contraband and counterfeit

Sources: (1) KPMG analysis
 (2) Deloitte, *Illicit Trade of Tobacco in Australia*, 2010, 2011, 2012
 (3) PriceWaterhouseCoopers, *Australia's Illegal Tobacco Market*, 2007, 2009
 (4) MSIntelligence Research, *Empty pack survey*, Q2 2013 and Q4 2013



PHILIP MORRIS INTERNATIONAL

Trade and financial risk

Trade and financial risk

2. Australia's Plain Packaging Arbitration: The Investor/State Dispute Mechanism under the Australia- Hong Kong Bilateral Investment Treaty (BIT)



BIT Case

- Could reach as high as US\$4 billion to US\$5.3 billion – **the biggest claim against Australia so far.**
- Decision on jurisdiction – **2nd half of 2015**
- Decision on the merits - **2017**

3. Australia's Plain Packaging Litigation: Challenges through the WTO

- Indonesia, Ukraine, Honduras, the Dominican Republic, and Cuba are seeking WTO dispute panel rulings arguing Australia's plain packaging law violates global trade rules.
- Challenges to plain packaging under WTO Law under:
 - the General Agreement on Tariffs and Trade (GATT) 1994.
 - the Agreement on Technical Barriers to Trade (TBT).
 - the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS).
- The complaints by all five countries against Australia are ongoing.
 - The WTO Director-General established dispute panels for the five countries on May 5, 2014.
 - Challenges to plain packaging have drawn the support of US business groups like the US Chamber of Commerce, the National Association of Manufacturers, and the United States Council for International Business.

WTO Cases

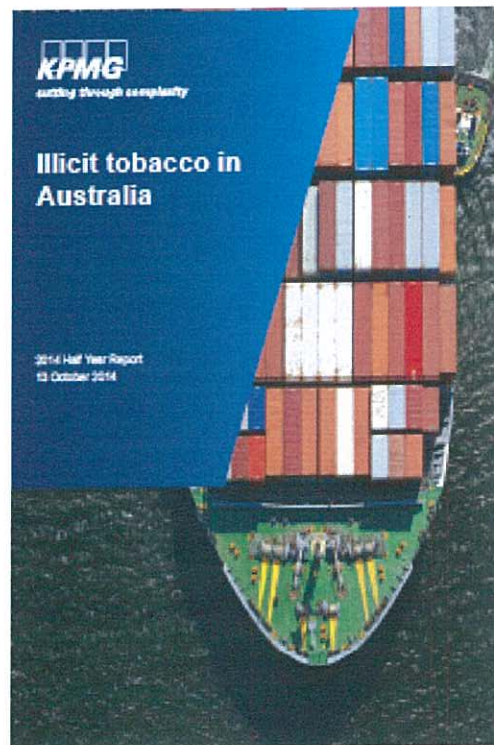
- **AU faces a lose-lose situation:** If it loses, it should repeal the PP law or face retaliation. If it wins, PP is legitimized and could be imposed on other products.
- Decision by the Panel- **mid-2016**



PHILIP MORRIS INTERNATIONAL

Booming black market

Booming black market



**KPMG Report
(2014)**

Key Findings:

- Illegal tobacco use in the last 12 months has increased from 13.5% to 14.3% of total consumption.
- AU\$1.2 billion in tobacco excise taxes were lost to illicit trade.
- The mix of illicit trade is changing rapidly.

Booming black market

Table 30: Tobacco detections in sea cargo and amount of duty evaded

Year	Number of detections	Tobacco (tonnes)	Cigarettes (millions of sticks)	Duty evaded (\$ million)
2010-11	55	258	82	135
2011-12	45	177	141	125
2012-13	76	183	200	151

- Data from Australia's Custom and Protection Service confirm the rising cases of illicit trade in Australia. In 2013, the number of detections increased by 69% and illicit cigarettes by 42%.
- In the same year, the duty evaded amounted to AUS\$151 million which was a 21% increase from 2012 figure.



PHILIP MORRIS INTERNATIONAL

Pain for law abiding retailers

Pain for law abiding retailers

Roy Morgan — Research —

- 77% of small retailers had suffered a negative impact on their business;
- 90% had to now spend increased time to serve customers;
- 59% increase in the frequency of staff giving the wrong products to customers; and
- 50% of general trade retailers pointed to a negative effect on the level of service to non-tobacco customers.

Source: Roy Morgan Research, October 2013.



