



Department  
of Health &  
Social Care

# **Post-Implementation Review of Tobacco Legislation**

**The Standardised Packaging of Tobacco Products  
Regulations 2015**

Published March 2022



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## **The Standardised Packaging of Tobacco Products Regulations 2015**

Presented to Parliament  
by the Secretary of State for Health and Social Care  
by Command of Her Majesty

March 2022



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# 1. Executive Summary

- 1.1 Smoking is one of the main causes of both preventable and premature deaths, and a leading cause of disabilities and preventable illnesses. It is also one of the leading causes of health inequalities in the UK.
- 1.2 Over recent years a range of legislation has been introduced to discourage young people from taking up smoking or vaping, to encourage existing smokers to quit, and to protect others from the harmful effects of cigarette smoke. This suite of tobacco control legislation, which is amongst the most comprehensive in the world, has contributed to smoking rates declining to their lowest ever on record in the UK.
- 1.3 Under the Small Business, Enterprise and Employment Act 2015, the Government is required to conduct and publish a review of legislation when they have an impact on businesses. This requirement is included in the legislation within the review clause(s). These reviews are called Post-Implementation Reviews (PIR). This report presents the findings of a PIR for The Standardised Packaging of Tobacco Products Regulations 2015 (SPoT). This review has been conducted in accordance with the Regulatory Policy Committee's (RPC) [guidance on PIRs](#).
- 1.4 A wide range of evidence from a variety of sources has been used to inform the review. This includes commissioned evidence, published peer reviewed evidence, a public consultation, and a review of key indicator data. The review also puts into consideration that this regulation is part of a wider legal framework, which includes other legislation, such as, The Tobacco and Related Products Regulations 2016, which is being reviewed in parallel.
- 1.5 Considering the range of evidence received and reviewed, it is the DHSC view that the SPoT regulations have met their original objectives, without producing any significant unintended consequences, and could not be better achieved through alternative regulatory measures. However, some organisations suggested the regulations should be strengthened so all tobacco products are treated the same as cigarettes and hand rolling tobacco under SPoT to protect present and future generations from smoking. Some organisations felt the regulations could do more and should permit insert cards inside cigarette packets to communicate to smokers to quit smoking by moving to alternative products.
- 1.6 DHSC has received a fit for purpose opinion from the Regulatory Policy Committee (RPC) on this post implementation review which is available at: <https://www.gov.uk/government/collections/rpc-opinions>
- 1.7 DHSC recommends that the regulations should remain in force based on the evidence reviewed. However, the Government will consider further regulatory reforms to strengthen SPoT as part of its plans towards its Smoke-free ambition by 2030 and

protect present and future generations from the harms of tobacco. Any proposed changes will be based on robust evidence and in the interests of public health in doing so.

## 2. The context: Recent approach to tobacco control (UK)

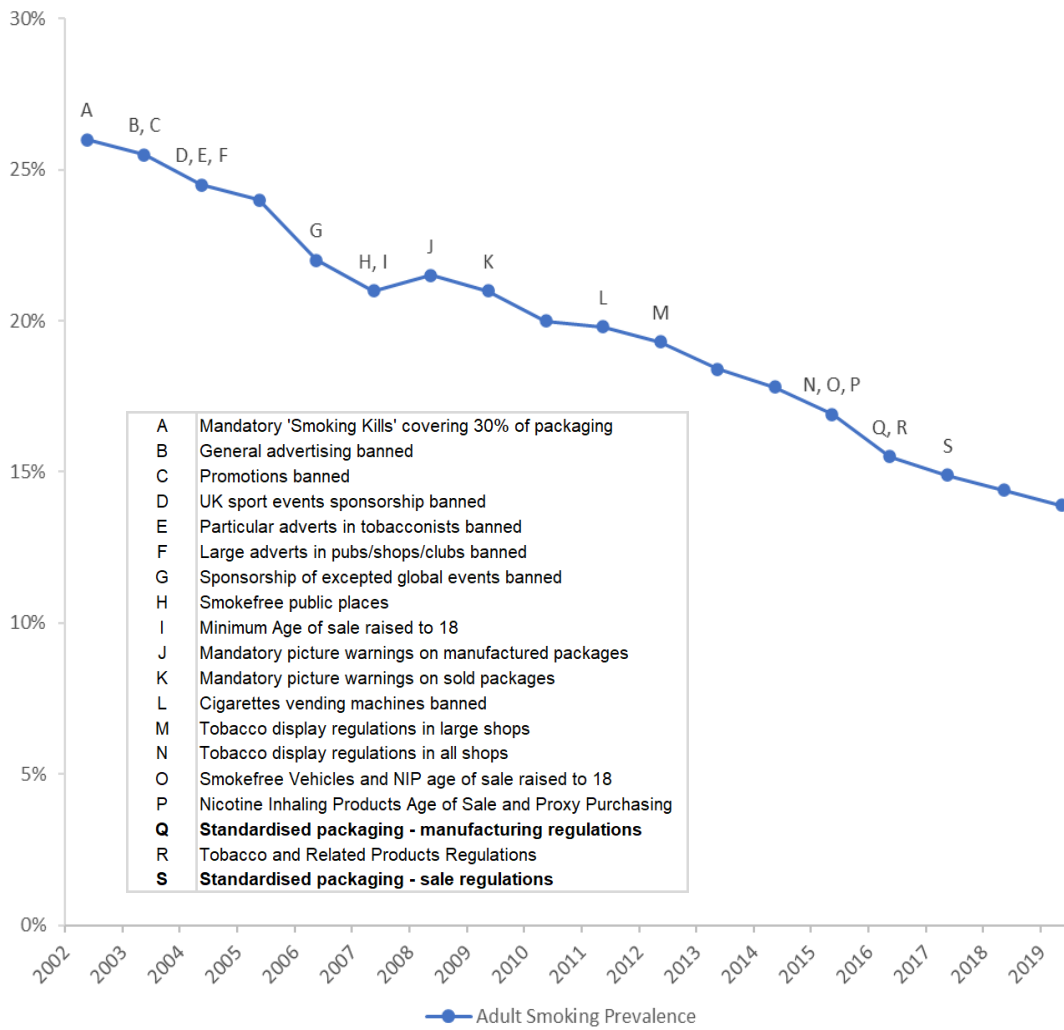
- 2.1 Smoking rates are at their lowest ever on record in the UK. Despite this positive news, smoking still remains one of the biggest causes of death and disability across the UK and is one of the leading causes of health inequality.
- 2.2 The UK is a global leader in tobacco control and our legislative framework is regarded as one of the most comprehensive in the world.<sup>1</sup> In the last 20 years we have introduced a suite of tobacco control policies (as illustrated in Figure 1 below).
- 2.3 This has included a ban for tobacco on advertising, establishing smoke-free places, introduction of prominent graphic health warnings, a ban on proxy purchasing of cigarettes and e-cigarettes, and a ban on smoking in cars with children, as well as the point-of-sale display ban. Evaluations of some of these regulations<sup>2</sup> have found them to be effective in reducing smoking prevalence amongst young people and adults.
- 2.4 More recently the Tobacco and Related Products Regulations 2016 (TRPR), which regulate the product standards, requirements, notifications and presentation of tobacco and e-cigarettes, along with the Standardised Packaging of Tobacco Products Regulations 2015 (SPoT) which introduced standardised packaging for cigarettes and hand rolling tobacco.
- 2.5 TRPR implemented the majority of provisions from the European Union's (EU) Tobacco Products Directive ("TPD") (2014/40/EU) in UK law. Some provisions in SPoT also implement parts of the TPD. The TPD allowed EU Member States to go further than the packaging restrictions set out in the TPD, and introduce plain packaging.
- 2.6 This review is covering SPoT and a separate review is taking place in parallel on TRPR regulations. It must be noted that both regulations set requirements on packaging.

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<sup>1</sup> Tobacco Control Scale: Monitoring the implementation of tobacco control policies systematically at country level across Europe: <https://www.tobaccocontrolscale.org/> (accessed 08/2021)

<sup>2</sup> A Post-Implementation Review report of tobacco legislation coming into force between 2010 to 2015: <https://www.gov.uk/government/publications/tobacco-legislation-coming-into-force-between-2010-and-2015-post-implementation-review>

Figure 1: Adult smoking prevalence between 2002 and 2019 (Source: ONS Adult Smoking Habits in the UK), and Tobacco control policies



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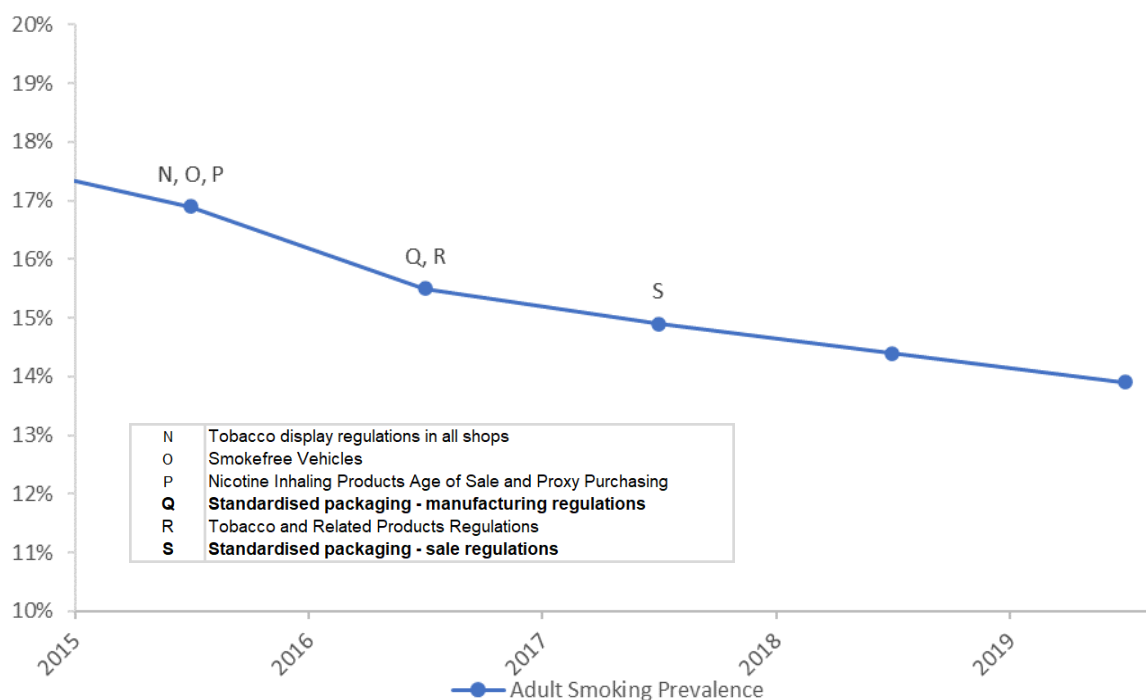
<sup>3</sup> The interventions are representative of England only, and vary across constituent countries in terms of what has been implemented and when.



## Context around Standardised Packaging

- 2.7 Standardised packaging is now a common tobacco control intervention, however, at the time of introduction in the UK, only Australia had similar policies in place. Following the introduction of standardised packaging, a legal challenge was brought against the UK by several tobacco companies who claimed that SPoT was unlawful. The challenge was unsuccessful.
- 2.8 Initial evidence suggested that standardised packaging could reduce the appeal of tobacco products and decrease or delay the uptake of smoking by young people. It also had the potential to increase the effectiveness of health warnings on tobacco packages, and reduce the ability of tobacco packages to mislead consumers about the harmful effects of smoking.

Figure 2: Adult smoking prevalence between 2015 and 2019, since the introduction of SPoT (Source: ONS Adult Smoking Habits in the UK)



## 3. Regulation Objectives

3.1 SPoT sets out mandatory requirements for tobacco packaging in the United Kingdom. This includes implementing some of the requirements set out in the TPD. Measures in SPoT include:

- Requiring the use of specified standard colours for all external and internal packaging of cigarettes and hand rolling tobacco.
- Restrictions prohibiting the labelling of all tobacco products from conveying certain information.
- Outlining limitations to the appearance of cigarettes, including permitting only specified text in a standard typeface.
- Specifying permitted shapes and types of packet.

3.2 The objectives of SPoT were to:

- Standardise tobacco packaging to reduce the appeal or attractiveness of tobacco products, remove misleading elements from packaging and ensure that packaging design does not detract from the effectiveness of health warnings.
- Discourage people from taking up smoking and encourage those who wish to stop smoking.

3.3 The regulations came into force on 20 May 2016 and allowed for a 12-month sell-through period for stock that was manufactured before May 2016.

3.4 SPoT was amended by The Tobacco Products and Nicotine Inhaling Products (Amendment etc.) (EU Exit) Regulations 2019 and The Tobacco Products and Nicotine Inhaling Products (Amendment) (EU Exit) Regulations 2020. This was to ensure tobacco control continued effectively in Great Britain and Northern Ireland after the end of the transition period on 1 January 2021.

The full legislation is available at: <https://www.legislation.gov.uk/ukxi/2015/829/contents>

## Commitment to review

- 3.5 SPoT contains a review clause which requires the Secretary of State to carry out a review of the provisions in the legislation and set out the conclusions of the review in a report. The Government also wants to understand how effective SPoT has been in protecting people from the harms of tobacco and in ensuring we continue to learn from and improve the regulatory framework in the UK.
- 3.6 The aim of this review is to:
- set out the objectives of these Regulations,
  - assess the extent to which those objectives have been achieved, and
  - assess whether those objectives remain appropriate and, if so, the extent to which they could be achieved with a system that imposes less regulation.
- 3.7 As SPoT was enacted to protect the public's health, we have reviewed both health and economic impacts, in accordance with the Regulatory Policy Committee's (RPC) [guidance on PIRs](#).
- 3.8 The review only considers the aims set out above and the costs and benefits of the legislation that were set out in the original Impact Assessment. This report should be used in conjunction with, and as additional evidence for, the formal PIR reports which are included in Annex D.
- 3.9 The report does not address any regulatory gaps beyond the original objective of SPoT. Emerging policy considerations, public opinion, and business environments outside the remit of the regulation are also outside the scope of the review. Proposals and concepts for regulatory considerations to widen the remit of SPoT are also outside the scope.
- 3.10 The report was written by officials at DHSC with input from Other Government Departments and Devolved Administrations, the RPC, Ministers and Parliament. DHSC also liaised with external and independent experts, considered the evidence, and drew conclusions from this broad evidence base.

## 4. How the review was conducted

4.1 This part of the report sets out the methods we have used to assess the impact of SPoT on the objectives stated above, and the extent to which the objectives could be achieved with a system that imposes less regulation. Consistent with government guidance and in consultation with the Better Regulation Authority and the Regulatory Policy Committee, this assessment considered a wide range of sources including information collected from stakeholder consultations, peer reviewed evidence, other publicly available data and estimates of costs and benefits from [SPoT's original Impact Assessment](#).

4.2 The key questions for the PIR were:

- To what extent have policy objectives been achieved?

*the extent to which expected / additional benefits were achieved.*

*the extent to which expected / additional costs were incurred.*

- Were there any unintended consequences?
- Could these objectives be achieved in another way which involves less onerous regulatory provision to reduce the burden on businesses?

4.3 Five years is insufficient for the full long-term impacts, such as reductions in lung cancer, to be seen. We used a more practical approach for this PIR, concentrating on the short and medium-term impacts, together with the other key questions identified above.

4.4 Given the breadth of information used for this review it was necessary to consider the various strengths and quality of evidence reviewed. All evidence presented has been fully referenced and annotated.

### Peer-reviewed Evidence

4.5 DHSC considered findings of studies undertaken across the UK in relation to standardised packaging, published in peer-reviewed journals. Where appropriate, international evidence and comparisons were considered.

4.6 In order to fill specific evidence gaps, DHSC commissioned studies into different aspects of standardised packaging. These were:

- a systematic review by the University of Stirling exploring the response of consumers, retailers, and tobacco companies to standardised packaging in the UK.

- a qualitative study of small retailers by The King's Fund, assessing the impact of SPoT and TRPR on small businesses.

## **Health Indicators**

- 4.7 The results sections contain a review of the various publicly available metrics (published by ONS, NHS Digital, PHE and others) that are relevant to this regulation. Where available, the data for England, Scotland, Wales, and Northern Ireland are all presented.
- 4.8 Despite these data sources forming a large evidence base, it is still difficult to attribute any changes in trends directly to any single event or intervention. There are a variety of factors which may influence the objectives outlined in the review. This is discussed in the results section of the review.
- 4.9 Where appropriate, this report discusses the effect on medium and longer-term health indicators to see if there have been any changes to health outcomes due to SPoT. However, it should be noted that we were not expecting to see or assess the effect on health outcomes beyond the five-year period covered by this review.

## **Public Consultation**

- 4.10 DHSC ran a public consultation on SPoT to gather views from a range of stakeholders. Over 5,000 responses were received, and the results of this are presented in this report.
- 4.11 Results from the consultations should be considered in the context of the consultation process and the information supplied by respondents. There are limitations associated with the consultation, such as not being representative of the whole of the UK.

