

ASIAN CONSULTANCY ON TOBACCO CONTROL
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Bills Committee meeting on Dutiable Commodities (Amendment) Bill 2009

Dear Bills Committee,

Re: 2009 Budget: Tobacco tax

As a Hong Kong resident since 1967, and for public health reasons, I strongly support the 50% increase of tobacco tax in 2009 Budget.

Price measures have been shown around the world to be the one, single, most effective measure in reducing tobacco use, especially among the young (NOT education in schools).

Hong Kong is now party, via China, to the World Health Organisation's Framework Convention on Tobacco Control (FCTC). Given the importance of taxation, an entire article is devoted to tobacco:

**PART III: MEASURES RELATING TO THE REDUCTION
OF DEMAND FOR TOBACCO**

Article 6

Price and tax measures to reduce the demand for tobacco

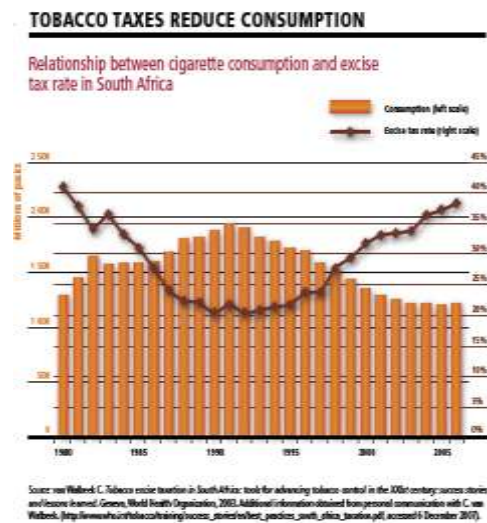
1. The Parties recognize that price and tax measures are an effective and important means of reducing tobacco consumption by various segments of the population, in particular young persons.
2. Without prejudice to the sovereign right of the Parties to determine and establish their taxation policies, each Party should take account of its national health objectives concerning tobacco control and adopt or maintain, as appropriate, measures which may include:
 - (a) implementing tax policies and, where appropriate, price policies, on tobacco products so as to contribute to the health objectives aimed at reducing tobacco consumption; and
 - (b) prohibiting or restricting, as appropriate, sales to and/or importations by international travellers of tax- and duty-free tobacco products.
3. The Parties shall provide rates of taxation for tobacco products and trends in tobacco consumption in their periodic reports to the Conference of the Parties, in accordance with Article 21.

The FCTC essentially calls upon all governments to adopt tax and price policies that reduce tobacco consumption. The World Bank proposes that taxes should account for two-thirds to four-fifths of the retail price of cigarettes.

The tobacco industry will inevitably argue that increasing tax will increase smuggling. Smuggling seriously harms public health, helps finance criminal groups, and reduces government revenue. But cigarettes are smuggled across all borders, often multi-directionally. The solution to this, as with all crimes, is for governments to fight crime, and not reduce commitment to public health.

It is no accident that the first protocol being negotiated within the WHO FCTC is on smuggling. And, even in spite of smuggling problems, the evidence shows that tax increases significantly reduce cigarette consumption.

Developing country example

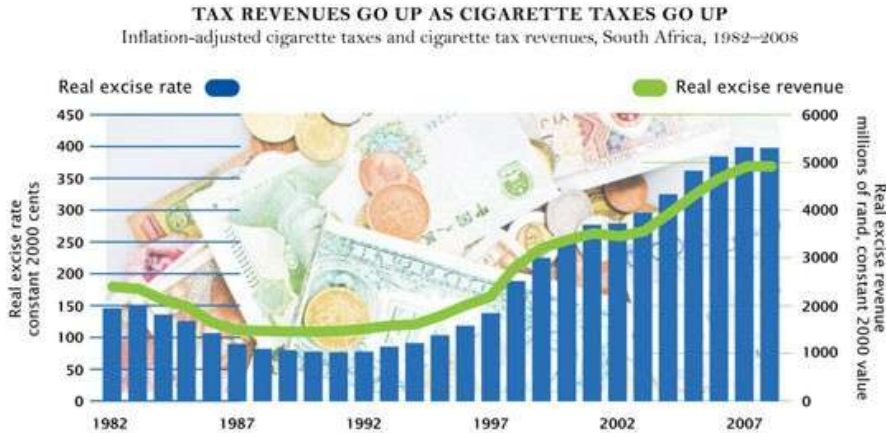


Developed country example



Tax increases are a win-win situation: they benefit public health, and also generate more government revenue.

Governments do not lose revenue with increased tobacco tax



I respectfully suggest that the time for a further tax increase in Hong Kong has been long overdue. The last tax increase in Hong Kong was in 2001, when it was raised by only 5%. Thus cigarettes are becoming cheaper in real terms, year by year. It is no surprise that consumption has been rising in Hong Kong, in spite of all our other actions.

Our graphic health warnings have received international recognition; let us do the same with our tobacco taxation policy.

Yours sincerely,

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