Plain packs and Point-of-Sale Display Ban



PHILIP MORRIS INTERNATIONAL

Fighting back on ingredients

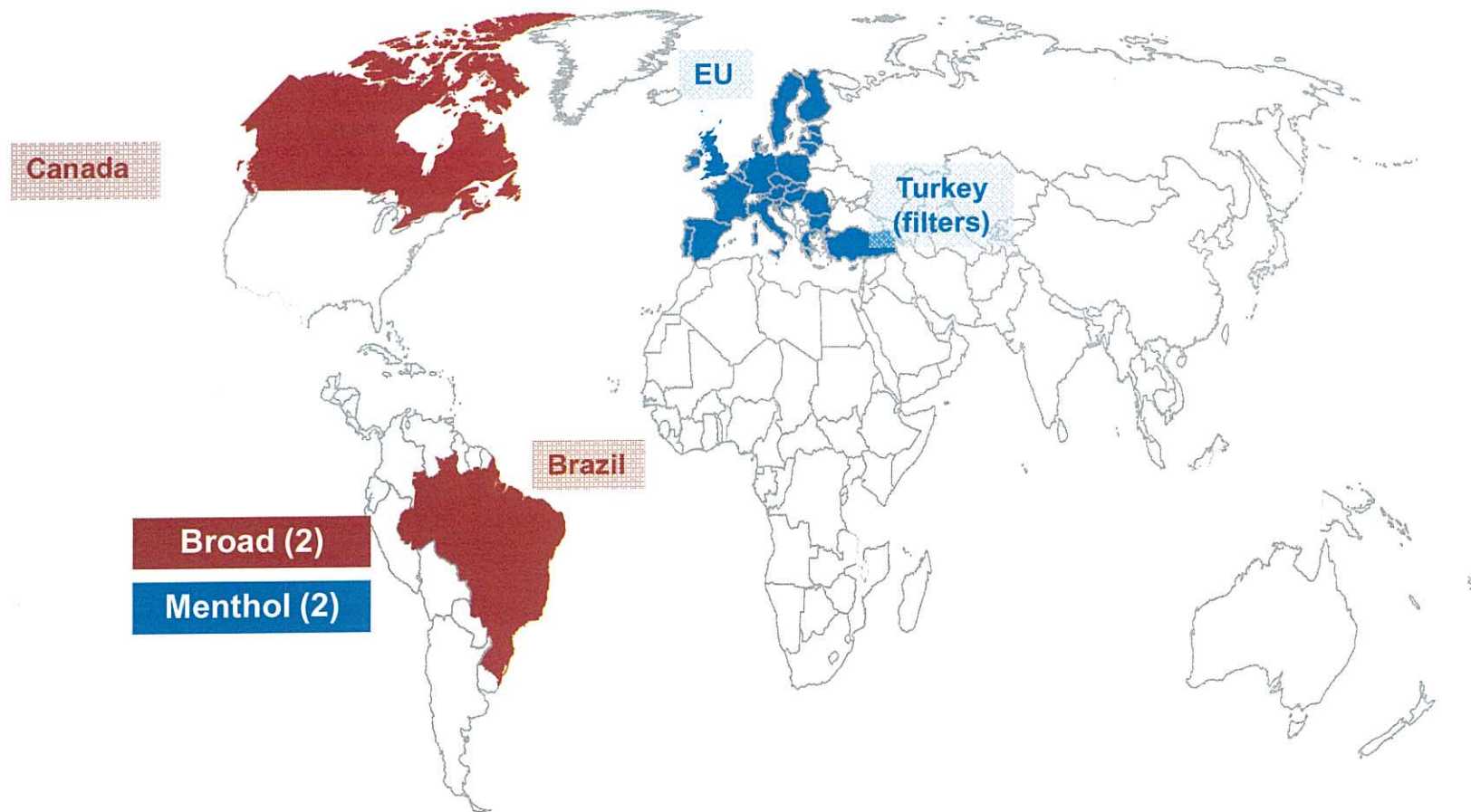


PHILIP MORRIS INTERNATIONAL

Regulatory overview

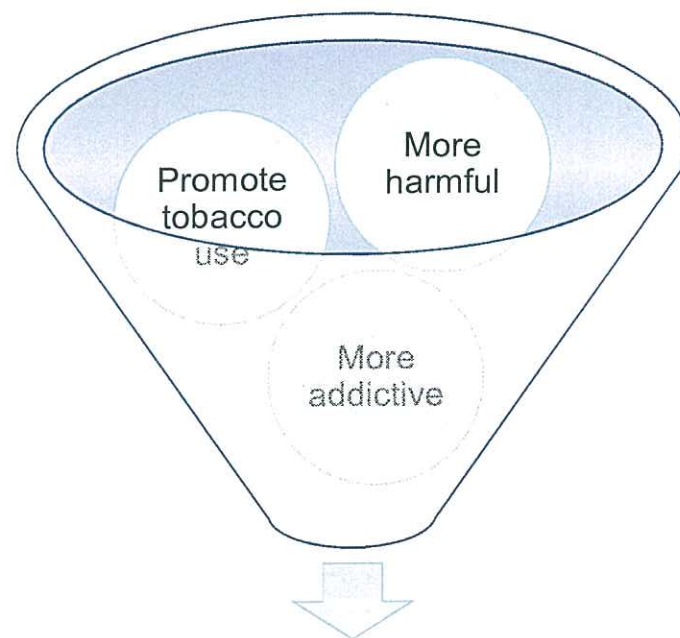
Ingredient bans, display bans, oversized health warnings

Ingredients bans



PHILIP MORRIS INTERNATIONAL

Key ATO arguments ...



Should be banned



PHILIP MORRIS INTERNATIONAL

Proposed ban

Section 5(3)(e)

“No person, shall-

(e) use additives in any form that can impart, intensify, modify or enhance the flavor or increase dependence of cigarettes or any other tobacco products.”

The Committee “felt that the concern of the civil society to prohibit flavoring of tobacco or tobacco products by adding additives to **promote its use or dependency** should also be addressed.”

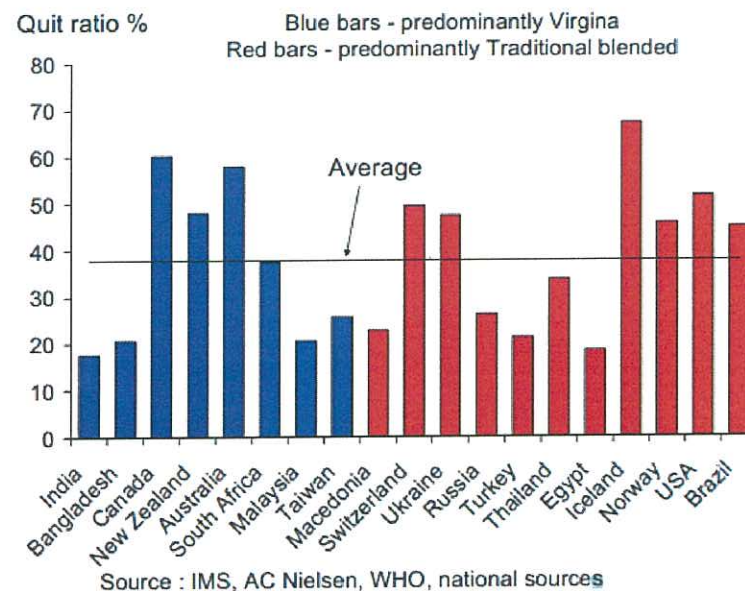
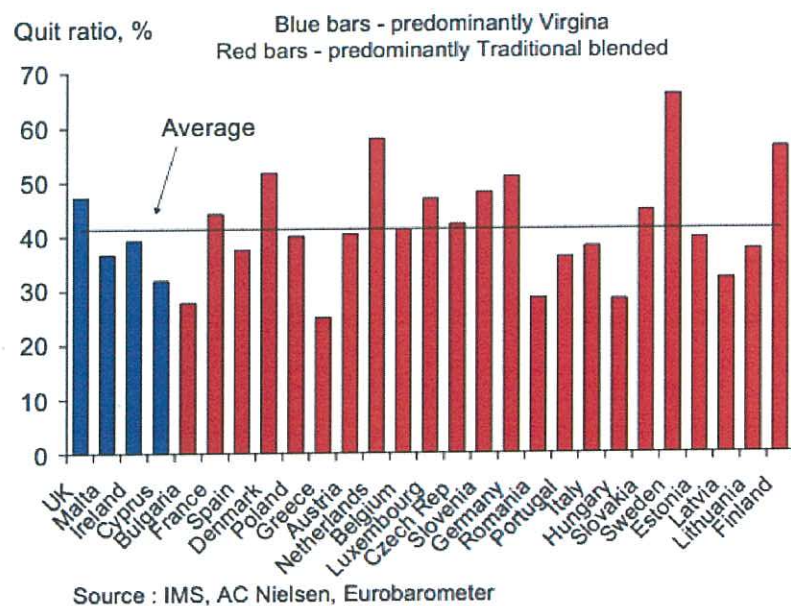