## **Economic Impacts**

- 4.12 This section includes evidence on the economic impact of SPoT, including a detailed review of the assumptions made in the Impact Assessment for the regulation in terms of both the costs to businesses and the health benefits anticipated.
- 4.13 We have attempted to assess whether the realised costs were in line with the estimates in the original Impact Assessment. To do this we have updated the calculations using post-implementation data obtained through our own searches and responses to the consultation.

## 5. Evidence and analysis to inform the Post-Implementation Review

- 5.1 This section covers the quantitative and qualitative evidence available to assess SPoT, including the Department's public consultation, studies commissioned by the Department, a review of the peer reviewed evidence and the key indicator data, and a review of the costs and benefits associated with the regulations.

### Summary of findings

- 5.2 The peer-reviewed evidence was favourable to SPoT, with research indicating that standardised packaging could increase warning salience and thoughts of quitting, while reducing the attractiveness of cigarette packs to young people. Some of the more recent research demonstrated an impact on smoking behaviour as a result of SPoT.
- 5.3 Key indicators that were expected to be affected by SPoT all showed positive trends: there were reductions in adult and youth smoking prevalence and a sustained trend in the proportion of those attempting to quit that succeeded. These indicators were also reviewed for the Post Implementation Review of TRPR. Although these positive trends therefore reflect the impact of both of these regulations and other changes in the tobacco landscape, it further suggests that SPoT had no negative effects.
- 5.4 The public consultation, which received over 5,000 responses, provided a mixed view on the regulations. Individuals, who made up the majority of the responses (97.3%) were generally polarised, either in favour of the regulations and agreeing they had achieved the objectives, or disagreeing with the implementation of the regulations and the impact they might have had. Public sector bodies, including public health stakeholders, were strongly in favour of the regulations, providing evidence to support their views.
- 5.5 Compliance with the regulations was found to be high, though the roll out of standardised packs across the transition period between May 2016 and May 2017 was slow. Compliance remains high in the latest year data is available.
- 5.6 The review of the latest evidence has not changed the estimated impact of the SPoT on smoking prevalence. However, there were significant reductions in smoking prevalence prior to the implementation of SPoT, such that the baseline for measuring the impact of the regulations is lower. The lower baseline means the impact on sales is less than expected, and the monetised costs and benefits of the regulations are estimated to have been lower, compared to the estimates in the original Impact Assessment. Despite this the estimated benefits still significantly outweigh the estimated costs.

The evidence summarised above is presented in detail in the section below.

## Peer reviewed evidence

### University of Stirling, systematic review of the literature

- 5.7 The University of Stirling, commissioned by the DHSC, conducted a systematic review<sup>4</sup> of the research around standardised packaging of tobacco. This was to explore the response of consumers, retailers, and tobacco companies to the UK's policy. This was published in October 2019, and reviewed literature that had been published or accepted for publication by the 15th of February 2019. In order to capture further information up to and including 2020, a further update was commissioned that included literature up to 28th September 2020.
- 5.8 Presented below is a short summary on the findings. A more detailed summary of this systematic review, and the studies included, can be found in Annex B.
- 5.9 The findings across both reviews provide evidence that standardised packaging may reduce uptake of smoking among young people, however these findings are limited to qualitative research. There were generally increases in warning salience and/or effectiveness among both adults and young people and overall appeal was found to be lower due to standardised packaging. There was limited evidence to support standardised packs being associated with greater harm perceptions. Standardised packaging was associated with increased thoughts of quitting, however there was no evidence on cessation or relapse prevention.
- 5.10 Studies on industry response found that tobacco companies took full advantage of the 12 month transition period in which to continue selling branded packs. The studies examining pricing of cigarettes found that retailers tended to price their products in line with the recommended retail price (RRP) to stay competitive. Further studies found a significant increase in the price per cigarette and per 20 pack, with lower priced packs becoming considerably more expensive with standardised packaging.
- 5.11 This systematic review forms a detailed evidence base consisting of relevant and published research within the UK exploring the response of consumers, tobacco companies and retailers to standardised packaging. Of the studies included, when quality appraised, only one (a consumer study) was found to have concerns around the data. There was no evidence found in this systematic review to suggest standardised packaging has had any negative effects on smoking prevalence among adults and young people.

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<sup>4</sup> Moodie C, Angus K, Stead M (2019). A systematic review of research exploring the response of consumers, retailers, and tobacco companies to standardised packaging in the United Kingdom.

## England and UK studies

- 5.12 A wide range of research has been produced looking into the various aspects of standardised packaging here in the UK, and the evidence base is continuously expanding around the world as more countries implement standardised packaging. Some of these cover post-implementation effects of the regulations, and others consider the impact and attitudes towards the regulations during the transition period of May 2016 to April 2017.
- 5.13 The following are summaries of research relevant to the key objectives of standardised packaging, some of which were included in the systematic review. Further studies investigating the impact on business or other elements of the regulation are included in later sections.

### *On supporting quitting among smokers who want to quit and helping those who have quit avoid relapse*

- 5.14 A 2021 study<sup>5</sup> assessed whether the implementation of standardised packaging was associated with changes in smoking prevalence. The study analysed monthly data from the Smoking Toolkit Study, sampling almost 280,000 individuals over a 13 year period. Primary analysis estimated the impact on prevalence in May 2017, the end of the implementation period. They also conducted secondary analysis into prevalence at the start of the implementation period in May 2016. Results from the primary analysis showed a significant level reduction in the odds of being a smoker after May 2017, while the downward trend in prevalence remained the same. When May 2016 was included in the analysis, a similar reduction in the odds of being a smoker were observed. These findings suggest that the introduction of standardised packaging in May 2016 was associated with a reduction in the odds of being a smoker, in line with the objectives of the regulations.
- 5.15 A study<sup>6</sup> conducted in two regions of England assessed whether there was an association between using standardised packs and warning salience, thoughts about the risks of smoking and quitting, and awareness and use of stop smoking websites. The study took place online between February and April 2017, surveying 1865 current smokers aged 16 and over. Most participants were currently using standardised packs (76.4%), though some were not currently or had never used standardised packs (9.3% and 14.3% respectively). Compared with never users of standardised packs, current users were more likely to have noticed warnings on packs both often and very often, as well as to have thought about the health risks of smoking and about quitting.

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<sup>5</sup> Was the implementation of standardised tobacco packaging legislation in England associated with changes in smoking prevalence? A segmented regression analysis between 2006 and 2019: <https://tobaccocontrol.bmj.com/content/early/2021/07/29/tobaccocontrol-2021-056694>

<sup>6</sup> How did smokers respond to standardised cigarette packaging with new, larger health warnings in the United Kingdom during the transition period? A cross-sectional online survey <https://pubmed.ncbi.nlm.nih.gov/31992964/>



5.16 A further study<sup>7</sup> using online longitudinal surveys over the implementation period explored smokers' response to on pack warnings across various measures (salience, cognitive reactions, behaviour reactions). Between wave 1 of the survey (pre-implementation) and wave 2 (post-implementation), there was an increase in noticing warnings, thinking about the health risks of tobacco, and behaviours such as forgoing cigarettes and being more likely to quit. In wave 3, these measures decreased compared to the wave 2 results, however remained above the baseline results of wave 1, suggesting longer lasting effects. The study concluded that large picture warnings on standardised packs increases warning salience and effectiveness.

### *On discouraging young people from taking up smoking*

5.17 A 2020 study<sup>8</sup> explored young people's awareness of and perceptions about standardised packaging in the United Kingdom. Young non and current smokers found the packs unattractive and less appealing than non-standard packs of cigarettes and new health warnings often produced aversive responses. Most participants thought the impact would be greatest on young non/occasional smokers. There were divergent views on the impact on current smokers and whether it would stop them smoking.

5.18 We have also identified evidence on the impact standardised packaging has had on supporting younger people to quit. A study<sup>9</sup> investigated the level of awareness and acceptability of the legislation in students during the implementation period. A random online survey was conducted during the first half (Autumn 2016) of the transition period for standardised packaging of tobacco. 546 students responded, of which 175 were smokers. Six months into the transition period, few students (11.7%) had seen a standardised pack, suggesting the level of implementation was low at this stage in the transition period. Fewer smokers were willing to pay current prices for the standardised packs than for branded packs. Just under half of smokers said they would be quitting in response to the legislation, suggesting it had the potential to increase quitting behaviour in smoking students.

## **International and other evidence**

5.19 In addition to the evidence related to the UK above, there exists a growing body of international evidence around standardised packaging. There were further systematic reviews conducted in 2017 on tobacco packaging design for reducing tobacco use, and in 2019 on the perceptions of adolescents on graphic health warnings and plain packaging.

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<sup>7</sup> The response of smokers to health warnings on packs in the United Kingdom and Norway following the introduction of standardised packaging: <https://dspace.stir.ac.uk/bitstream/1893/32400/1/ntab027.pdf>

<sup>8</sup> 'It's like sludge green': young people's perceptions of standardized tobacco packaging in the UK: <https://pubmed.ncbi.nlm.nih.gov/32032450/>

<sup>9</sup> A Cross-Sectional Study of the Impact of Standardized Tobacco Packaging Legislation on University Students: <https://www.tandfonline.com/doi/abs/10.1080/1067828X.2018.1431992>

- 5.20 The 2019 review<sup>10</sup> covered research conducted between 2000 and 2017. Nineteen studies involving almost 16,000 adolescents found that plain packaging reduced the attractiveness of cigarette packaging. Plain packaging was found to increase the visibility of graphic health warnings, whereby participants perceived plain packs as having more serious health risks and increased the thoughts of quitting among smokers.
- 5.21 The 2017<sup>11</sup> review covered research conducted between 1980 and 2016, and so only covers the implementation standardised packaging in one country (Australia). Fifty one studies included roughly 800,000 participants found no evidence to suggest standardised packaging may increase tobacco use, in line with the UK findings above.
- 5.22 Australia, having also implemented plain packaging, produced a Post-Implementation Review of their regulations.<sup>12</sup> The review was based on a broad range of evidence: a public consultation, a review of published research and key indicator data, and an assessment of the impact of the regulation.
- 5.23 The public consultation found that the view of public health organisations and experts, government departments, and NGOs<sup>13</sup> was that the standardised packaging in Australia was achieving its objectives in an effective and efficient manner. The tobacco industry, along with retailers, non-health related NGOs and most individuals took a negative view. However there were some diverging views, and similar limitations as outlined in section above covering DHSC's consultation were presented.
- 5.24 The post-implementation studies that were reviewed were found to provide early evidence that Australia's standardised packaging measure was having a positive impact on reducing the appeal of tobacco products, reducing the potential for tobacco packaging to mislead customers, and enhancing the effectiveness of graphic health warnings. These studies covered a diverse range of demographics and used a different datasets to reach similar conclusions.
- 5.25 An assessment of the key indicators showed that smoking prevalence had continued to decline, with a substantial and statistically significant decrease following the introduction of standardised packaging. Similarly, the volume of tobacco sales declined.
- 5.26 In regard to the impact on industry, Government, and Wider community, the following conclusion was reached:

*"The evidence and analysis in this section shows that incremental compliance costs to industry, estimated solely for the purpose of this PIR, were relatively small and one-off in nature. It also identifies the potential cost savings to*

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<sup>10</sup> A systematic review of the perceptions of adolescents on graphic health warnings and plain packaging of cigarettes: <https://systematicreviewsjournal.biomedcentral.com/articles/10.1186/s13643-018-0933-0>

<sup>11</sup> Tobacco packaging design for reducing tobacco use: <https://www.ncbi.nlm.nih.gov/pubmed/28447363>

<sup>12</sup> Tobacco Plain Packaging PIR: <https://iris.pmc.gov.au/2016/02/26/tobacco-plain-packaging>

<sup>13</sup> Non-governmental organisations

*industry arising from standardised packaging and that even small health benefits once achieved will result in a large monetised value. The long term benefits of the measure are likely to exceed any one-off transitional costs incurred."*

- 5.27 Whilst we are not able to directly compare the UK experience with standardised packaging to the Australian experience, the overall findings and conclusions of Australia's Post-Implementation Review provide a strong argument that standardised packaging is effective in achieving its objectives.

## Key indicators

- 5.28 An important element in assessing whether the objectives of the legislation have been met is tracking the key indicators the policy was expected to affect over the past 5 years. The extent to which these regulations were successful in realising benefits therefore depends on the extent to which they have influenced these indicators.
- 5.29 Any changes in these indicators may not be directly attributable to SPoT, as there are a range of factors which could have affected them, such as other regulatory interventions (see figure 1) and changes in taxation of tobacco products. Specifically in this period TRPR was also introduced which was also expected to affect many of the indicators presented below. Therefore, it is likely the changes in the indicators represent at least the compound effect of both SPoT and TRPR. Despite this, reviewing how the indicators have changed since the introduction of SPoT provides further evidence on whether it has had any negative effects.
- 5.30 Due to the nature of SPoT, and there being a transition period of one year (May 2016 to May 2017) after which the regulations came into force, we have presented the overall trend in each key indicator as well as highlighted how the figures changed between 2015 (one year pre-implementation) and 2018 onwards (at least one year post-implementation).
- 5.31 Where available, the key indicator data for each constituent country in the UK has been presented. The key indicator data has also been split to present data for adults and young people separately, outlining the relevant objectives of the regulation. The sources for the key indicators are included in the text or alongside charts and tables.

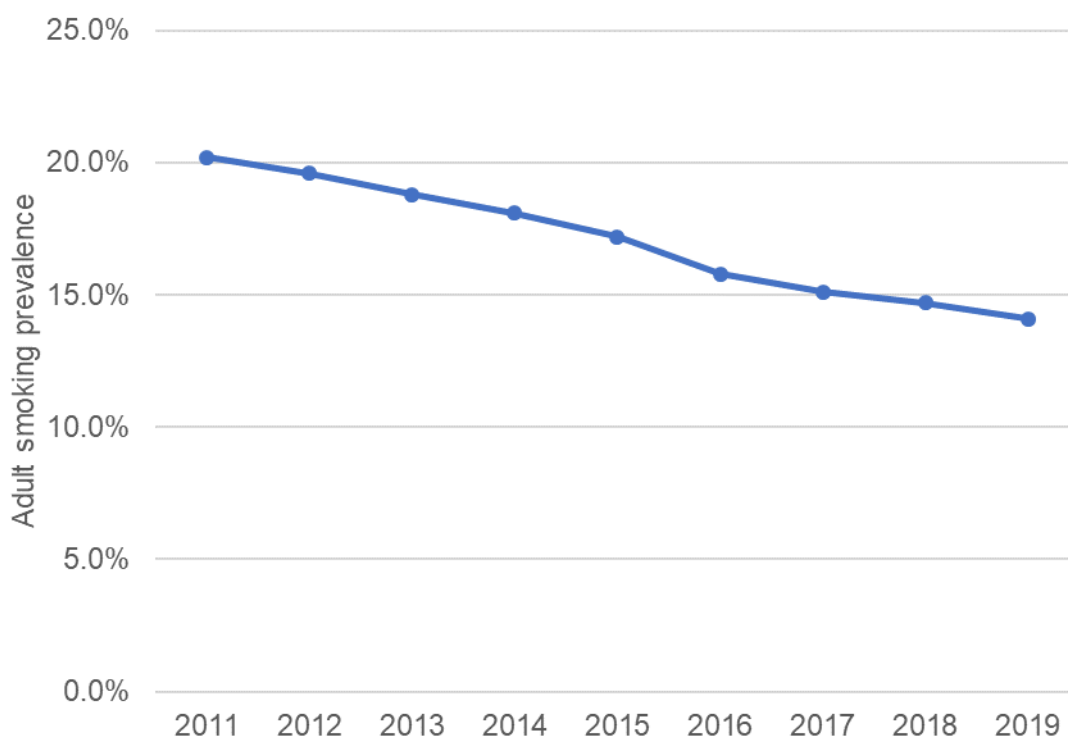
## Adults

5.32 Two key objectives of SPoT were to support quitting among smokers who want to quit, and helping those who have quit avoid relapsing back to smoking. The indicators presented below relate to adults in each country in the UK.

### Adult Smoking Prevalence

5.33 Adult smoking prevalence is the proportion of the population that are smokers. This has declined across the UK, and since 2011 has fallen from 20.2% to 14.1% in 2019. In 2015, before the introduction of standardised packaging of tobacco, adult prevalence was 17.2%. In 2018, the year after full implementation of the regulations, prevalence was 14.7%.