No evidence that ingredients make tobacco more addictive

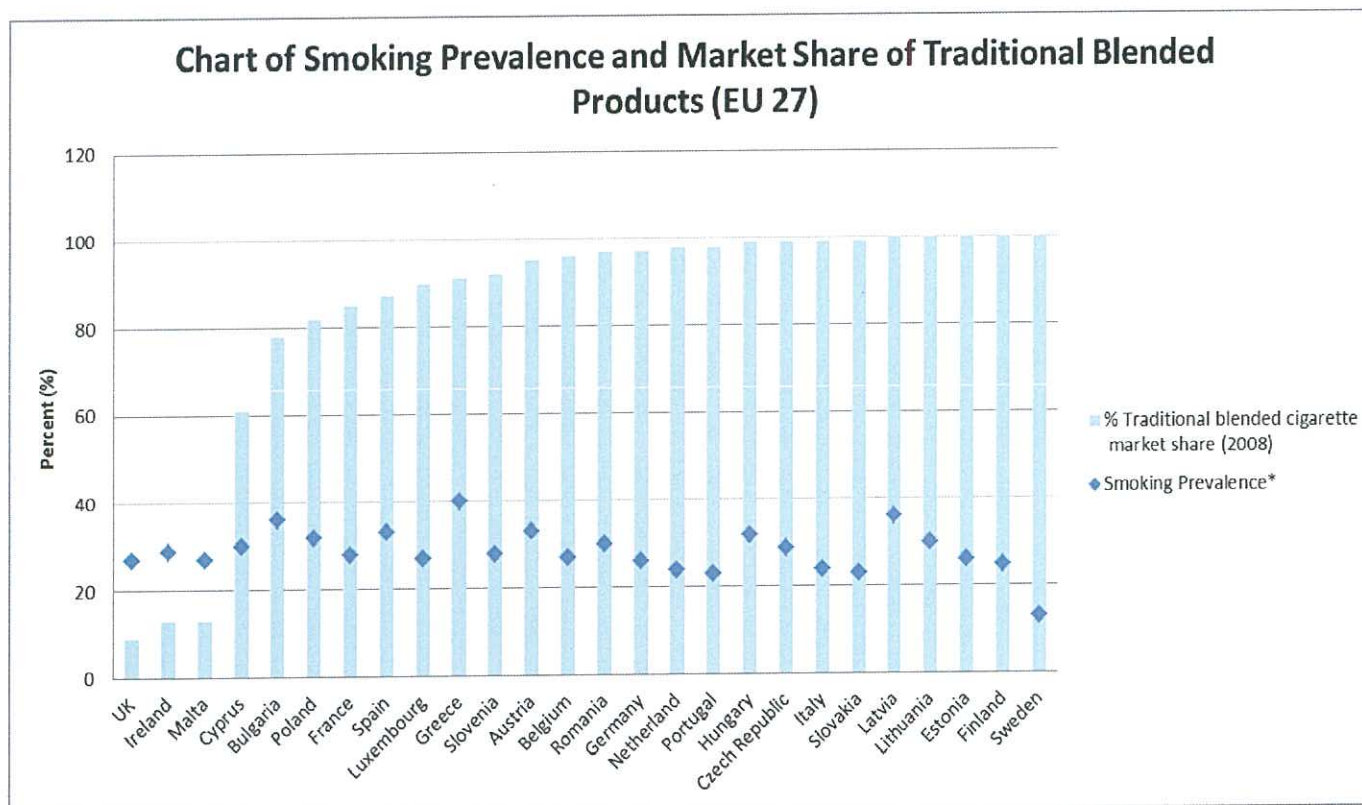
*There is **no evidence** that additives enhance the addictiveness of nicotine and therefore of tobacco.*

EU Scientific Committee on Emerging and Newly Identified Health Risks (2010)

Chart 3.1: Quit ratios in EU27 states Chart 3.2: Quit ratios in other countries



Ingredients don't promote tobacco use

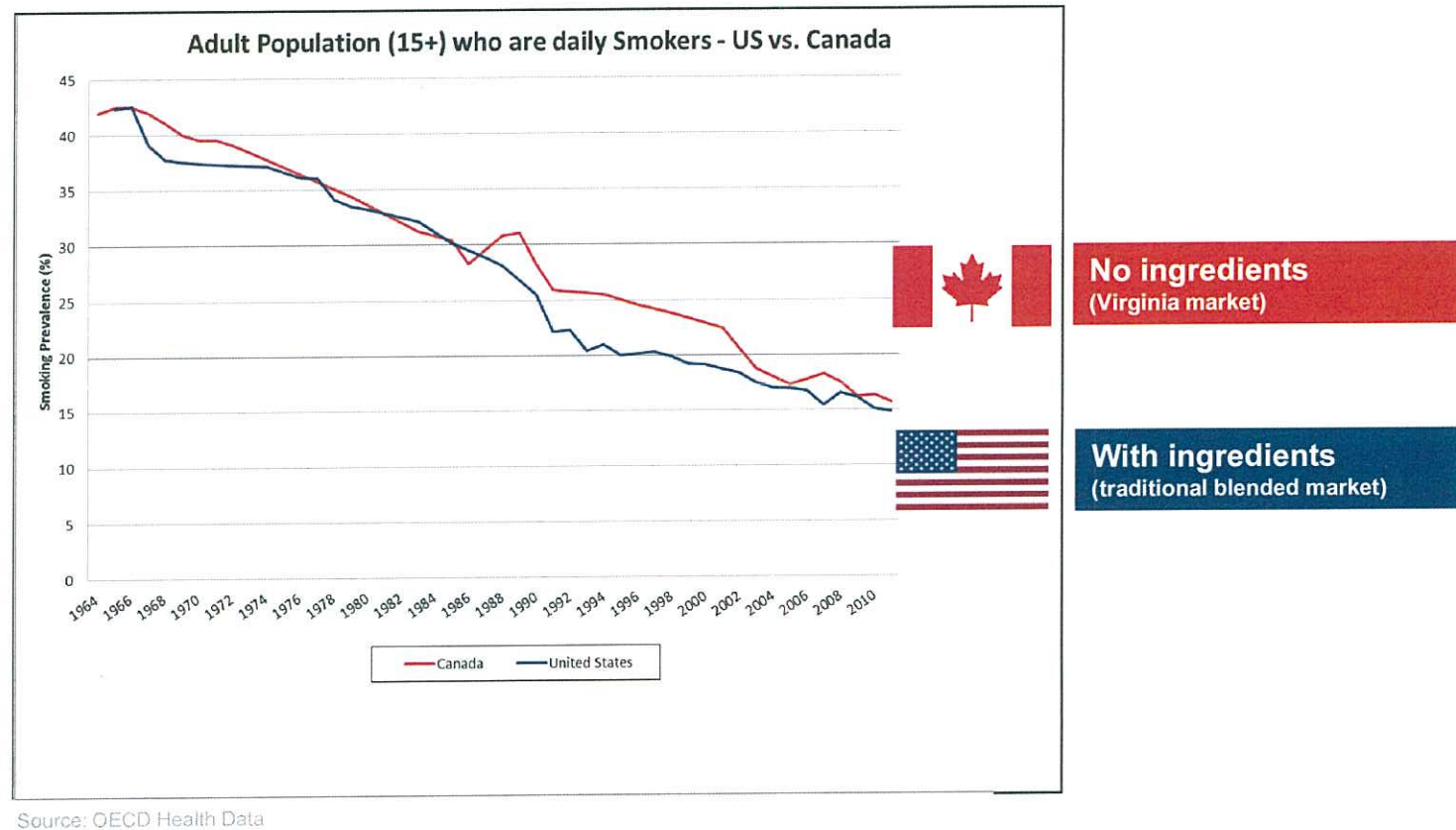


Source: Smoking Prevalence: European Commission, Attitudes of Europeans Towards Tobacco, Special Eurobarometer 385/Wave EB77.1. Market data: Forey, B.A.; Lee, P.N. et al, "[A comparison of smoking prevalence and quitting between countries which use either Virginia or blended tobacco cigarettes](#)", March 14, 2012.



PHILIP MORRIS INTERNATIONAL

Ingredients don't promote tobacco use



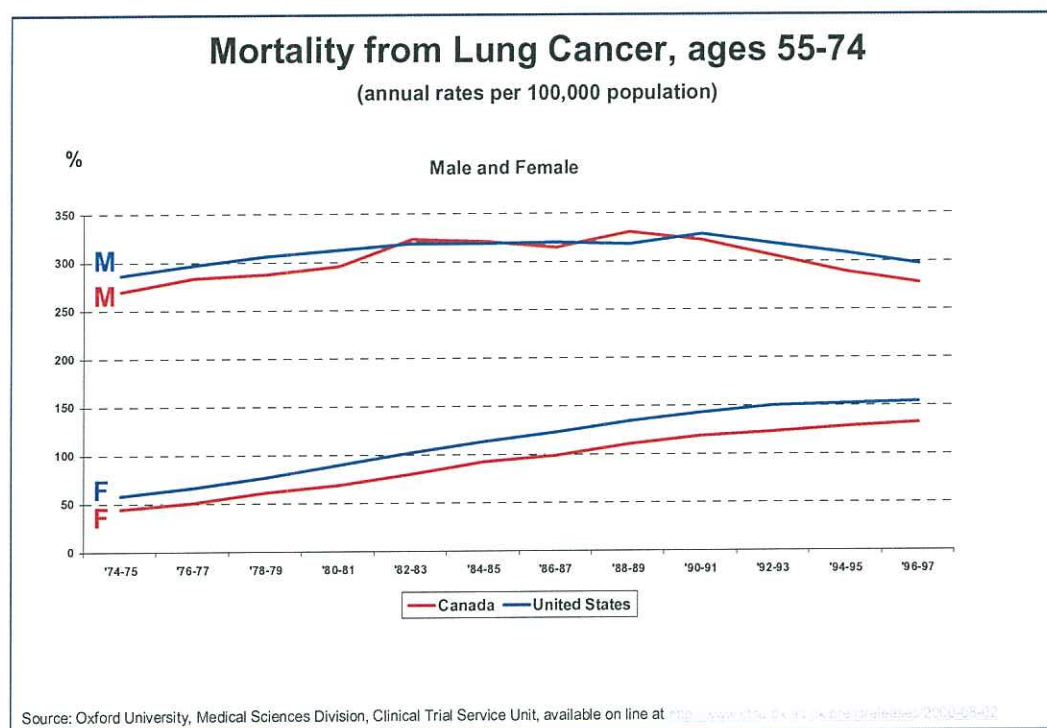
Ingredients do not make tobacco more harmful

...cigarettes claimed to be without additives and made of “organic” tobacco have never been demonstrated to be less dangerous or addictive than [cigarettes with ingredients].

WHO (2006)

...tobacco additives have only occasional and limited effects on cigarette mainstream smoke composition, which are almost never reflected in the results of toxicological in vitro assays or in vivo studies.