Figure 3: Adult smoking prevalence in the United Kingdom, 2011 to 2019, from ONS Adult Smoking Habits in the UK 2019 (Source: Adult Smoking Habits in the UK: 2019)



5.34 The large reduction in prevalence was seen in all countries of the UK as shown below in Table 1, with all countries experiencing a drop of almost 2 percentage points in adult smoking prevalence between 2015 and 2018:

Table 1: Adult smoking prevalence in each constituent country of the UK, 2011 to 2019 (Source: Adult Smoking habits in the UK)

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>England</b>	19.8%	19.3%	18.4%	17.8%	16.9%	15.5%	14.9%	14.4%	13.9%
<b>Wales</b>	22.3%	21.0%	20.2%	19.4%	18.1%	16.9%	16.1%	15.9%	15.5%
<b>Scotland</b>	23.4%	21.7%	21.5%	20.3%	19.1%	17.7%	16.3%	16.3%	15.4%
<b>N.I.</b>	18.9%	19.2%	18.5%	18.0%	19.0%	18.1%	16.5%	15.5%	15.6%

5.35 UK adult smoking prevalence declined by less than one percentage point each year between 2011 and 2015, constituting a percentage change of between three and five percent each year. In 2016, the percentage point decrease was 1.4%, an 8.1% decrease in prevalence.

Table 2: Adult UK smoking prevalence between 2011 and 2019, and the associated percentage point and percentage change each year (Source: Adult smoking habits in the UK)

Year	UK Smoking Prevalence	Percentage point change	Percentage change
2011	20.2%		
2012	19.6%	-0.6%	-3.0%
2013	18.8%	-0.8%	-4.1%
2014	18.1%	-0.7%	-3.7%
2015	17.2%	-0.9%	-5.0%
2016	15.8%	-1.4%	-8.1%
2017	15.1%	-0.7%	-4.4%
2018	14.7%	-0.4%	-2.6%
2019	14.1%	-0.6%	-4.1%

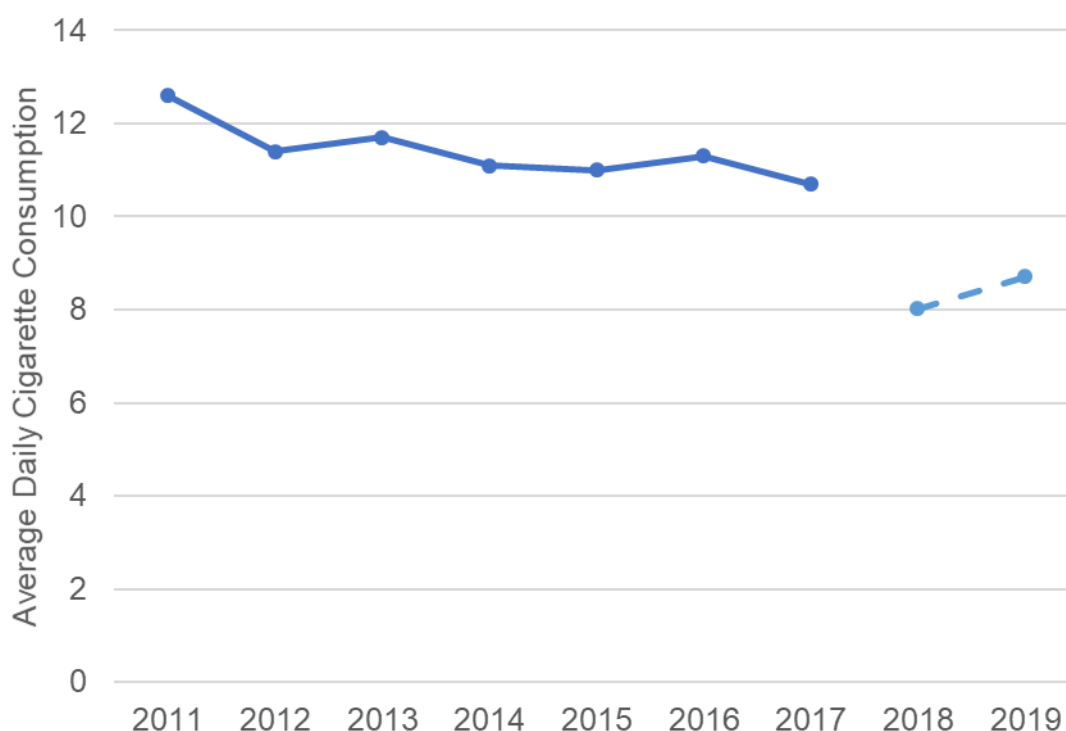
5.36 The large drop in prevalence in 2016 reflects the findings of the peer reviewed evidence that found a reduction in the odds of being a smoker due to the implementation of the regulations. The study was based on England data, and while the table above shows the data for the whole of the UK, a similar drop in prevalence was recorded for England only (a 1.4 percentage point decrease between 2015 and 2016).

5.37 There was also a higher average percentage fall in prevalence in the years post-implementation (over 6% across 2016 and 2017). This is compared with an average of less than 4.5% in the two years pre-implementation. The average percentage change in prevalence for all four years pre-implementation (2012 to 2015) was roughly -4%. This is compared with the average in the four years post-implementation (2016 to 2019) where the average percentage change in prevalence was -4.8%.

## Adult cigarette consumption

5.38 As with prevalence, cigarette consumption per smoker has fallen as well. The following figures are for Great Britain. The daily number of cigarettes smoked has fallen steadily over the past decade. Cigarette consumption fell from 11.0 in 2015 to 8.0 in 2018. However, there was a change in the method this data was collected, moving to telephone interviews in 2018 onwards, so the 2018 and 2019 figures are not directly comparable to the previous year's figures.

Figure 3: Adult average daily cigarette consumption, 2011 to 2019 (Source: ONS Adult smoking habits in the UK)



5.39 The consumption for each constituent country (where available) is displayed in Table 3. England and Scotland have both seen a steady reduction in the number of cigarettes consumed, whereas the daily cigarette consumption in Northern Ireland has remained similar. No data for Wales was available.<sup>14</sup>

Table 3: Daily cigarette consumption in each constituent country of the UK 2011 to 2019 (Source: England – Adult smoking habits in the UK, Scotland – Scottish Health Survey, Northern Ireland – Health Survey Northern Ireland)

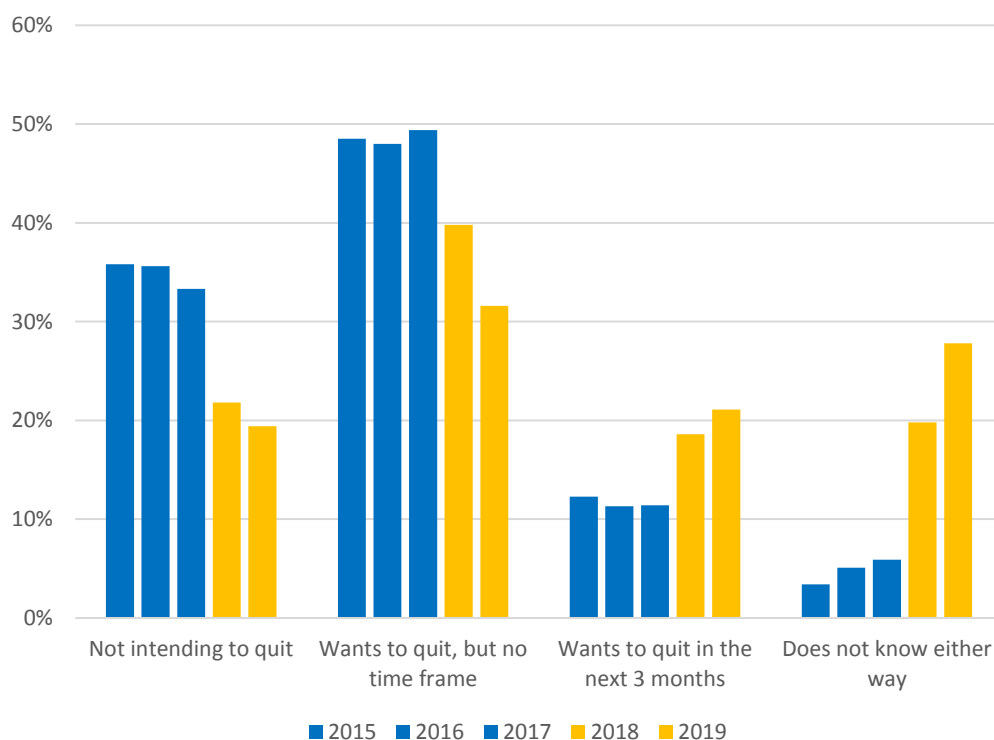
Country	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>England</b>	12.6	11.4	11.7	11.1	11.0	11.3	10.7	8.0	8.7
<b>Wales</b>	No data available								
<b>Scotland</b>	13.8	13.5	13.0	13.2	12.6	12.7	12.3	11.8	-
<b>N.I.</b>	12.9	12.0	12.9	12.0	11.4	11.4	10.0	11.4	-

<sup>14</sup> Data for England is affected by the data collection method changes as in Figure 5, moving to a telephone survey. Data for Northern Ireland is for financial years, and is calculated as the average weekly cigarettes divided by 7.

## Adult smokers' intention to quit

- 5.40 An objective of SPoT was to help those who wanted to quit do so, and we have an indicator to track people's intention to quit. The proportion of smokers that were not intending to quit fell greatly between 2017 and 2018, however due to changes in the data collection process outlined below, it is hard to determine the impact SPoT might have had on this indicator.
- 5.41 The Office for National Statistics (ONS) publish smokers' intention to quit. This covers smokers who are not intending to quit, those who want to quit but have no time frame, those who want to quit in the next three months, and those who don't know either way.
- 5.42 In Great Britain, between 2015 and 2017 the proportion of smokers not intending to quit fell slightly, as did those wanting to quit in the next three months. The proportion wanting to quit but had no timeframe in mind, and those who did not know either way increased slightly across the same time period.
- 5.43 After the change in the survey methodology, moving to telephone interviews, there were large decreases in the proportion not intending to quit and the proportion who wanted to quit with no time frame. Conversely, there were large increases in the proportion wanting to quit in the next three months and those who did not know either way.

Figure 4: Smokers' intention to quit, 2015 to 2019. Change in survey method highlighted by change in colour. (Source: ONS Smoking Habits in the UK)



- 5.44 While the data is not comparable over the years due to the change in survey, the large proportion of smokers who still want to quit (over 50%) reflect the findings of the peer



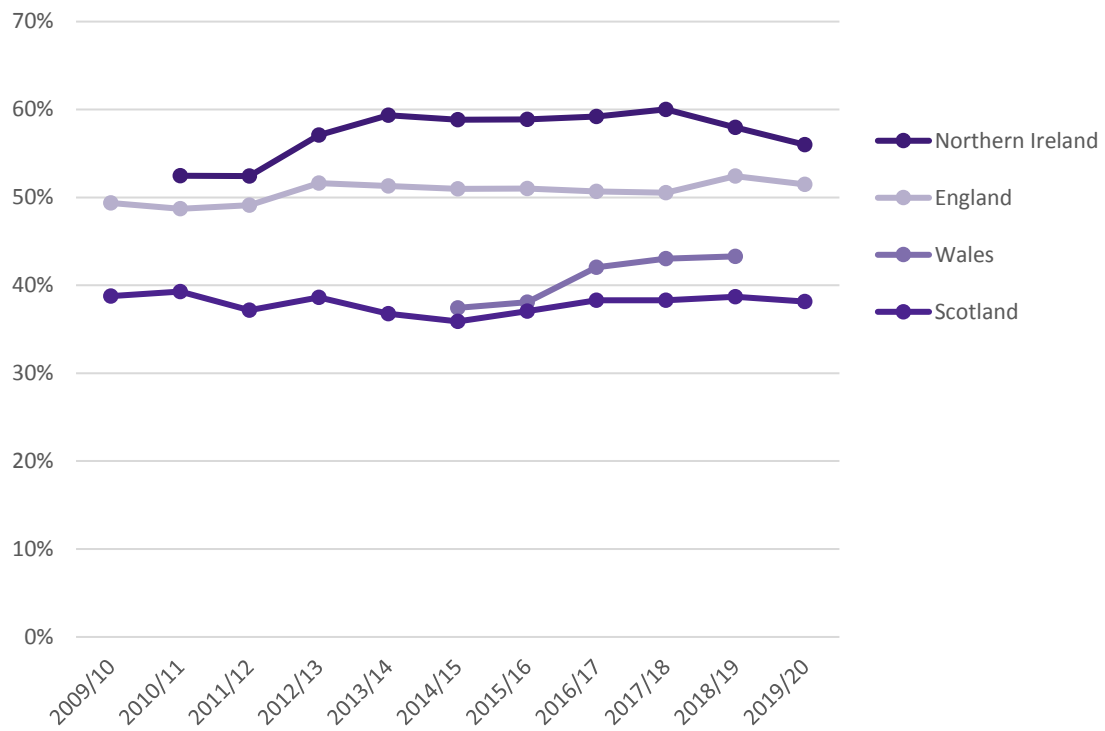
reviewed studies above, suggesting standardised packaging was increasing smokers' attention to warnings and thoughts about quitting.

- 5.45 The data for constituent countries is not consistent, with surveys in each country asking slightly different questions around quitting. Some of these cover whether smokers had tried to quit or not. Quitting behaviour is presented below from stop smoking services across the UK.

### **Adult quit behaviour**

- 5.46 SPoT aimed to help those who wanted to quit do so. While the number of people attempting to quit each year has been steadily falling, mainly due to decrease in the number of smokers, the proportion of those quit attempts that are successful has remained stable. Below are figures from each constituent country across the UK on the number of smokers making a quit attempt each year, and the proportion of quit attempts that are successful.
- 5.47 In England, between 2015/16 and 2019/20 the proportion of smokers successfully quitting (self-reported, 4 weeks) has remained broadly stable at around 50%. Further to this, the proportion of quits that were carbon monoxide (CO) validated remained broadly stable.
- 5.48 In Scotland, while the proportion of smokers successfully quitting (self-reported, 4 weeks) was lower than in England, it has also remained broadly stable across the time period at around 38%. In Northern Ireland, the proportion of successful quit attempts remained stable at almost 60% over the same period of time. In Wales, the proportion of quits that were successful increased between 2015/16 and 2018/19 from 37% to 43%.

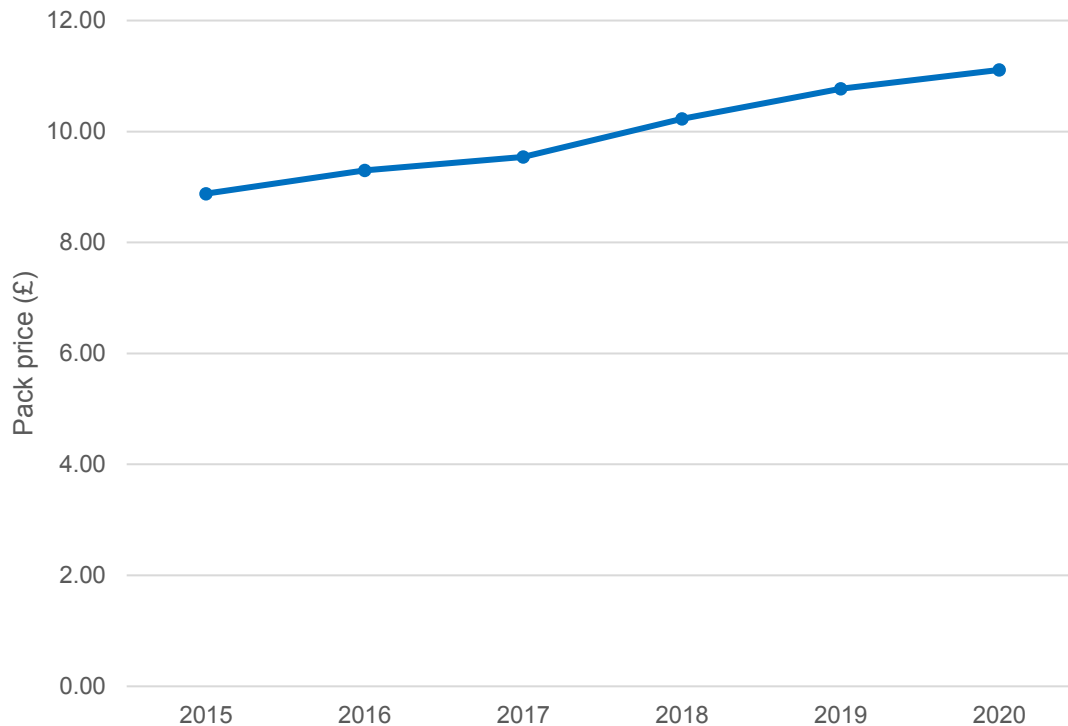
Figure 5: Successful quit percentages (self-reported, 4 weeks) in each constituent country across the UK, 2009/10 to 2019/20 (Sources: England - NHS Statistics on Smoking, Scotland - NHS Smoking Cessation Services Scotland, Wales, and Northern Ireland - Smoking Cessation Services)



## Cost of tobacco

5.49 The average price of a 20 pack of cigarettes has continued to increase between 2015 and 2020. Figure 8 below shows the annual average pack price rising from just under £9 a pack in 2015 to over £10 in 2018 and further to over £11 in 2020.

Figure 6: Average price for a 20 pack of cigarettes (Source: ONS Consumer price inflation time series MM23)



- 5.50 The NHS Statistics on Smoking<sup>15</sup> uses the tobacco price index (TPI) and retail price index (RPI) to produce an affordability of tobacco index. The price of tobacco has increased, and has increased relative to the retail price index, so the overall affordability of tobacco has fallen.
- 5.51 NHS Statistics on Smoking also brings together information from Family Spending in the UK reports<sup>16</sup> to look at the expenditure on tobacco. The average weekly household expenditure on cigarettes fell from 1.62% of total household expenditure in 2015 to 1.49% of household expenditure in 2018 and further to 1.41% in 2019.
- 5.52 This trend in the cost of tobacco is also counter to some of the arguments presented by the tobacco industry at the time of the Impact Assessment and judicial review. The tobacco industry argued that prices would fall in response to standardised packaging.

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<sup>15</sup> Statistics on Smoking, 2020: <https://digital.nhs.uk/data-and-information/publications/statistical/statistics-on-smoking>

<sup>16</sup> ONS Family Spending in the UK: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure>

The tobacco industry's rationale for this argument was that without branding, consumers would 'downtrade' to the cheapest packs because of diminished brand loyalty. The industry argued that this would mean consumers would be spending less on tobacco, forcing prices down and in turn increasing consumption.

- 5.53 As outlined in the key indicators above, price has not fallen. The continued increase in the cost of tobacco aligns with the findings of the commissioned systematic review by the University of Stirling, where one study found a price increase associated with the implementation of the regulations by analysing sales data. Similarly, the key indicator tracking consumption has continued to show a steady decline in the average number of cigarettes smoked per smoker which is further evidence against the tobacco industry's arguments and in favour of standardised packaging.

## **Summary**

- 5.54 Adult smoking prevalence across the UK is consistently declining year on year, with significant reductions over the past 5 years. Smokers' intention to quit has been high over the last five years, and the percentage of quit attempts that are successful has remained high. The price of cigarettes has continued to rise making the price of tobacco less affordable over time.
- 5.55 The key indicators all show trends that are in line with the broad objectives of the regulations, and are consistent with the peer reviewed research examining the impact of SPoT.

## Young People

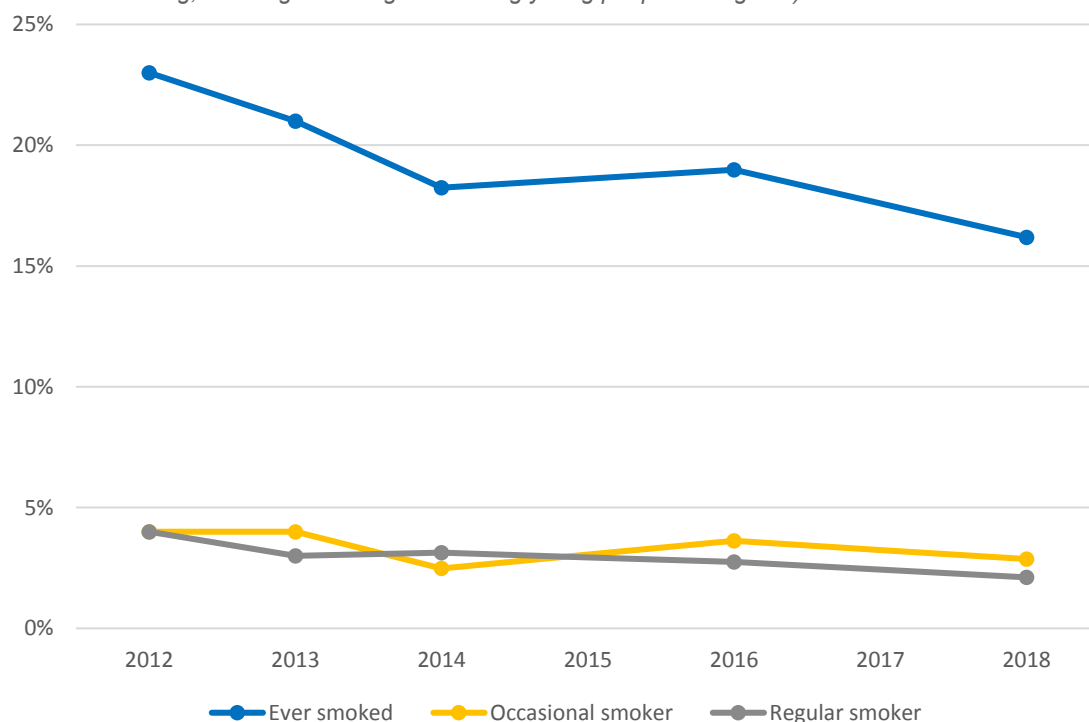
5.56 The main objective for SPoT in regard to young people is to reduce the uptake of smoking. Smoking prevalence in young people is presented below (figure 9) for each constituent country, however the data collection is generally less frequent than for adults. Most surveys are conducted every other year and every three years.

### England

5.57 The Smoking, Drinking, and Drug<sup>17</sup> use among young people tracks smoking prevalence across the ages of 11 to 15 and the category of smoking frequency that young people report.<sup>18</sup> Smoking prevalence has been falling among young people over the past decade.

5.58 For young people aged 11 to 15 years old, 18.2% had ever smoked in 2014 (before the implementation of SPoT) compared with 16.2% in 2018. The proportion that were regular smokers also fell by one percentage point from 3.1% in 2014 to 2.1% in 2018. The prevalence of occasional smokers (those who smoke less than one a week) has seen a minor increase over the period. In 2014, 2.5% of 11 to 15 year olds were occasional smokers, compared with 2.9% in 2018.

Figure 7: Young people's smoking prevalence in England between 2012 and 2018 (Source: Smoking, Drinking and Drug use among young people in England)



<sup>17</sup> From 2014 data is only available every two years due to the Smoking, Drinking and Drug use among young people switching to a biennial publication. There is no 2020 publication due to Covid-19.

<sup>18</sup> Regular smokers defined as usually smoking at least one cigarette per week, occasional smokers defined as usually smoking less than one cigarette per week, 'Ever smoked' includes 'current smokers' plus 'ex-smokers' and those who have 'tried smoking once'.

- 5.59 Across individual age years (11 through to 15) there are very few regular smokers aged 11 and 12, so the overall decline in smoking prevalence is mainly attributed to the reduction of regular smokers who are older. 14-year-olds regular smoking prevalence was 4% in 2014, which fell to less than 3% in 2018. Among 15-year-olds, regular smoking prevalence fell from 8% in 2014 to 5.3% in 2018.

## **Scotland**

- 5.60 The Schools Adolescent Lifestyle and Substance Use Survey (SALSUS) provides estimates of the proportion of under-16s in school who smoke. The SALSUS splits by age groups, focussing on children aged 13 and 15.
- 5.61 In 2018, almost all 13-year-olds (97%) were non-smokers. 2% were regular smokers and 2% were occasional smokers. Smoking was more common among 15-year-olds, but the prevalence was still low: 7% were regular smokers and 5% were occasional smokers. 87% of 13-year-olds and 70% of 15-year-olds reported never having smoked.
- 5.62 Smoking prevalence has decreased substantially over time, since 1996 among 15-year-old boys and slightly later (since 2002-2004) among 15-year-old girls and 13-year-olds. However, this has levelled off in 2018, with no statistically significant changes this wave compared to 2015.

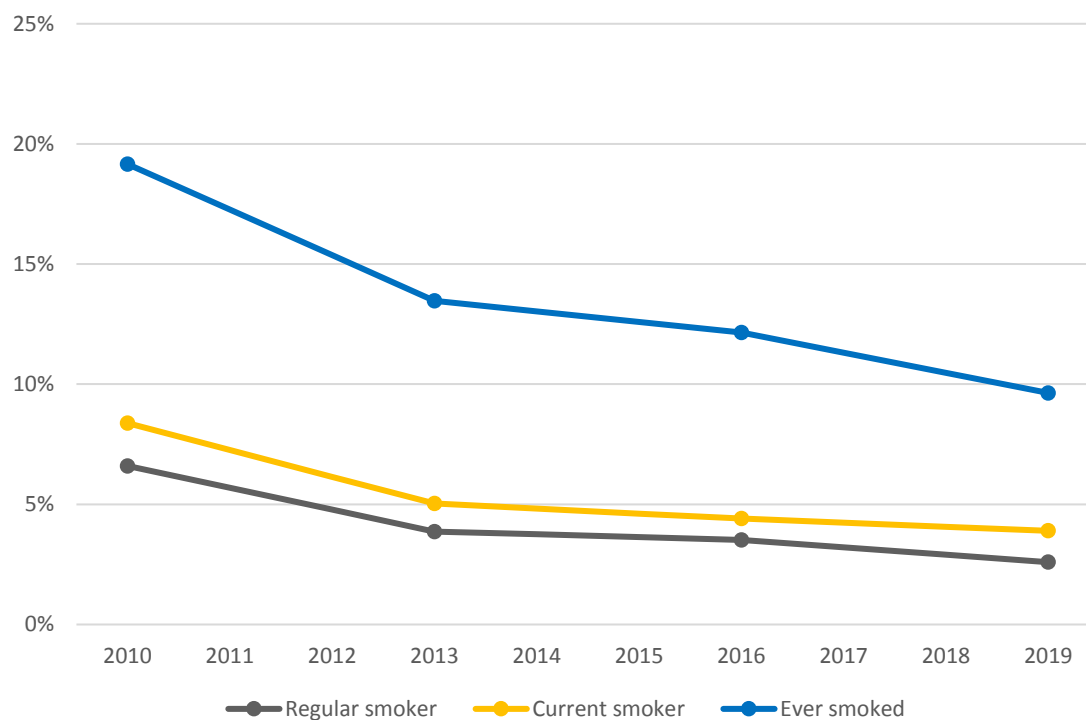
## **Wales**

- 5.63 The Health Behaviour in School-aged children (HBSC) survey publishes data on smoking prevalence among 11 to 16-year-olds in Wales. In 2017/18, roughly 4% of young people reported smoking weekly or daily (Regular smokers) indicating no change since 2013/14. A further 2% were occasional smokers, smoking less than once a week.
- 5.64 Student Health and Wellbeing survey conducted in 2019 found similar levels of regular smokers among 11 to 16-year-olds at 4%, indicating no further change. Overall, 11% of 11 to 16-year-olds had ever smoked a cigarette.

## **Northern Ireland**

- 5.65 The Young Persons Behaviour and Attitude survey publishes statistics on young people's prevalence in Northern Ireland. This survey covers 11 to 16-year-olds and has been published every three years since 2000. Between 2016 and 2019, the proportion of young people who had ever smoked fell from 12% to less than 10%.
- 5.66 The proportion of young people who were regular and current smokers also decreased between 2016 and 2019. 3.5% of young people were regular smokers in 2016, compared with 2.6% in 2019. Current smokers made up 4.4% of young people in 2016, falling to 3.9% in 2019.

Figure 8: Young people's smoking prevalence in Northern Ireland between 2010 and 2019 (Source: Young Persons Behaviour and Attitude survey, 2019)



## Summary

- 5.67 Smoking prevalence has declined among young people in England and Northern Ireland. The proportion of young people trying cigarettes has fallen significantly, and the proportion of young people smoking regularly is also very low. Prevalence in Scotland and Wales has remained broadly stable since 2015, showing no increase in prevalence.
- 5.68 While it is hard to attribute any decline solely to standardised packaging, the proportion of young people smoking across the UK has either fallen since the implementation of standardised packaging or remained stable. This is most prominent in the 'ever smoked' category, which reflects the findings of the peer reviewed research that young people felt the packs were less attractive and were likely to deter non-smokers from trying cigarettes.

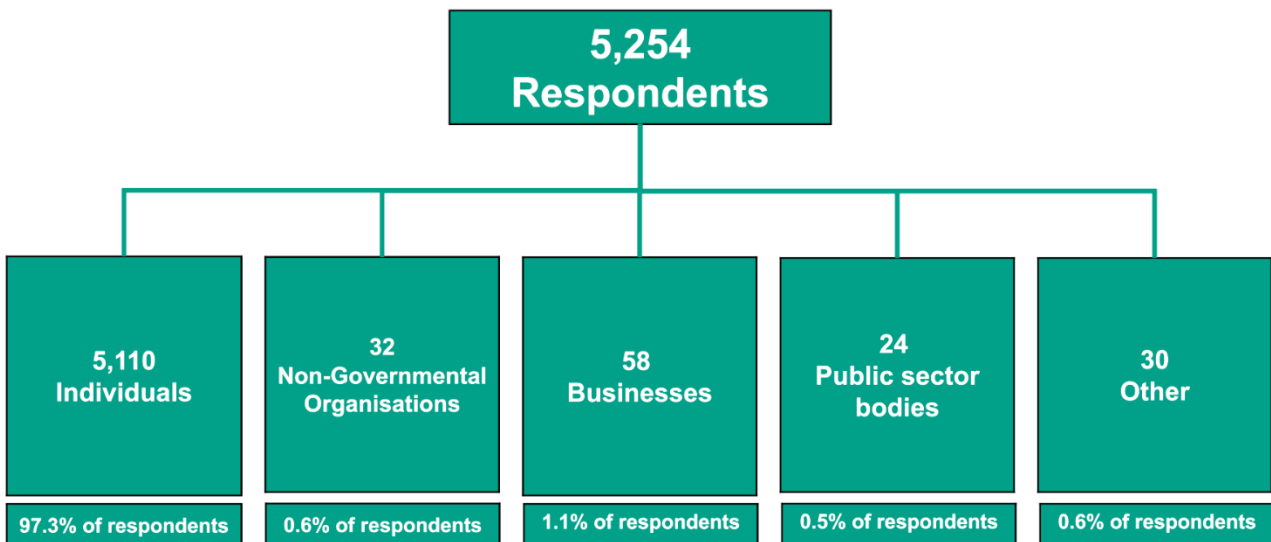
## Public Consultation

5.69 A public consultation on SPoT ran from the 29th January 2021 to the 19th of March 2021.

### Consultation demographics

5.70 5,254 responses were received in total, across a range of different stakeholders. The demographics of the consultation are based on how respondents identified themselves, such as individuals, non-governmental organisations, businesses, public sector bodies, and no adjustments were made here. Figure 11 below shows the number of responses received to the consultation by the capacity of the response.

Figure 11: Breakdown of consultation responses by stakeholder group



### Consultation analysis methodology

5.71 Analysis of the consultation responses outlines the proportion of respondents who answered ‘Strongly Agree/Agree/Don’t Know/Disagree/Strongly Disagree’ to the questions (e.g. “How far do you agree or disagree that the requirements on the packaging and labelling of tobacco products have been an effective way to protect young people from taking up smoking?”). Some questions only had options for Agree/Disagree/Don't know.

5.72 Alongside this, the consultation offered respondents the opportunity to provide reasons and/or evidence to support their view. These free-text fields were considered individually and classified into specific themes which were summarised to draw general conclusions. Many respondents used these free text fields to include references to published evidence, such as government publications and independent reports. These were reviewed alongside responses to inform the review.



5.73 There were seven questions covering specific aspects of SPoT and a further question giving respondents the opportunity to describe anything else they felt was relevant to the regulations.

## **Limitations of the consultation results**

5.74 Results from the consultations should be considered in the context of the consultation process and the information supplied by respondents.

- The consultation was commissioned to review the legislation through the Post-Implementation Review process. Respondents were those who wished to express a view to the Government and therefore are not representative of the whole of the UK.
- DHSC received views from both individuals and organisations. All contributions were analysed equally. For example, a response from a micro-business<sup>19</sup> was given equal weight to that of a large business for both the quantitative and qualitative aspects of the consultation.
- The capacity in which responses were submitted (e.g. as an individual, as a business, as a public sector body) was self-reported, and therefore statistics may not accurately reflect the views of each group of respondents
- Ratings of regulation impact should be treated with caution. Many individuals expressed a personal opinion, but did not provide evidence to support their view.

5.75 In reviewing consultation responses, no further judgements were made about the credibility of respondents. All analysis has been based around attempts to classify responses into broader themes, whereby responses were analysed equally.

## **Summary of the consultation results**

5.76 The consultation questions have been grouped into sections where relevant and discussed together. In the table summaries, 'Strongly Agree' and 'Agree' and 'Disagree' and 'Strongly Disagree' have been combined into one column. Respondents were not required to answer every question. Those that did not answer have been grouped in a column with those that responded 'Do not know'. Percentages below may not sum correctly due to rounding.

5.77 Across all respondents, attitudes towards the regulations were mixed. However the overall response is skewed by the large number of individuals who provided an opinion on the regulations, and does not provide an accurate picture for the response of different stakeholder groups.

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<sup>19</sup> Micro-businesses are those that employ less than 10 people

- 5.78 Other stakeholder groups generally provided clearer opinions towards each aspect of the regulations. For instance, public sector bodies (including public health organisations) generally suggested the regulations were achieving their objectives, in favour of keeping them or strengthening them if possible. Businesses and non-governmental organisations tended to neither agree or disagree, or did not know whether the regulations were having the specified impact.
- 5.79 A summary for each question is presented below, along with the overall response rates to each. However, as above, it is necessary to consider the context in which the questions are summarised as the majority of responses are from individuals. Further information on stakeholder opinions is included in Annex A.