Klus et al. (2012)



PHILIP MORRIS INTERNATIONAL

Consequences

Illicit Trade



United States Fraternal Order of Police
(2013)

If menthol cigarettes are prohibited, anyone who can find a way to obtain and sell these cigarettes may do so and, because the profit potential is significant enough, organized crime will utilize its in-place smuggling networks to distribute the contraband.



PHILIP MORRIS INTERNATIONAL

Growers suffer

... without ingredients, demand for Burley would virtually disappear, leaving no economically viable alternative crop for its farmers.



Not required by FCTC



Article 9

Regulation of the contents of tobacco products

The Conference of the Parties, in consultation with competent international bodies, shall propose guidelines for testing and measuring the contents and emissions of tobacco products, and for the regulation of these contents and emissions. Each

Party shall, where approved by competent national authorities, adopt and implement effective legislative, executive and administrative or other measures for such testing and measuring, and for such regulation.

Article 10

Regulation of tobacco product disclosures

Each Party shall, in accordance with its national law, adopt and implement effective legislative, executive, administrative or other measures requiring manufacturers and importers of tobacco products to disclose to governmental authorities information about the contents and emissions of tobacco products. Each Party shall further adopt and implement effective measures for public disclosure of information about the toxic constituents of the tobacco products and the emissions that they may produce.

Requirements:

Test, Measure, Disclose



PHILIP MORRIS INTERNATIONAL

Display bans



PHILIP MORRIS INTERNATIONAL

Key ATO arguments ...

TOBACCO DISPLAYS
MYTHS vs FACTS

Quit Victoria calls on you to support a complete ban on tobacco displays

Since the ban on tobacco advertising across Australia, tobacco displays remain a major advertising vehicle for the tobacco industry to promote its products. The tobacco industry will fight to retain this last form of advertising and engages industry front groups, such as the National Alliance of Tobacco Retailers (NATR), to spread myths about the damaging impact display bans may have on retailers. It does this by quoting anecdotal "evidence" or "research" as "facts" - "facts" that cannot be substantiated.



Before tobacco products were banned, displays looked like this.



After tobacco products were banned, displays looked like this.

Display leads to smoking by:

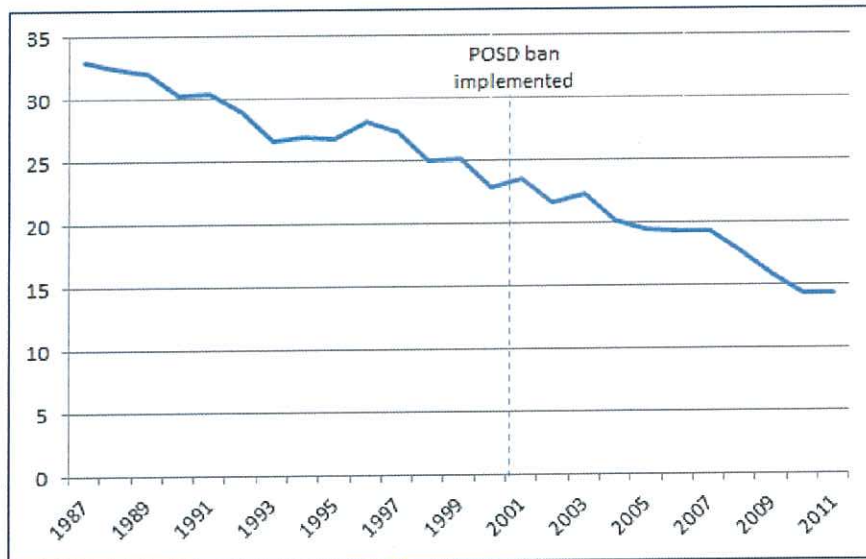
- Normalizing tobacco
- Triggering impulse purchases
- Making quitting more difficult
- Contributing to initiation



PHILIP MORRIS INTERNATIONAL

No effect on smoking

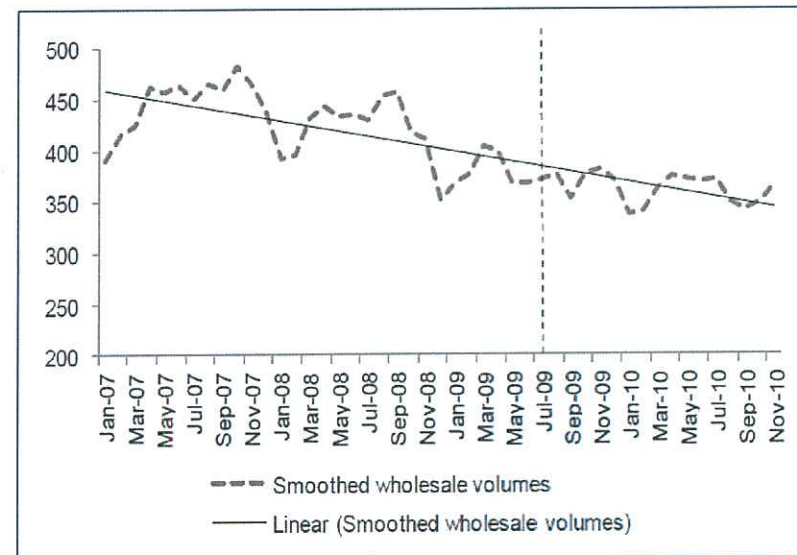
Iceland



no statistically significant effect on smoking prevalence

Padilla (2010)