## Pack Requirements - SPoT Objectives

5.80 The questions below have been grouped together as they discuss pack requirements and the impact, they have had towards achieving the objectives of SPoT.

How far do you agree or disagree that the requirements on the packaging and labelling of tobacco products have been an effective way to protect young people from taking up smoking?

	Agree	Neither agree nor disagree	Disagree	Don't Know/No answer
All respondents	28%	23%	34%	15%

How far do you agree or disagree that the requirements on the packaging and labelling of tobacco products have helped existing smokers quit?

	Agree	Neither agree nor disagree	Disagree	Don't Know/No answer
All respondents	22%	21%	45%	11%

- 5.81 Responses to these questions were mostly mixed in opinion, however respondents were more likely to disagree the requirements had helped existing smokers quit.
- 5.82 Of those that agreed the requirements on packs were effective, the reasons given included that the packaging was less attractive, putting people off smoking. In addition, some said standardised packaging has removed brand identity and increased awareness of the health consequences.
- 5.83 Alongside pack requirements, respondents explained other factors had helped encourage them to quit, such as, the financial cost of smoking and education discouraging people from smoking.
- 5.84 Of those that disagreed the packs were effective, the reasons given included, that smokers will ignore the packaging, nothing will impact people's decision to smoke, and that people are already aware of the health risks.

### Pack requirements - Appearance

5.85 The questions below have been grouped together as they discuss pack requirements and whether they are proportionate.

How far do you agree or disagree that the requirements on the appearance of cigarettes are proportionate?

	Agree	Neither agree nor disagree	Disagree	Don't Know/No answer
All respondents	24%	31%	21%	24%

SPoT regulations apply to cigarettes and hand rolling tobacco. How far do you agree or disagree that SPoT regulations should be restricted to cigarettes and hand rolling tobacco (and not other tobacco products?)

	Agree	Neither agree nor disagree	Disagree	Don't Know/No answer
All respondents	42%	21%	17%	20%

5.86 Many respondents agreed that the SPoT regulations should only apply to cigarettes and rolling tobacco (42%), not other tobacco products. In the free text space for responses to this question more responses felt that the regulations should be applied to cover all tobacco products to protect youth appeal and protect future generations from smoking, than those against.

5.87 When asked about the appearances of cigarettes being proportionate, many felt the requirements were proportionate. Some felt that requirements on appearance could even be extended further. Many comments against the requirements on the appearance of cigarettes said the requirements had had no impact.

### Pack Requirements - Size

How far do you agree or disagree that the introduction of a minimum pack size or weight is an effective way to protect young people from taking up smoking?

	Agree	Neither agree nor disagree	Disagree	Don't Know/No answer
All respondents	26%	15%	46%	13%

5.88 Of those that agreed or strongly agreed (26%) that the introduction of a minimum pack size was an effective way to protect young people from taking up smoking, the main reason provided was that it made products too expensive. This applied to both minimum pack size (for factory made cigarettes) and minimum weight (for hand rolling tobacco).

5.89 Of those that disagreed or strongly disagreed (46%), the main reasons provided were that young people would continue to smoke regardless, that the minimum pack size and weight actually encouraged people to smoke more and that the regulations were ineffective.

### Enforcement of Regulations

Do you agree or disagree that the penalties for a breach of the regulations are an effective deterrent to ensure compliance with the regulations?

	Agree	Disagree	Don't Know/No answer
<b>All respondents</b>	34%	22%	44%

5.90 Many respondents agreed that the penalties in place were an effective deterrent to ensure compliance (34%). From the free-text responses, the suggestions ranged from the penalties should be made less severe, to the penalties should be made more severe. As well as this, many responses suggested that there was not enough enforcement of the regulations.

### Economic Impacts of SPoT

How far do you agree or disagree that there has been an economic impact of SPoT, either positive, negative or both?

	Agree	Neither agree nor disagree	Disagree	Don't Know/No answer
<b>All respondents</b>	17%	30%	6%	47%

5.91 Positive economic impacts were mostly suggested by individuals and public sector bodies. Of those that felt there had been a positive economic impact, the positive impacts that were discussed mostly focused on health. These included an expectation that the burden on health services would be decreased due to SPoT, and a positive personal impact (due to the high cost of cigarettes). Also noted was the overall decline in smoking prevalence, and shift to alternatives.

5.92 Negative economic impacts were mostly suggested by individuals and businesses. Of those that felt there had been a negative impact, the impacts discussed varied. The most commonly suggested negative impact was on tax (the amount being paid). Negative impacts on the industry as a whole, as well as retailers and manufacturers due to a negative impact on branding were suggested.

### Anything else on SPoT

Is there anything else you would like to share on negative or positive impacts the regulations have had on topics not covered above?

5.93 Around 10% of respondents provided a response to this question. Of these, the main themes included the lack of evidence that SPoT had helped smokers to quit (commented by 27 individuals and 1 organisation), and that regulations do not impact smoking rates.

5.94 Many other responses to this question provided comments unrelated to SPoT.

## Compliance rates

5.95 The Chartered Trading Standards Institute (CTSI) produced a series of Rapid Reviews of compliance with tobacco product regulations. A November 2017 review<sup>20</sup> investigated the compliance of SPoT. Phase 1 of this review was conducted across England between May and September 2017, with a total of 396 compliance visits during this period. Both packs of cigarettes and hand rolling tobacco were assessed for compliance, which was found to be good during the review. Compliance was higher for hand rolling tobacco at 98% compared to 88% for packs of cigarettes. Non-compliance was found, it was usually as a result of old stock being available.

5.96 Comparing the immediate compliance with the most recent information from CTSI's Tobacco Control Survey in 2019/20<sup>21</sup> shows similar compliance rates 4 years post-implementation. Of the 2,260 visits councils made in 2019/20, just 8% were found to have non-compliant products.

5.97 One study in 2018<sup>22</sup> looked at electronic point of sale (EPoS) data from small retailers across the UK for the 10 weeks after implementation. Compliance was split into three categories: not at all compliant, semi-compliant, and fully compliant. The proportion of retailers who were not at all compliant was very low, at much less than one percent throughout the 10 week period. The proportion of retailers fully compliant was low in the first week at just over 25% but rose quickly to just under 50% by week 10. The majority of retailers were semi-compliant, with roughly 75% selling a mixture of compliant and non-compliant stock to begin with, though this fell over the 10 weeks. The vast majority of sales were of compliant products; In the first week after the regulations were fully implemented, 97.4% of all sales were of products compliant with the regulations, rising to 99.5% by week 10.

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<sup>20</sup> A review of tobacco product compliance with the Tobacco and Related Products Regulations 2016 and the Standardised Packaging of Tobacco Regulations 2015 - completed November 2017:

<https://www.tradingstandards.uk/news-policy/tobacco-control/tobacco-compliance-and-rapid-reviews>

<sup>21</sup> CTSI Tobacco Control Survey, England 2019/20 <https://www.tradingstandards.uk/news-policy/tobacco-control/tobacco-control-survey>

<sup>22</sup> Critchlow et al (2018) 'Did independent and convenience (small) retailers comply with standardised tobacco packaging in the United Kingdom?': <http://hdl.handle.net/1893/26235>

- 5.98 A 2018 qualitative study<sup>23</sup> interviewed 24 small retailers in Scotland to explore how retailers responded to SPoT and TRPR. The study focussed on three areas of retailers' response, compliance, storage and sales practices and pricing. Most retailers interviewed complied with the legislation and took actions to remove non-compliant stock before the implementation date. Only one retailer said they were not complying the legislation, and continued to sell fully branded stock, packs below the minimum size and price marked packs.
- 5.99 Despite some minor issues surrounding old stock being sold off, the evidence suggests that compliance with the regulations was, and remains, good. The findings here support the responses to the consultation, where more people agreed than disagreed that the penalties were an effective deterrent against non-compliance.

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<sup>23</sup> The Response of Retailers in Scotland to the Standardised Packaging of Tobacco Products Regulations and Tobacco Products Directive <https://academic.oup.com/ntr/article/21/3/309/5092659>

## Economic impacts

5.100 The implementation of SPoT was expected to have a significant economic impact. This section summarises commissioned research on the impact on small businesses and the review of the costs and benefits estimates in the original Impact Assessment.

### The King's Fund: Qualitative assessment of the effect of standardised packaging on small businesses

- 5.101 The implementation of SPoT was expected to have a particularly large impact on small and micro businesses, due to the large proportion of tobacco estimated to have been sold by businesses of this size (46%<sup>24</sup>).
- 5.102 To explore the impact of the SPoT and TRPR regulations on small businesses that are retailers of tobacco and related products<sup>25</sup> DHSC commissioned research by The King's Fund.
- 5.103 This research was designed to inform this Post-Implementation Review through the illustrative experience of small businesses. Some of the questions posed to retailers were based on concerns raised by the industry at the time of the Impact Assessment (such as purchasing habits and an increase in time taken to sell tobacco). Some of the qualitative evidence below is used to inform the review of the Impact Assessment.
- 5.104 20 semi-structured interviews were conducted between November and December 2020. Interviewees received payment in recognition of their time. Larger retailers such as supermarkets and petrol stations were deemed outside the scope of this research. The final sample of interviewees were selected to ensure a mix of representation from rural, urban, suburban, and coastal areas. The full demographic breakdown can be found in Annex B.
- 5.105 The findings for SPoT only are summarised here, with illustrative quotes italicised throughout to provide examples of particular points.

### Sales and purchasing habits of tobacco products

5.106 In the Impact Assessment, the idea of 'down trading' (people buying the cheapest packs) was explored. When asked about any changes to the sales of tobacco products, many interviewees noted a substantial reduction in sales of tobacco products over recent years, however some reported a slight or substantial increase. Interviewees found it difficult to provide an opinion of the regulatory effect on tobacco sales. Those

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<sup>24</sup> "Cigarettes in the United Kingdom", Euromonitor 2011

<sup>25</sup> The Kings Fund: Qualitative assessment of the impact of Standardised Packaging of Tobacco and Tobacco and Related Products Regulations on small business, 2021: <https://www.york.ac.uk/healthsciences/research/health-policy/research/health-policy-projects/prepare/reports/>



that did feel that minimum pack size had had a greater impact on sales over standardised packaging.

*“At that time, everything was just happening altogether... the changes, the branding and then... the price increases and then dropping out of the tens, etc.”*

5.107 While some interviewees reported customers seeking out cheaper brands of tobacco after the regulations, many others felt customers still had a clear idea of what they wanted (their usual brands).

5.108 When asked about purchasing habits by younger adults (18 to 25), many interviewees noted younger adults preferred e-cigarettes over tobacco. A number of reasons were suggested for this, one of these being the price driven by an increase in minimum pack size.

*“I think the package sizing has a big effect, because, obviously 18 to 25 you possibly got your first job... you won't have that much excess cash... to go and buy [cigarettes], you know, what's the minimum [price]? £10 nowadays, I think, to buy a box of £10 cigarettes, whereas it could have been five pound if it was a ten pack.”*

5.109 Similarly the price was cited as a reason for younger adults opting for hand-rolling tobacco over packs of cigarettes. Another was the contrasting looks between alternative products (e-cigarettes) and tobacco, suggested that standardised packaging put younger adults off of smoking tobacco compared with the 'glamourised' packaging of e-cigarettes.

### **Impact on business and income**

5.110 When asked about the effect on business and income, the general feeling from interviewees was that the regulations had had limited impact on their business and income. Further, if there had been an impact, it was when the regulations were first introduced.

*“Like I say, I don't think [the introduction of the regulations] has had an effect on the income coming into the business.”*

5.111 For those that had felt limited impact, they noted that the margin on tobacco products is very small to begin with, and that they had diversified enough to limit the impact or that customer behaviour was not altered enough to make a difference.

*“Tobacco [sale] has decreased slightly, but the big thing about tobacco is there's not much margin to be made on it. So we haven't been keeping that much of an eye on it.”*

5.112 Despite this, a small number of interviewees did note that the minor effects of SPoT had negatively impacted them, even if it was a small impact.

*"Overall [the legislation] hasn't made a huge impact on the business, on the negative side, but, I mean, every little helps nowadays, you know."*

### **Consumer response and changes to the serving process**

5.113 One estimated cost in the Impact Assessment was around the increase in time taken to sell tobacco as a result of SPoT. When asked about customer feedback in relation to the regulations, generally feedback was negative when the regulations were first introduced. This negative feedback was more prominent for the immediately obvious regulations (standardised packaging, minimum pack size), however this negative feedback decreased over time.

*"It's gone back to normal because they know they can't [get 10-packs] ..."*

5.114 When asked about changes to the serving process many interviewees felt that the regulations did not make much difference to the serving process. Any impact was mainly when the regulations were first introduced, or when new staff start. Responses ranged from almost no impact on the serving process, to some frustration (but without substantial impact on costs or the business overall).

*"But for me, for me, I can do [find the correct plain packaged product] with my eyes shut to be fair... no, it doesn't take me any extra time now, but it did do in the early days..."*

### **Circumvention of regulations**

5.115 A small number of interviewees noted illegal trading and imported branded cigarette packs. They mentioned other retailers (small shops, ice cream vans) splitting packs of 20 into smaller quantities for sale.

*"But I believe some of the small... shops, and ice-cream vans, still do break packets of cigarettes for these youngsters, who maybe don't have much money"*

5.116 They also noted manufacturer attempts to circumvent regulations such as the introduction of 10 packs of cigarillos (small cigarette like cigars) where the SPoT regulations do not apply.

### **Summary**

5.117 The specific contributions of SPoT displayed are hard to quantify, however minimum pack size was perceived to have had an effect in pushing consumers (particularly younger adults) towards alternatives. Costs to business were felt to be limited by all retailers in this study, and while feedback on the regulations was initially negative this subsided over time. These findings are based on the illustrative experience of a small number of tobacco retailers and are considered alongside other sources of evidence. The findings are also used to review certain elements of the Impact Assessment.

## Standardised packaging Impact Assessment

5.118 The Impact Assessment considered the costs and benefits associated with the implementation of regulations. Below, we explore the changes in the tobacco landscape since the Impact Assessment was produced and review the costs and benefits associated with the implementation of standardised packaging in line with new data. In the main review we present only the changes to previously quantified costs. Further information on all costs originally considered in the Impact Assessment can be found in Annex C.

### Summary

5.119 Based on the review of the Impact Assessment, the economic impact remains dominated by the health benefits of the regulations. The costs to business remain small relative to these benefits. Prior to the implementation of the regulations there were significant changes to certain key indicators such as smoking prevalence and tobacco sales. These changes were not accounted for in the Impact Assessment due to the data not being available at the time. The review of the evidence suggested no other changes are necessary. While the relative scale of impacts attributable to the regulations remains the same, when applying them to lower baseline figures for certain key areas, the monetised costs and benefits are lower than originally anticipated.

5.120 The costs and benefits for each stakeholder were included in either the Net Present Value (NPV), the Equivalent Annual Net Direct Cost to Business (EANDCB), or both. Table 4 below presents the original estimates for both compared with the estimates using new data. The full breakdown of which elements are included in each is presented in Annex C, and is the same as for the original Impact Assessment.

Table 4: NPV and EANDCB of the regulations as estimated in the Impact Assessment compared with the PIR estimates

	IA Estimate	PIR Estimate
<b>Net present value</b>		
<b>Benefits</b>	£30.2bn	£26.5bn
<b>Costs</b>	£5.2bn	£4.6bn
<b>Total NPV</b>	£25.0bn	£21.9bn
<b>EANDCB</b>		
<b>EANDCB</b>	£36.8m	£32.0m

5.121 The benefits are usually made up of the health benefits associated with the regulations, such as there being fewer smokers, whereas the costs are incurred by businesses and the treasury to due to a loss of profits or tax revenue as a result of the regulations. The overall changes are outlined below, along with the resulting impact on particular categories of costs and benefits.