Ireland



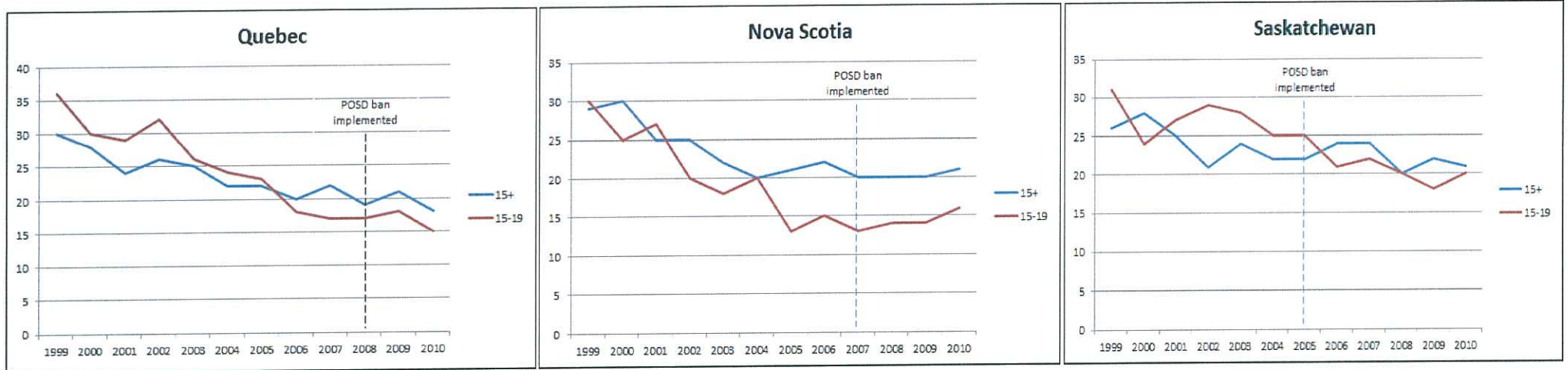
no statistical evidence that the POSD ban has affected the volumes of cigarettes sold

Meschi (2012)



PHILIP MORRIS INTERNATIONAL

No evidence bans work



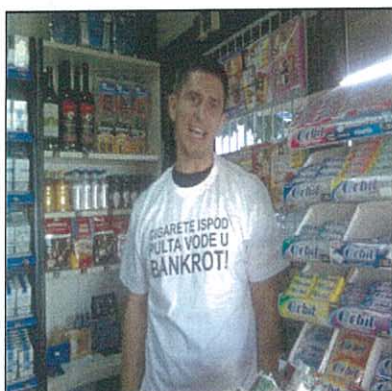
It is clear that there is no evidence that the tobacco display ban, which has been in effect since 2007, has reduced tobacco consumption.

Nova Scotia Provincial Court



PHILIP MORRIS INTERNATIONAL

Consequences – Impact on retailers



Cigarettes under the counter lead to bankruptcy.
Croatian Retailers

	Description of economic cost	New South Wales	Victoria/Western Australia
One-off costs			
Refitting	<ul style="list-style-type: none"> new tobacco storage area allowing for a new restocking method refitting of area previously used for tobacco stock 	\$5000-\$10,000	\$5000-\$10,000
Total one-off costs		\$5000-\$10,000	\$5000-\$10,000
Recurring costs (annual)			
Additional transaction time	<ul style="list-style-type: none"> transaction time estimates provided in tables 8 and 9 for New South Wales, Victoria and Western Australia 200 packets of cigarettes sold on average average staff wage is \$20.00 per hour 	\$6,000 to \$12,000	\$4000-\$10,000
Restocking	<ul style="list-style-type: none"> staff time dedicated to restocking to avoid incidental viewing increases by 30-60 minutes per day 	\$3,500 - \$7,500	\$3,500 - \$7,500
Training	<ul style="list-style-type: none"> new store procedures must be imparted to each staff member- 30-60 minutes of practical training a medium sized store will employ approximately 10 staff. Turn over is 30% (lower bound estimate) 	\$100 - \$300 in the first year with an estimated annual cost of \$30- \$60 for subsequent years	\$100 - \$300 in the first year with an estimated annual cost of \$30- \$60 for subsequent years
Indicative Estimate of Total recurring economic cost per Convenience Store		\$9,530 - \$19,560	\$7,530-\$17,560

Deloitte Consulting (2009)

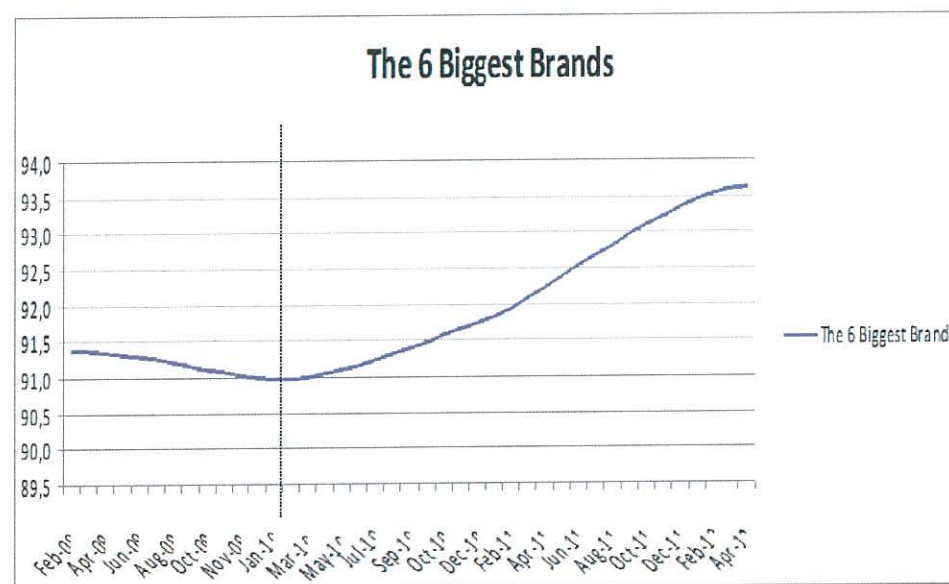


PHILIP MORRIS INTERNATIONAL

Consequences – Anti-competitive

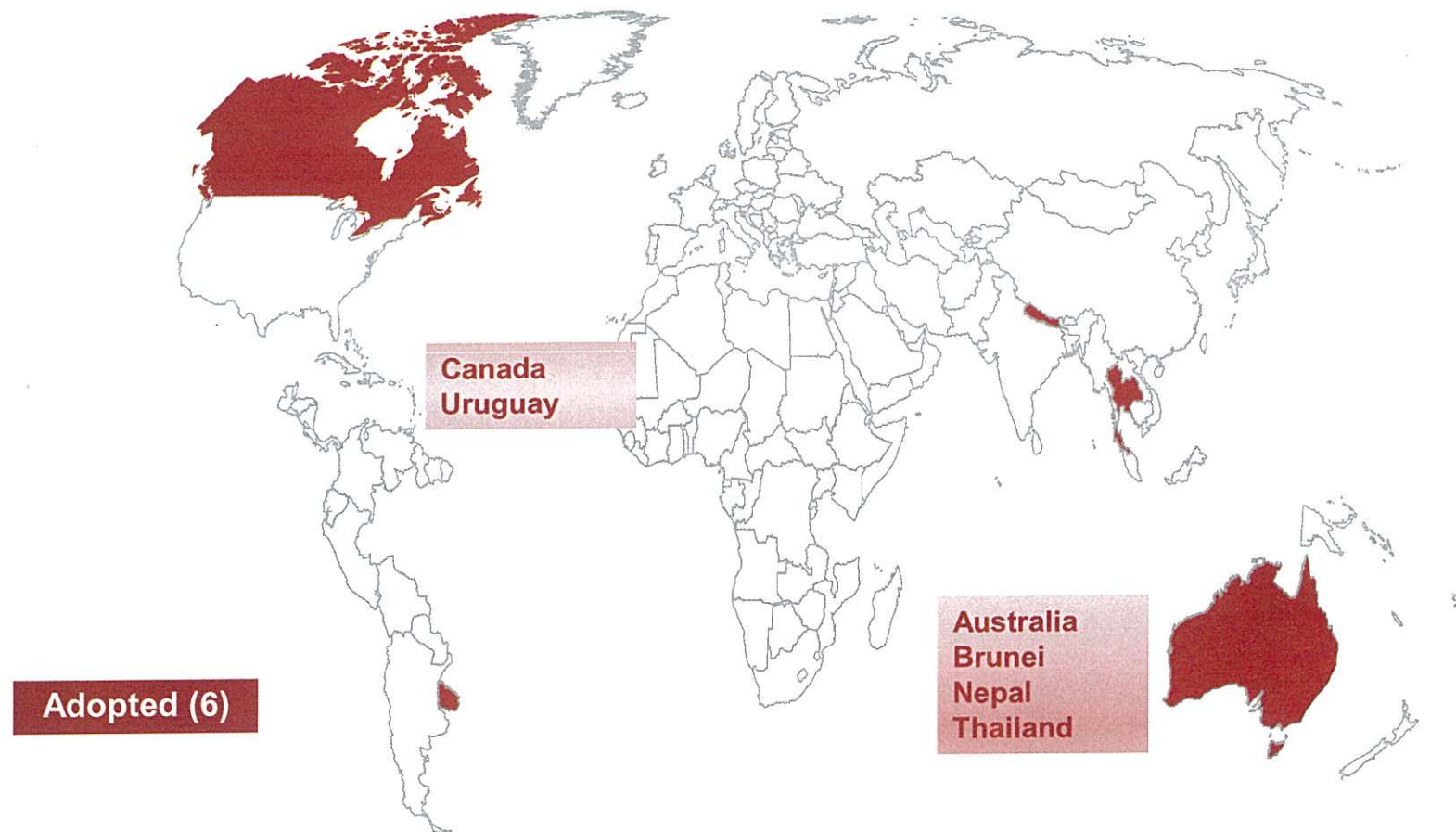
[no] doubt that ... a [display] ban will remove the use of positioning as a competitive measure between the producers.

Norwegian Ministry of Health (2007)



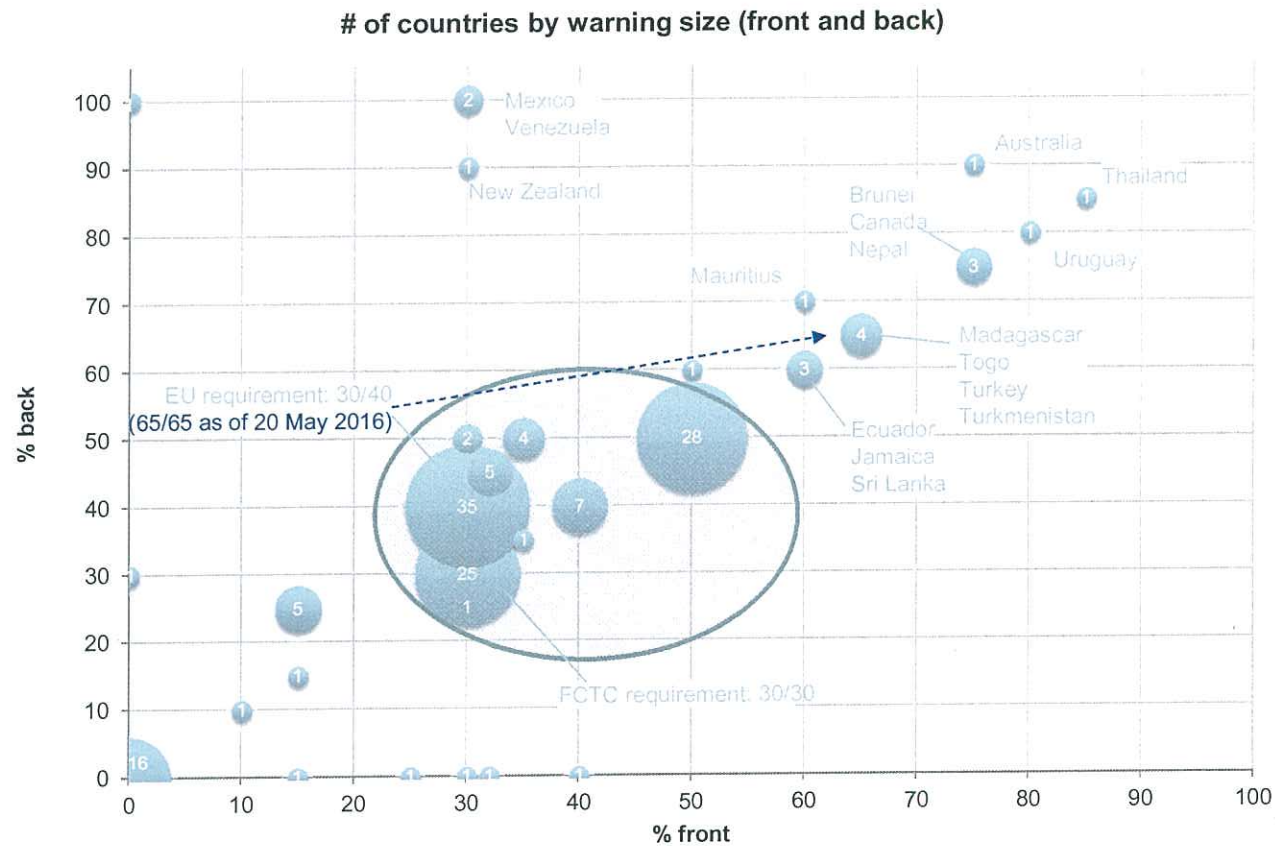
PHILIP MORRIS INTERNATIONAL

Health Warnings (75/75+)