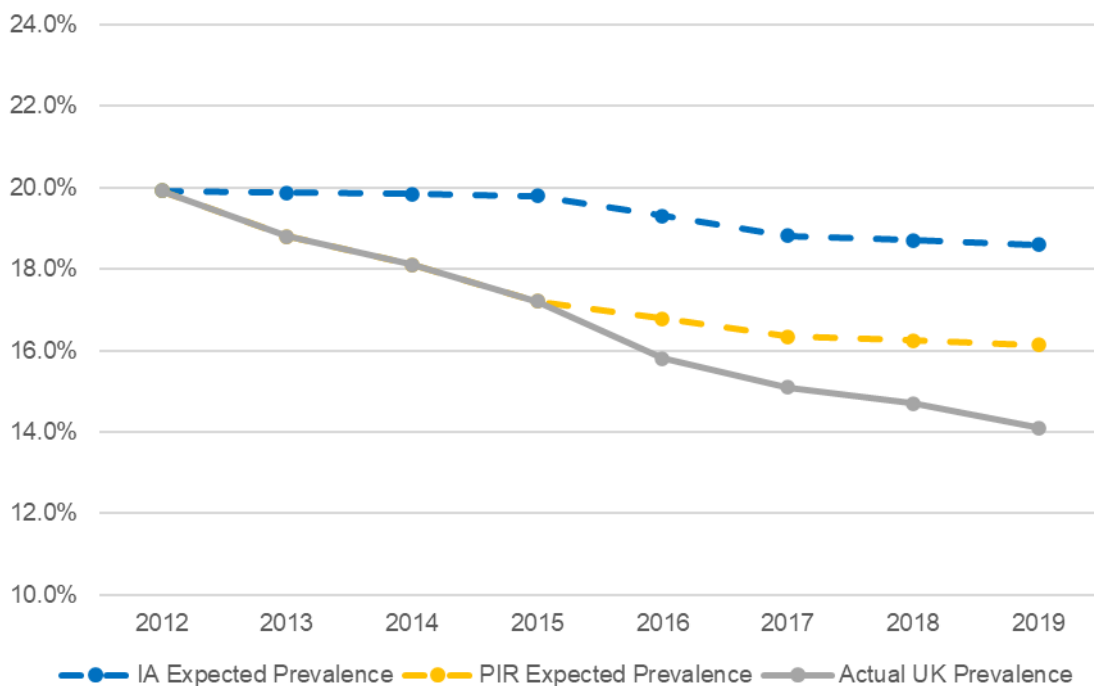
## Overview of changes since implementation

5.122 The Impact Assessment used the data available at the time to estimate the likely impact of the regulations. Since the Impact Assessment was conducted, and since implementation, we now have more recent data to revise the estimates. Two of the main changes are to the estimations of smoking prevalence and of sales figures, and some minor changes such as changes to hourly wage estimates.

### Changes to smoking prevalence estimates

- 5.123 At the time the Impact Assessment was conducted, data on smoking prevalence from 2013 onwards was not available. Therefore, smoking prevalence was forecasted between 2013 and implementation. This forecast accounted for decreases in prevalence as a result of other regulations, such as the display regulations and TRPR, however prevalence fell much faster than anticipated, and by the time the regulations were implemented prevalence was much lower than expected.
- 5.124 Many of the estimated impacts of SPoT were based on an expected relative reduction applied to forecasted 2015 baseline prevalence. When reviewing the Impact Assessment estimates, the baseline has been adjusted in line with actual data to reflect any impact of SPoT more accurately, displayed in Figure 12 below. Further to this, the actual prevalence over the years is displayed, demonstrating the difference between the new estimated impact of SPoT and how much further prevalence declined beyond this.

Figure 92: SPoT Impact Assessment estimated smoking prevalence vs PIR estimated and actual UK prevalence (Source: SPoT IA, SPoT PIR Estimates, ONS Adult Smoking Habits in the UK)



- 5.125 The estimated impact of SPoT, which was expected to occur over the 2 years of 2016 and 2017, would make up around 30% of the fall in actual prevalence (0.6 percentage points of the 2.1 percentage point fall between 2015 and 2017).
- 5.126 Considering and accounting for other regulations that were introduced around the same time<sup>26</sup>, the total impact of all of these including SPoT, would make up around 40% of the fall in actual prevalence (0.9 percentage points of the 2.1 percentage point fall between 2015 and 2017). Smoking prevalence is affected by more than just regulatory interventions, such as increases in tax, and the estimated impact does not constitute a fall greater than what was seen in actual data over the review period. It is therefore considered a reasonable estimate. The changes to the estimates result in a reduction in the estimated costs and benefits.

### Changes to tobacco clearance estimates

- 5.127 Tobacco clearances are the volume of duty paid tobacco cleared for legal consumption. The Impact Assessment calculations used forecasts from the Office for Budget Responsibility (OBR). The Economic and Fiscal outlook 2014 reports<sup>27</sup> covered the expected clearances of tobacco up until 2020, whereby the general trend in cigarette clearances was applied to the 2020 figure to estimate the clearances up to 2025 (covering the 10 year appraisal period).
- 5.128 Similar to the changes in prevalence, the actual clearances of cigarette sticks and hand rolling tobacco (sourced from the HMRC tobacco bulletin<sup>28</sup>) were significantly lower in the years following the implementation of the regulations compared to the forecasts. Table 5 below shows the OBR forecasts for tobacco clearances from 2014/15 to 2018/19, compared with the actual clearances.
- 5.129 Many of the expected impacts of SPoT were based on these clearances. When reviewing the Impact Assessment estimates, the 'baseline' has been adjusted in line with actual data to reflect any impact of SPoT more accurately.

Table 5: Forecasted cigarette stick clearances compared with actual clearances (Source: OBR Fiscal and Economic Outlook, 2014 and HMRC Tobacco bulletin, April 2021)

Year	2014/15	2015/16	2016/17	2017/18	2018/19
<b>Cigarette stick clearances, millions</b>					
<b>OBR Forecast</b>	36,700	35,100	33,800	32,400	31,100
<b>Actual clearances</b>	32,661	30,971	28,246	26,948	26,289

<sup>26</sup> Other regulations include the display regulations and TRPR which were expected to have longer term impacts

<sup>27</sup> [Economic and fiscal outlook - March 2014 - Office for Budget Responsibility \(obr.uk\)](https://obr.uk/economic-outlook-2014/)

<sup>28</sup> HMRC Tobacco bulletin: <https://www.gov.uk/government/statistics/tobacco-bulletin>

5.130 While cigarette clearances were forecasted to fall, clearances of hand rolling tobacco were forecasted to increase. The same OBR report was used for forecast figures of hand rolling tobacco. The forecasts for hand rolling tobacco were again higher than the actual clearances as shown in table 6 below. Again, the actual data has been taken in account when reviewing the Impact Assessment estimates.

Table 6: Forecasted hand rolling tobacco clearances compared with actual clearances (Source: OBR Fiscal and Economic Outlook, 2014 and HMRC Tobacco bulletin, April 2021)

Year	2014/15	2015/16	2016/17	2017/18	2018/19
<b>Hand rolling tobacco clearances, million kgs</b>					
<b>OBR Forecast</b>	6.7	6.9	7.1	7.3	7.5
<b>Actual clearances</b>	6.1	6.1	6.0	6.1	6.4

- 5.131 Among other things, this reduction in clearances and expected clearances reflects the findings of the key indicators. There are in general fewer smokers, and average consumption has fallen slightly.
- 5.132 The costs and benefits as calculated in the Impact Assessment are affected by these changes. Generally where costs and benefits have changed, this is a reduction compared to the original Impact Assessment estimates.
- 5.133 The changes in smoking prevalence outlined above reduce the monetised health benefits associated with the regulations. This is due to the impacts being measured as a percentage reduction in prevalence, and when applying these to a lower baseline it results in a smaller change in prevalence. This also has an impact on some costs. For instance, where the number of fewer smokers was used to estimate a loss in profit, a reduction in the number of fewer smokers produces a lower loss in profit.
- 5.134 The clearances of tobacco are significantly lower. The costs associated with this are those regarding profits to certain stakeholders, as well as the tax revenue. The changes in clearances are significant, and would suggest large costs have been incurred. However, only a portion of these is likely attributable to SPoT, with the remainder due to other measures and interventions prior to the implementation of SPoT. The estimated impact of SPoT on clearances also remains unchanged, however as with prevalence, when applied to a lower baseline the monetised costs are estimated to be lower than in the Impact Assessment.
- 5.135 Evidence on other costs and benefits associated with the regulations was identified through searches of available datasets and studies, including from academics and industry. Additionally, the consultation did provide an opportunity for respondents to provide details and evidence on the economic impact due to SPoT. However, evidence on other costs and benefits of SPoT was limited. For example, while some consultation responses noted particular costs (such as an increase in serving time, redundant machinery), no figures or evidence were included in these responses. Where no

evidence was identified through our searches or received through the consultation the assumptions used in the Impact Assessment have been used.

5.136 Full details of each cost and benefit described in the original Impact Assessment can be found in Annex D. Below is a general overview of the changes in monetised costs and benefits to each of the major stakeholders identified in the original Impact Assessment.

## Changes in impact on stakeholder groups

5.137 Given the changes outlined above, the costs and benefits have been revisited. The original calculations have been updated with the new data outlined above, and the changes in the estimated impact on each stakeholder group are summarised below. Further details are included in Annex C, including more detailed methodology used in the original calculations as well as that used to update them.

### General population of smokers, quitters, and non-smokers

- 5.138 The general population of smokers, quitters, and non-smokers were predominantly expected to see large benefits. These were in the form of health gains due to fewer smokers, from those who quit and those who did not take up smoking each year.
- 5.139 The changes in prevalence described above result in a slight reduction in the estimated benefits attributed to SPoT. The number of people who quit and the number who did not take up smoking were based on a percentage reduction applied to the 2015 prevalence. The peer-reviewed research and key indicator above indicate the original assumption of the percentage impact on prevalence is reasonable and remains a good estimate for the impact attributable to SPoT. However, when applying this percentage reduction to a lower figure, fewer number of adult quitters were expected, and fewer children are estimated to be stopped from taking up smoking. So while the impact on prevalence due to the regulations remains the same, the monetised health benefits are slightly lower.
- 5.140 The only cost for this group was around the time taken to buy tobacco. There was an expected increase in serving time due to plain packaging, and while most of the assumptions around this estimate remained the same, the number of packs sold decreased. This results in less time being lost, and a reduction in the costs associated with this.

Impact	IA estimate (£m)	PIR estimate (£m)
Health gain - reduced smoking in adults	26,440	22,975
Health gain - reduced smoking uptake in children	2,826	2,681
Increase in time taken to buy tobacco	-0.296	-0.250

### Businesses who employ smokers

5.141 Businesses who employed smokers were expected to benefit from the regulations. A reduced number of smokers was expected to increase overall productivity. The number



of fewer smokers due to SPoT is less than estimated due to the reduction in prevalence before SPoT was implemented, reducing the benefits.

<b>Impact</b>	<b>IA estimate (£m)</b>	<b>PIR estimate (£m)</b>
<b>Fewer smokers at work - improves business productivity</b>	896	801

### **Retailers of tobacco**

5.142 Retailers of tobacco were expected to bear costs due to the regulations. In 2020, it was estimated that there were 46,955 shops in the UK, of which 72% were independent retailers.<sup>29</sup> Although a large number of these retailers will be small and micro businesses the lost profits would be spread across all retailers of tobacco products and mostly realised over a 10-year appraisal period, meaning the impact on individual small and micro retailers is likely to be small. This is consistent with The Kings Fund research, where retailers generally felt little to no impact due to the regulations.

5.143 The majority of the costs to retailers were in the form of a reduction in profits as a result of the regulations. Estimates for the impact of the regulations on retailers included: fewer smokers purchasing tobacco, smokers downtrading to cheaper packs, an increase in illicit or cross border shopping, and a reduction in profit due to a reduction in branding.

5.144 These costs were based on the forecasted sales data and estimated profit margins, and as such the expected costs have decreased across the board in line with a reduction in overall tobacco clearances. There are also further reductions in the expected profit loss due to fewer smokers purchasing tobacco. This follows from the estimates above,<sup>30</sup> whereby fewer smokers are estimated to have quit smoking due to the regulations.

<b>Impact</b>	<b>IA estimate (£m)</b>	<b>PIR estimate (£m)</b>
<b>Increase in time taken to sell tobacco</b>	-0.499	-0.467
<b>Profit decrease - fewer sales due to fewer smokers</b>	-185	-162
<b>Profit decrease - downtrading</b>	-90	-79
<b>Profit decrease - increase in illicit trade/CBS</b>	-20	-18
<b>Profit decrease - associated with any reduction in branding</b>	-151	-132

<sup>29</sup> ACS Local Shop Reports 2020 available at: [https://www.acs.org.uk/sites/default/files/acs\\_local\\_shop\\_report\\_2020.pdf](https://www.acs.org.uk/sites/default/files/acs_local_shop_report_2020.pdf)

<sup>30</sup> See 'General population of smokers, quitters, and non-smokers'.

## Wholesalers of tobacco

- 5.145 Wholesalers of tobacco were expected to bear costs due to the regulations. The costs here are borne by all wholesalers of tobacco, therefore the impact on individual wholesalers is likely to be small.
- 5.146 As with retailers, the costs are in the form of reduced profits as a result of fewer smokers purchasing tobacco, and a possible increase in illicit trade or cross border shopping. Due to the decrease in tobacco clearances, the profit losses are expected to be lower than originally estimated.

Impact	IA estimate (£m)	PIR estimate (£m)
Profit decrease - fewer sales due to fewer smokers	-92	-81
Profit decrease - increase in illicit trade/CBS	-10	-9

## Tobacco manufacturers and their shareholders

- 5.147 Tobacco manufacturers and their shareholders were expected to see both costs and benefits. The costs were in the form of profit loss estimates as a result of fewer sales due to fewer smokers, those downtrading to cheaper packs, a potential increase in illicit trade and cross border shopping, and a reduction in branding.
- 5.148 The benefits were in the form of reduced production costs associated with plain packaging compared with branded packs.
- 5.149 The revised profit loss estimates are lower than in the Impact Assessment due to the changes in tobacco clearances. The benefits from reduced production costs have remained the same as no further evidence was identified, or submitted as part of the consultation.

Impact	IA estimate (£m)	PIR estimate (£m)
Profit decrease - fewer sales due to fewer smokers	-18	-15
Profit decrease - downtrading	-21	-18
Profit decrease - increase in illicit trade/CBS	-1.4	-1.3
Profit decrease - associated with any reduction in branding	-35	-31
Production costs reduced	23	23

## Tobacco packaging printing companies and their shareholders

- 5.150 The Impact Assessment estimated a cost of £10-£15m in costs to tobacco packaging printing companies and their shareholders due to the implementation of standardised packaging. This was from lost capital invested in gravure machinery that would be redundant once the standardised packaging regulations came into force.
- 5.151 This was based on the estimated investment in tobacco packaging equipment across Europe, where around 10% of this (roughly €20m) would have been invested in machinery in the UK. No further evidence was received through the consultation for this Post-Implementation Review in relation to this cost, therefore it is assumed to have remained the same.

Impact	IA estimate (£m)	PIR estimate (£m)
<b>Machinery made redundant</b>	-15	-15

## HMRC and Taxpayers

- 5.152 HMRC and taxpayers were estimated to see a reduction in the amount of tax and duty paid as a result of the regulations. While the profit margin for industry on tobacco is low, the amount of tax and duty per pack is high, therefore the costs are much larger.
- 5.153 The Impact Assessment considered the reduction in taxes as a result of the regulations due to there being fewer smokers purchasing tobacco, more cheaper packs being purchased (which generate less tax and duty), and a potential increase in illicit trade and cross border shopping.
- 5.154 The reduction in overall tobacco clearances in turn reduce the overall impact attributed to SPoT. The reduction in tax remains significant, however it does not outweigh the expected benefits of the regulations presented above.

Impact	IA estimate (£m)	PIR estimate (£m)
<b>Tax and duty decreased - fewer smokers</b>	- 4,528	- 3,983
<b>Tax and duty decreased - downtrading</b>	- 134	- 117
<b>Tax and duty decreased - increase in illicit trade/CBS</b>	- 336	- 305

## 6. Conclusions and recommendations

- 6.1 The conclusions and recommendations of the review are presented below. Evidence on whether to remove, replace, amend, or retain the regulations are summarised followed by the final recommendation of this review.

### Summary on whether to remove or replace the regulations

- 6.2 As estimated in the Impact Assessment, and included in this review, a complete removal of the requirements imposed by SPoT would mean a loss of the benefits from standardised packaging, which clearly outweigh the costs. It would also result in a reversal of the health benefits, and many of the costs incurred by business are 'sunk costs', such as machinery, which could not be recouped. There would likely be further costs to businesses if the Government decided to implement alternative legislation.

### Summary on whether to amend the legal requirements

- 6.3 No options to amend the requirements imposed by the regulations were identified that would reduce the burden on business while retaining the health benefits identified in this review.
- 6.4 Some stakeholder groups suggested that strengthening the requirements imposed by the regulations would further protect people from the harms of tobacco. Suggestions included extending the legislation to apply to all tobacco products and requiring pack inserts to further communicate health risks while supporting quit attempts. In this case, a full review of these options and Impact Assessment would be required, and therefore considered out of scope for this review.

### Summary on whether to retain the regulations

- 6.5 The Department believes the objectives of SPoT set out in Chapter 3 have been met. The benefits of SPoT have been demonstrated throughout this review and were reflected in the key indicator data and peer reviewed research. The review has provided a strong argument that the legislation is meeting the stated objectives of helping those who want to quit to do so and reducing uptake among young people.
- 6.6 The costs and benefits estimated in the IA have been reviewed and updated with data that suggests a slightly lower monetised impact as a result of the regulations. However, this is due to large reductions in smoking prevalence that occurred before the implementation, and the cost-benefit analysis remains largely positive.
- 6.7 There were no significant unintended consequences as a result of the regulations, and compliance with the regulations has been very high.

## **Recommendation**

- 6.8 Overall, it is DHSC's position that the evidence presented above provides a strong argument for the retention of the regulations that they should be retained. There are some areas of tobacco that the regulations did not cover, and the Government will consider further regulatory reforms to strengthen SPoT to help support its Smokefree 2030 ambition and further protect the population from the harms of tobacco.

## 7. Annex

### Annex A: Public consultation details

7.1 The public consultation received over 5,000 responses across a range of stakeholders. While the main report included broad findings across all stakeholders, the consultation was reviewed in detail and the findings of this review, including breakdowns by stakeholder groups and the opinions they held, are below.

#### Pack Requirements - Appearance

7.2 The questions below have been grouped together as they discuss pack requirements and the impact they have had.

How far do you agree or disagree that the requirements on the packaging and labelling of tobacco products have been an effective way to protect young people from taking up smoking?

Capacity	Agree	Neither agree nor disagree	Disagree	Don't Know/No answer
All respondents	28%	23%	34%	15%
Individuals	28%	23%	34%	15%
NGOs	25%	16%	28%	31%
Business	17%	31%	23%	29%
Public Sector Body	75%	0%	13%	13%
Other	40%	10%	16%	33%

How far do you agree or disagree that the requirements on the packaging and labelling of tobacco products have helped existing smokers quit?

Capacity	Agree	Neither agree nor disagree	Disagree	Don't Know/No answer
All respondents	22%	21%	45%	11%
Individuals	22%	21%	46%	10%
NGOs	25%	13%	31%	31%
Business	14%	24%	36%	26%
Public Sector Body	63%	0%	17%	21%
Other	30%	13%	20%	37%

7.3 Individuals' suggestions often focused on smokers ignoring changes to cigarette packaging, or that packaging does not influence people's decision to smoke at all.

- 7.4 NGOs responding positively, citing evidence of falling smoking rates in young people after implementation in England. Another cited study highlighting behavioural changes resulting from plain packaging health warnings as likely evidence of the policies' effectiveness. NGOs that responded negatively felt that plain packaging was not evidenced based, or that other factors played a much more impactful role in reducing smoking rates in young people.
- 7.5 In the case of existing smokers, NGOs cited evidence both for and against the effectiveness of plain packaging. Evidence for the changes include behavioural studies showing increased salience of health warnings as a result of the changes, while responses against plain packaging changes cited evidence of increased smoking rates in Australia post-implementation, and no evidence of smoking rates declining below trend after implementation in the UK.
- 7.6 Some businesses reported that young people's smoking rates historic decline suggests that packaging changes have not impacted smoking rates beyond an already existing trend. Most other businesses responding did not include evidence as part of their response to the question on young people. One businesses cited evidence of an increase in smoking in Australia after plain packaging as evidence of ineffectiveness against deterring current smokers from continuing.
- 7.7 Public sector bodies that responded positively included responses citing evidence of packaging changes reducing smoking rates in young people, while others cited reduced youth smoking rates in Europe, as well as more local areas within England. Those that responded negatively either did not provide further information, or responded that the regulatory framework does little to influence decisions to start or continue smoking when compared to socio-economic factors.
- 7.8 Public sector bodies cited similar evidence when arguing for the effectiveness of plain packaging in dissuading current smokers from continuing, and negative responses again argued that regulatory frameworks do little to impact smoking rates.
- 7.9 The 'other' stakeholder group were the only group outside of public health bodies to have a larger proportion of responses supporting packaging bans as effective for both young people and current smokers.

How far do you agree or disagree that the requirements on the appearance of cigarettes are proportionate?

Capacity	Agree	Neither agree nor disagree	Disagree	Don't Know/No answer
All respondents	24%	31%	21%	24%
Individuals	24%	31%	20%	24%
NGOs	22%	22%	12%	44%

<b>Business</b>	21%	47%	7%	26%
<b>Public Sector Body</b>	25%	13%	54%	8%
<b>Other</b>	10%	17%	27%	47%

SPoT regulations apply to cigarettes and hand rolling tobacco. How far do you agree or disagree that SPoT regulations should be restricted to cigarettes and hand rolling tobacco (and not other tobacco products?)

<b>Capacity</b>	<b>Agree</b>	<b>Neither agree nor disagree</b>	<b>Disagree</b>	<b>Don't Know/No answer</b>
<b>All respondents</b>	42%	21%	17%	20%
<b>Individuals</b>	42%	22%	17%	20%
<b>NGOs</b>	35%	3%	22%	41%
<b>Business</b>	55%	19%	2%	24%
<b>Public Sector Body</b>	13%	8%	67%	13%
<b>Other</b>	17%	13%	23%	47%

- 7.10 While many individuals felt that packaging restrictions should be restricted to cigarettes and hand-rolling tobacco, those that disagreed felt the regulations should apply to all tobacco products. Individuals' views were much more mixed over whether the changes to cigarette packaging were proportional or not. The most common themes were that the changes on cigarettes' appearance had not had an impact on smoking and that changes were proportional.
- 7.11 NGOs had mixed views on the two appearance-related questions. Of those that disagreed, some suggested regulations went too far, while others felt that regulations did not go far enough making cigarettes unappealing. Similar numbers of responses argued that changes were proportionate, that they were not proportionate, and that they have not had an impact. The most common theme was that SPoT should cover all tobacco products. Specifically some NGOs also noted that SPoT should apply to cigars and cigarillos, citing research that suggested cigarillos had been introduced to circumvent tobacco regulation.
- 7.12 Among businesses, the most common themes were that the appearance of cigarettes were proportional, and that the requirements on the appearance of cigarettes has had no impact. The most common response from businesses was that regulations should only apply to cigarettes and hand rolling tobacco. Businesses also suggested that the regulations did not need to be extended, especially to cigars, providing evidence that cigars were generally consumed by adults meaning the regulations did not need to be extended to protect young people.
- 7.13 54% of public sector bodies agreed that current requirements on packing are proportionate. Of the public sector bodies that disagreed that current packaging regulations are proportionate, all believed that regulations should be made more



strenuous. A majority of responses from public sector bodies included calls to extend the appearance of cigarettes to other products. 67% of public sector bodies disagreed that SPoT should be limited to tobacco products. Many responses cited a need to regulate accessories such as rolling papers and filters.

## Pack Requirements - Size

How far do you agree or disagree that the introduction of a minimum pack size or weight is an effective way to protect young people from taking up smoking?

Capacity	Agree	Neither agree nor disagree	Disagree	Don't Know/No answer
All respondents	26%	15%	46%	13%
Individuals	26%	15%	47%	13%
NGOs	25%	9%	28%	38%
Business	24%	19%	33%	26%
Public Sector Body	62%	8%	21%	8%
Other	27%	7%	23%	43%

- 7.14 Individuals had the highest proportion of negative responses, with 47% disagreeing the pack sizes were an effective measure. Many individuals who provided further comments discussed themes around minimum pack sizes encouraging more smoking, that the regulations are ineffective and that they will be ignored by young people. However, many responses also suggested that minimum pack size was effective.
- 7.15 NGOs that agreed with the regulations argued that minimum pack sizes increase the minimum price of cigarettes, which will proportionately impact young people's decision to smoke, as they are more price sensitive than adults. Two of these NGOs included formal evidence as part of their responses to support this argument. 5 NGOs responses included themes of minimum size/weights being effective, while another 4 argued to the contrary.
- 7.16 Businesses had perhaps the most mixed responses from all the stakeholder groups, some suggested that the increase in minimum pack size would lead to reduced smoking, but some argued that the policy is ineffective, as young people could share the cost by sharing packs. Other businesses also felt that encouraging young people to buy larger packs of cigarettes could encourage their consumption to increase. The most common response themes from this group were that the legislation has been ineffective, and that it protects young people from smoking, suggesting a split in opinion.
- 7.17 Public sector bodies had the most focused view of all stakeholder groups. Public sector bodies who responded positively generally argued that the resulting minimum price increase would reduce youth smoking rates, as young people are price-sensitive. 8 public bodies included formal evidence in their response, and all of these either agreed or strongly agreed that minimum pack sizes are effective at protecting young people.

The majority of responses from this group indicated that they believed that minimum weights/sizes were effective.

- 7.18 Similar to the NGO group, the ‘other’ group had a clear split in opinion and a low response rate relative to other stakeholder groups. 27% agreed that minimum pack sizes were effective, 7% were neutral, 23% disagreed, and 43% either didn’t know or didn’t answer. This groups responses most commonly contained themes that the introduction of minimum weights/sizes had overall been effective.

## Enforcement of Regulations

Do you agree or disagree that the penalties for a breach of the regulations are an effective deterrent to ensure compliance with the regulations?

Capacity	Agree	Neither agree nor disagree	Disagree	Don't Know/No answer
All respondents	34%	-	22%	44%
Individuals	34%	-	22%	44%
NGOs	22%	-	19%	59%
Business	43%	-	24%	33%
Public Sector Body	21%	-	33%	46%
Other	17%	-	17%	67%

- 7.19 Individuals responded both for and against the effectiveness of current penalties. Many responses mentioned other regulations, or made it clear they were not aware of the current penalties.
- 7.20 The most common theme from businesses’ responses was that penalties are an effective deterrent. 1 business argued that penalties should be less severe, and another argued that penalties need to be more severe. Businesses that felt current regulations are not effective tended to cite their experience of non-compliance as somewhat common. 4 businesses also responded that the penalties themselves are appropriate, but a current lack of enforcement means current regulations are not effective.
- 7.21 Themes from NGO responses were mixed, with calls for more compliance checks, that enforcement needed to be increased, that penalties are effective and that penalties need to be more severe similarly represented across this group’s responses. One NGO cited evidence of a lack of compliance at retail level, however another NGO cited evidence of high compliance after the transition period had completed.
- 7.22 Public sector bodies were the least satisfied with current penalties, and generally held quite mixed views. Many responses noted weaknesses in enforcement and a lack of prosecutions for rulebreakers, and some included calls to make current penalties more severe.

7.23 The 'other' group of stakeholders held mixed views on penalties. One response cited evidence that suggested a need for more compliance checks, and many responses expressed that penalties should be more severe than they are currently.

### Economic Impacts of SPoT

How far do you agree or disagree that there has been an economic impact of SPoT, either positive, negative or both?

Capacity	Agree	Neither agree nor disagree	Disagree	Don't Know/No answer
All respondents	17%	30%	6%	47%
Individuals	16%	31%	6%	47%
NGOs	29%	6%	3%	63%
Business	27%	29%	0%	43%
Public Sector Body	62%	17%	8%	13%
Other	30%	14%	0%	53%

7.24 The answers of whether SPoT has had an economic impact varied between the different groups of respondents.

7.25 Among individuals, the most common theme was that there has not been an economic impact from SPoT. Of those who believed there has been an impact, responses indicated that it has been negative, citing negative personal impacts, costs to industry, or tax implications.

7.26 Of the NGOs that responded, the majority believed there had been an economic impact from SPoT. NGOs who responded that there had been an economic impact were split on the effects. Some cited increased costs to the tobacco industry (including on retailers and suppliers), while others argued that the effect was positive owing to a decreased burden on health services.

7.27 No businesses disagreed that SPoT had had an economic impact. Of the businesses that agreed there was an impact, 7 did not elaborate, 2 believed there had been a positive impact, and 7 believed there had been a negative economic cost, through the effects on the tobacco industry and/or reduced tax income from cigarette sales. Responses cited industry reports and their own experiences.

7.28 Most public sector bodies suggested there had been an economic impact. Of the responses that agreed there had been an impact the response was positive, with themes around a decreased burden on health services. Only one public sector body suggested that the impact was negative.

7.29 The 'other' group of stakeholders had a fairly low response rate, with 53% of this group not giving a definite answer. Of the group that did respond, 30% believed that SPoT has

had an economic impact, 14% were natural, and no respondents believed that SPoT has had no economic impact. A similar number of responses indicated positive economic impacts to those arguing the effects have been negative.

- 7.30 Some responses are discussed in more detail in Annex A, the review of the Impact Assessment. These are where responses, particularly from businesses, suggested there were costs associated with the regulations.

### **Anything else on SPoT**

Is there anything else you would like to share on negative or positive impacts the regulations have had on topics not covered above?

- 7.31 When asked if there was anything else to share on SPoT, roughly 10% of respondents provided something relevant to the SPoT regulations. The open-ended nature of the question resulted in quite varied responses across stakeholder groups, and the low response rate means it is difficult to draw definitive conclusions, with many of the themes only coming from a single response.
- 7.32 Individuals had the widest range of themes and most written responses of all stakeholder groups. The most common response was a belief that regulating packaging is illiberal/immoral. Individuals expressing confusion with the regulations/acronyms listed in questions was also common.
- 7.33 The only other stakeholder group with further collective opinion on this question was the public sector body group, where a number of responses cited academic evidence showing that the general public is in support of SPoT and other regulations on smoking.

## **Annex B: Commissioned studies - further details**

### **University of Stirling systematic review, detailed summary**

- 7.34 The University of Stirling, commissioned by DHSC, conducted a systematic review<sup>31</sup> of the research around SPoT. This was to explore the response of consumers, retailers, and tobacco companies to standardised packaging in the United Kingdom. This was published in October 2019, and reviewed literature that had been published or accepted for publication by the 15th of February 2019. In order to capture further information up to and including 2020, a further update<sup>32</sup> was commissioned that included literature up to September 28th, 2020.
- 7.35 The search strategy included searches for peer-reviewed studies in the academic literature from generic and topic-specific electronic databases from various fields. The search results were screened against inclusion criteria to identify potentially relevant studies.
- 7.36 The original review included 10 studies. Five of these explored the consumer response to the regulation and the remaining five explored tobacco companies' responses and changes in the retail environment. The update included a further thirteen studies – nine on consumer response and four on tobacco companies' responses and changes in the retail environment.
- 7.37 The key findings and discussion points raised in the reviews are outlined here under two broad categories. We further present the findings and a summary of some of the research articles included in this review in the relevant sections below to illustrate the supporting evidence.

### **Consumer response to standardised packaging**

- 7.38 The five studies in the original review were conducted during the transition period of the regulations, when both fully branded and standardised packs were still available to buy. All but one study was conducted with adults.
- 7.39 Among the literature reviewed, there was evidence that, compared to branded packs, standardised packs increased users' attention to health warnings. There was also evidence that standardised packs encouraged more accurate perceptions of the harms and risks of smoking. In the same study smokers who used standardised packs were more likely to think about the health risks of smoking compared to those who did not.

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<sup>31</sup> A Systematic Review of Research Exploring the Response of Consumers, Retailers and Tobacco Companies to Standardised Packaging in the United Kingdom <http://hdl.handle.net/1893/30357>

<sup>32</sup> A Systematic Review of Research (2019-2020) Exploring the Response of Consumers, Retailers and Tobacco Companies to Standardised Packaging in the United Kingdom

- 7.40 While none of the studies in this review examined behavioural outcomes (uptake, prevalence, cessation), there were studies that examined engagement with stop smoking services as well as quit intentions. In these studies, more users of standardised packs were found to have visited stop smoking websites in the past month compared to those who had previously or never used standardised pack. However, no further statistical analysis was conducted due to the small sample size of those reporting this. The same study found that current users of standardised packs were more likely to have thought about quitting due to the appearance of the pack than previous or never users of standardised packs.
- 7.41 Other studies included in this review provided evidence on smokers' likely response to the regulations. Just under half of smokers thought they would quit in response to the regulations, and three fifths felt they would cut down. Those who smoked less frequently were more likely to report both these outcomes.
- 7.42 During the transition period, just under a third of smokers reported switching products in the last six months, over half of these suggesting they had switched to a cheaper brand. Another study found smokers were considering switching to hand rolled tobacco, a cheaper brand, or e-cigarettes.
- 7.43 The studies included in the update to the review captured a wider range of consumer responses. Several studies examined the awareness of standardised packs among young people. Overall it was found that most participants were aware of standardised packaging, with one study finding that all 'ever smoker' groups<sup>33</sup> were aware of standardised packaging. Awareness among adults was found to be low in the first six months of the transition period, but those who had noticed standardised packaging were more likely to be smokers.
- 7.44 Among young people, focus groups with teenagers found that warnings on standardised packs were off putting, producing negative reactions. Other studies found that standardised packs were unappealing. These focus groups also found that standardised packs were most likely to deter never and occasional smokers from taking up smoking. This was due to the warnings and overall negative image created by the packs.
- 7.45 One longitudinal study assessed smokers' approval of standardised packs over 2 years, covering pre- and post-implementation. Approval among smokers increased across time period, while disapproval decreased. Approval was then higher among ex-smokers than smokers, and similarly approval increased while disapproval decreased.
- 7.46 On consumers switching products, it was found that between March 2011 and December 2017 the number of households purchasing only cigarettes decreased. This number of households purchasing hand rolling tobacco and e-cigarettes increased from

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<sup>33</sup> Those who had ever smoked a cigarette

2013. Purchasing of the cheapest cigarettes and hand rolling tobacco increased, while purchases of the most expensive tobacco decreased.