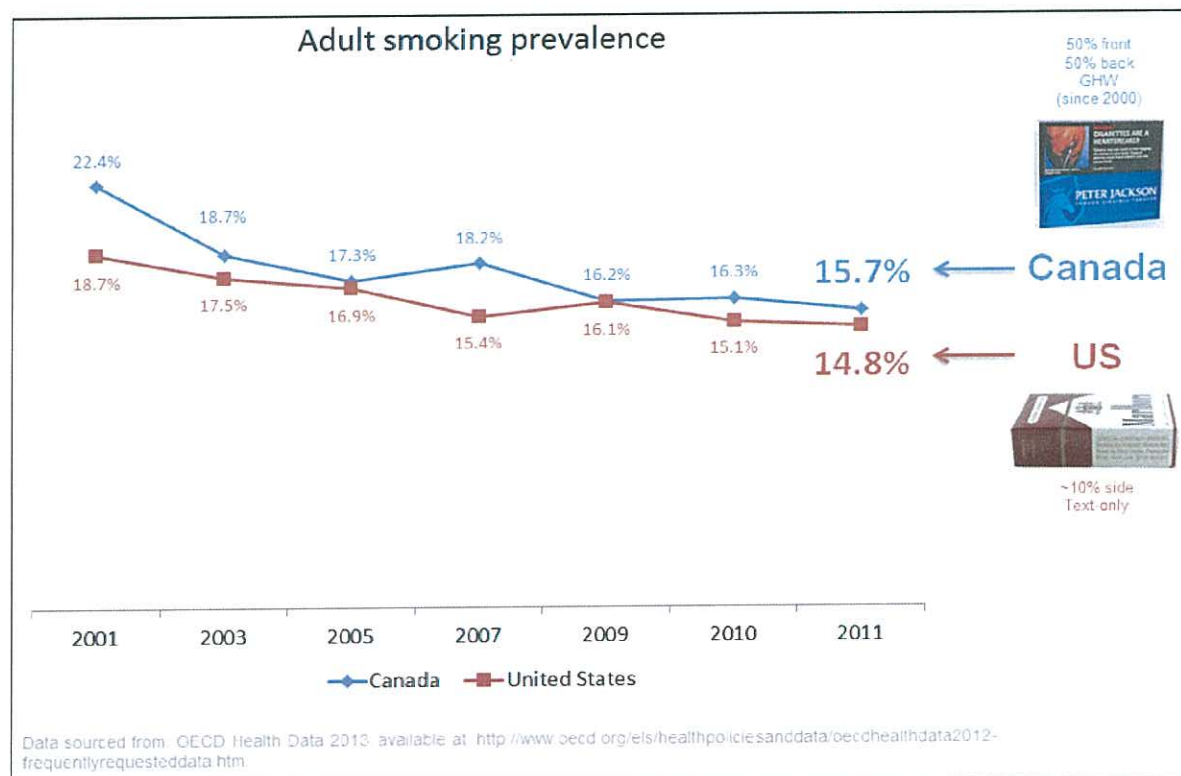


PHILIP MORRIS INTERNATIONAL

Most countries: HWs between 30/30 and 50/50

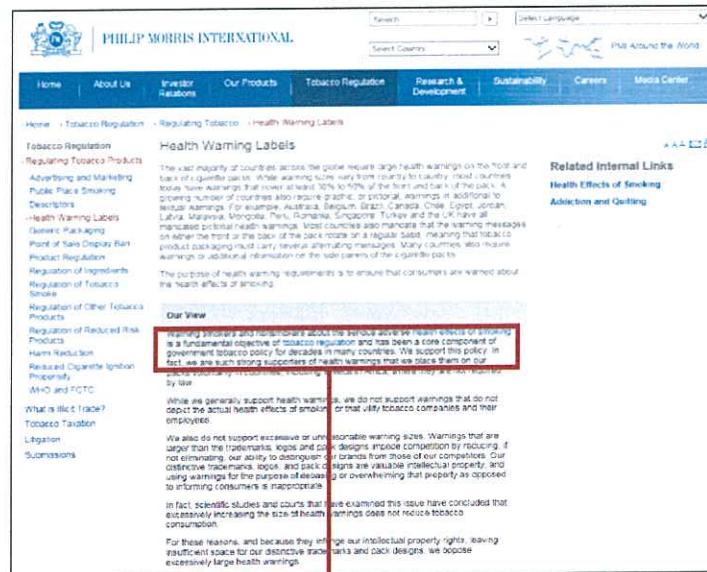


Health warnings: A comparison



PHILIP MORRIS INTERNATIONAL

Our position



Warning smokers and nonsmokers about the serious adverse health effects of smoking is a fundamental objective of tobacco regulation and has been a core component of government tobacco policy for decades in many countries. We support this policy.

PMI.com



PHILIP MORRIS INTERNATIONAL

Ad bans



- *[T]he emphasis on advertising bans and similar regulations in the public health literature is misplaced.*
- *More effective policies need to be sought*
- *Studies [of advertising bans] are deficient in so many respects that **the big question is whether there's any influence of marketing at all, especially in the mass media***
- *[T]he American Medical Association and the World Health Organization are among the organizations that uncritically cite these studies in their advocacy*

The Pennsylvania State University, Alcohol and Tobacco Advertising Bans Don't Work, August 16, 2010



PHILIP MORRIS INTERNATIONAL

THANK YOU



PHILIP MORRIS INTERNATIONAL