### **Industry response to regulations**

- 7.47 Several studies explored the pack sizes available on the market over the transition period. One study found an introduction of new, larger pack sizes (in 23 and 24 packs), but no new pack sizes for hand rolling tobacco. Another study found a decrease in the number of products available, due to the disappearance of products of packs of less than 20. Availability of fully branded packs declined steadily over the transition period, while packs sizes of between 11 and 19 were found to drop significantly towards the end of the period instead.
- 7.48 Many studies examined how retailers and tobacco companies responded to the regulations in terms of pricing. From the first literature review, the regulations removed price marked packs from the market which was found to offer greater flexibility to retailers, however many generally relied on the RRP to remain competitive. Regression analysis from another study found that standardised packaging was associated with a significant increase in price per cigarette regardless of pack size, and an increase in price per pack of 20 cigarettes. Lower priced cigarettes were also found to become more expensive with the introduction of standardised packaging.
- 7.49 Further research from the updated review has similar findings. A stronger study examining sales data from 2015 to 2018 found the combination of SPoT, the minimum excise tax (MET) and changes to hand rolling tobacco tax did not lead to long term decline in tobacco prices. Price rises were similarly observed in the lowest priced cigarettes.

## The King's Fund sample demographics

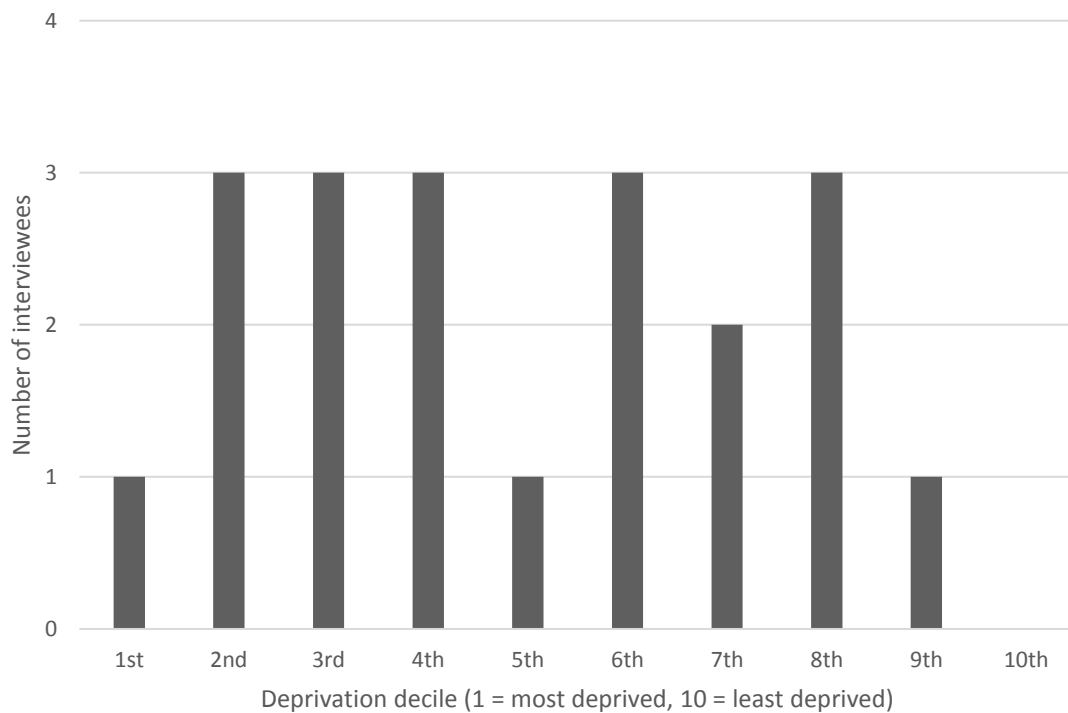
7.50 The commissioned research by The King's Fund aimed to reach a broad range of retailers from different nations, locations, and types of business. The properties of the interview sample for the commissioned King's Fund research are shown below.

Nation	Number
England	12
Scotland	3
Wales	3
Northern Ireland	2

Location	Number
Urban	6
Suburban	5
Rural	7
Coastal	2

Type of Business	Number
Small/Local chain	2
Independent	11
Franchise	7

Type of Retailer	Number
Convenience store	16
Tobacconist	1
Newsagent	3





## Annex C: Impact Assessment cost-benefit analysis detailed review

7.51 This annex covers the detailed review of the Impact Assessment. It includes a full breakdown of the cost and benefits estimated in the Impact Assessment, and describes which aspect (NPV or EANDCB) they contribute to. The cost-benefit methodology is broken down by stakeholder group, outlining if and where new data exists and how it has been used to update the original estimates of the impact of the regulation.

### List of cost-benefit elements, and their inclusion in the NPV/EANDCB

The table below outlines the costs and benefits and how they contribute to either the net present value, the equivalent annual net cost to business, or both. Further costs have been excluded and are not displayed, however the reasons for this are discussed below in the detailed review of the Impact Assessment.

<b>Cost-Benefit Element</b>	<b>In NPV?</b>	<b>In EANDCB?</b>
<i>General population of smokers, quitters, and non-smokers</i>		
Health gain - reduced smoking in adults	Yes	No
Health gain - reduced smoking uptake in children	Yes	No
Increase in time taken to buy tobacco	Yes	No
<i>Businesses who employ smokers</i>		
Fewer smokers at work - improves business productivity	Yes	No
<i>Retailers of tobacco</i>		
Increase in time taken to sell tobacco	Yes	Yes
Profit decrease - fewer sales due to fewer smokers	No	Yes
Profit decrease - downtrading	No	Yes
Profit decrease - increase in illicit trade/CBS	Yes	No
Profit decrease - associated with any reduction in branding	Yes	No
<i>Wholesalers of tobacco</i>		
Profit decrease - fewer sales due to fewer smokers	No	Yes
Profit decrease - increase in illicit trade/CBS	Yes	No
<i>Tobacco manufacturers and their shareholders</i>		
Profit decrease - fewer sales due to fewer smokers	No	Yes
Profit decrease - downtrading	No	Yes
Profit decrease - increase in illicit trade/CBS	Yes	No
Profit decrease - associated with any reduction in branding	Yes	No
Production costs reduced	Yes	Yes
<i>Tobacco packaging printing companies and their shareholders</i>		
Machinery made redundant	Yes	Yes
<i>HMRC and Taxpayers</i>		
Tax and duty decreased - fewer smokers	Yes	No
Tax and duty decreased - downtrading	Yes	No
Tax and duty decreased - increase in illicit trade/CBS	Yes	No

## Detailed review of the Impact Assessment estimates

### General population of smokers, quitters, and non-smokers

7.52 The general population of smokers, quitters, and non-smokers are among the primary stakeholders considered. The Impact Assessment estimated very large benefits to this stakeholder group.

### Health gain and lower inequalities in health from reduced smoking (adults)

7.53 The Impact Assessment estimated a monetised health benefit of £26 billion from reduced smoking amongst adults. This is accrued from life-years gained due to fewer adult smokers as a result of standardised packaging. This was based on a percentage decrease in smoking prevalence as predicted by experts<sup>34</sup>, while controlling for decreases in prevalence due to other regulations (such as the display regulations and TRPR).

7.54 The expected impact, based on prevalence at the time, was a decrease of 0.37 percentage points a year for 2016 and 2017, equating to roughly 200,000 smokers quitting in each of those years. For each quitter, an average of 1.2 life years is saved<sup>35</sup>, valued at £60,000 each (£72,000 per adult quitter).

7.55 Between the time of the Impact Assessment estimates and the implementation of the regulation, prevalence across the UK continued to decline. This was at a rate over and above what was anticipated in the Impact Assessment. The original estimates have been revisited and the methodology described below.

7.56 In 2012, adult smoking prevalence in the UK was 19.91%. This is the same year the display regulations were due to come into effect which were expected to reduce prevalence by 0.04 percentage points a year to 19.79% in 2015. TRPR is then accounted for, which was expected to reduce prevalence by 0.075 percentage points a year, giving a 'baseline' expected prevalence of 19.67%<sup>36</sup> in 2016. The impact of SPoT was then applied to this baseline prevalence of 19.67%.

7.57 Standardised packaging was expected to reduce prevalence by roughly 3.75%<sup>37</sup> based on expert elicitation. When applied to the baseline prevalence of 19.67%, this is 0.74 percentage points over two years, equating to roughly 200,000 smokers per year.

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<sup>34</sup> Impact of plain packaging of tobacco products on smoking in adults and children: an elicitation of international experts' estimates <https://pubmed.ncbi.nlm.nih.gov/23302325/>

<sup>35</sup> Reference for life years saved.

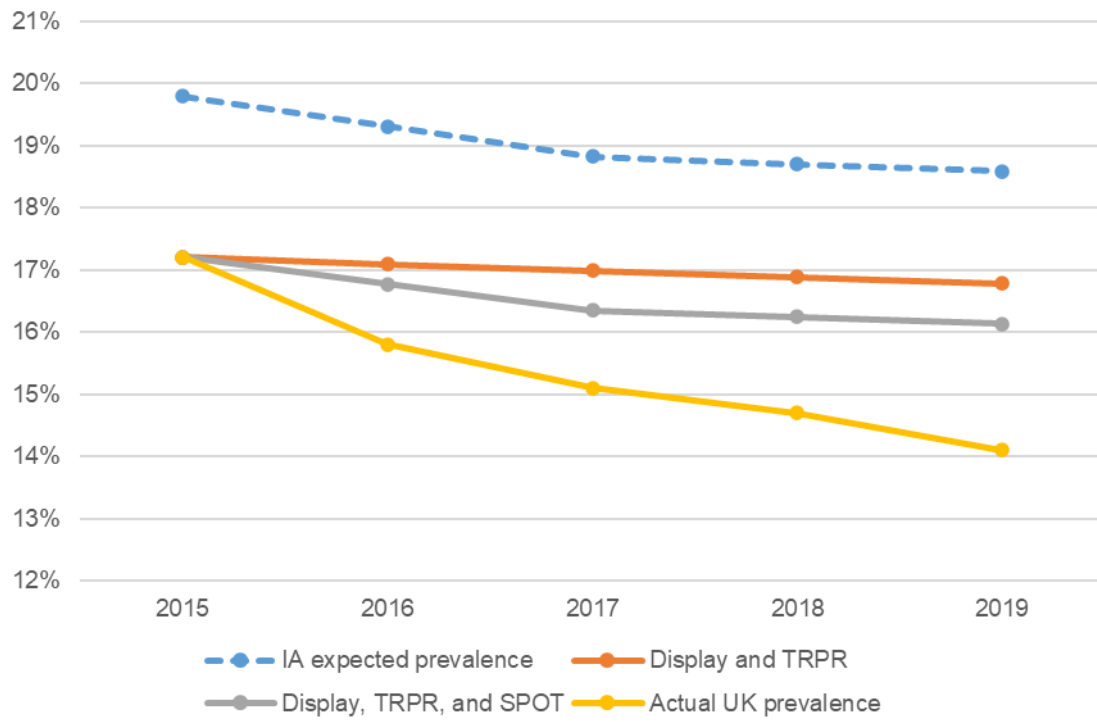
<sup>36</sup> This figure also accounts for another year of impact due to the display regulations (19.79 - 0.075 - 0.04 = 19.67).

<sup>37</sup> This figure is slightly reduced, accounting for a 1 percentage point overlap with TRPR.

However, we now have adult smoking prevalence data from 2013 to 2015, whereby a much greater decline was seen. Prevalence fell from 19.91% in 2012 to 17.2% in 2015.

- 7.58 Assuming the same methodology from this new baseline of 17.2%, we find that the 3.75% decrease in prevalence would produce a decrease of 0.64 percentage points over two years. This in turn reduces the likely number of quitters attributable to standardised packaging to roughly 171,000 per year for 2016 and 2017.
- 7.59 The estimated benefit from this number of quitters is then £23 billion, a decrease of 13%. While this estimate anticipates a slightly lower benefit than initially expected, this is due to the significant decreases in smoking prevalence occurring before standardised packaging was implemented.
- 7.60 We further compare these estimates with the smoking prevalence data from 2015 to 2019. Figure 13 below shows the different levels of prevalence estimated. Expected prevalence in the Impact Assessment began at a much higher baseline rate in 2015 of 19.91%, falling to 18.59% in 2019. Using a revised baseline figure for 2015, the expected prevalence without SPoT falls from 17.2% to 16.8%. When including the impact of SPoT, prevalence would have been expected to fall from 17.2% to 16.1%.
- 7.61 However, prevalence actually fell from 17.2% in 2015 to 14.1% in 2019. There was a 12% decrease between 2015 and 2017, much larger than the expected effect of 3.75%. This is likely due to the continued efforts to reduce smoking prevalence and a range of factors that contribute to the decline, such as, the increases in tax on tobacco products. For this reason, the decline estimated above is likely a reasonable estimate as to the attributable effect of standardised packaging, with other factors driving the remaining decline in prevalence, with the overall decline in prevalence being better than expected.

Figure 13: Comparison of expected and actual prevalence rates (from the top down: IA estimated prevalence including impact of SPoT, PIR expected baseline prevalence including TRPR and Display regulations, PIR expected prevalence including impact of SPoT, actual observed UK prevalence)



### **Health gain from reduced uptake of children smoking**

- 7.62 The Impact Assessment estimated a benefit of £2.8 billion for this group in life-years gained from a reduced number of 15 year old smokers in each yearly cohort due to standardised packaging. This was on a percentage decrease in ever smoking prevalence as predicted by experts<sup>38</sup> of 11%, while controlling for decreases in prevalence due to other regulations (such as the display regulations and TRPR). The Impact Assessment estimates are based on prevalence figures from the Smoking, Drinking and Drug use among Young people in England survey.
- 7.63 The expected impact, based on prevalence in England at the time, was a decrease of 1.01 percentage points among ever smokers. In turn this was expected to reduce the prevalence of 15 year old regular smokers. This equated to roughly 2,750 fewer smokers for 2016, and 5,500 for each year after that. For each young person who does not take up smoking, an average of 1.0 discounted life years is saved<sup>39</sup>, valued at £60,000 each.
- 7.64 Between the time of the Impact Assessment estimates and the implementation of the regulation, prevalence across the UK continued to decline. This was at a rate over and above what was anticipated in the Impact Assessment. The original estimates have been revisited and the methodology described below.
- 7.65 The Impact Assessment estimated that ever-smoked prevalence among 11 to 15 year olds would fall from 25.1% in 2011 (before the display regulations came into effect) to 21.0% in 2015. Actual ever smoked prevalence fell from 25.1% in 2011 to 18.3% in 2014. This is lower than anticipated in the Impact Assessment. From this baseline, a percentage reduction in prevalence results in a reduced effect due to standardised packaging.
- 7.66 When revisiting these estimates using the same assumptions, the expected impact of standardised packaging would be a reduction in prevalence of 0.96 percentage points per year for two years. This would equate to roughly 2,605 fewer 15 year old regular smokers in 2016, and 5,209 each year after that.
- 7.67 The average discounted life years and value of these is assumed to remain the same. The expected benefit from the reduction of young people taking up smoking due to standardised packaging would then be roughly £2.7 billion, a minor reduction on the Impact Assessment estimates.

### **Time taken to buy tobacco in standardised packaging**

- 7.68 The IA estimated a cost to the general population of roughly £0.3m in lost time due to longer transactions. This was based on the number of packs expected to be sold, the

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<sup>38</sup> Impact of plain packaging of tobacco products on smoking in adults and children: an elicitation of international experts' estimates <https://pubmed.ncbi.nlm.nih.gov/23302325/>

<sup>39</sup> Reference for life years saved - SPOT IA.

increase in serving time due to standardised packaging, how long this increase would last, and the valuation of leisure time.

- 7.69 The expected impact was a 2 second increase in transaction time for roughly 1 month post-implementation.
- 7.70 A study<sup>40</sup> in Australia across the implementation of standardised packaging aimed to assess changes in cigarette pack retrieval time in small retail outlets. The study found the introduction of plain packaging to be associated with, at most, a 2 to 3 second increase in retrieval time in the month of implementation. However, retrieval times declined such that by the second week of implementation they had returned to the baseline and remained so.
- 7.71 Similarly, evidence from The King's Fund outlined above suggest little to no impact on serving times beyond the first month. For these reasons, we consider the expected impact on serving time and duration of this increase to be reasonable.
- 7.72 One consultation responses did mention an increase in serving time as an economic impact, however no further statements, figures, or evidence were submitted in this response to inform the review.
- 7.73 The IA used the forecasted number of packs sold<sup>41</sup> to estimate the overall cost. We now have actual sales data estimates for 2016 (when the impact was expected to occur).
- 7.74 The Impact Assessment assumed roughly 1.7 billion packs would be sold in 2016. The estimated number sold in 2016 was just over 1.8 billion<sup>42</sup>, slightly higher than expected. Calculating the expected impact based on this figure increases the costs to roughly £0.33m. However, evidence suggests<sup>43</sup> that few standardised packs were being sold at the start of the implementation period in 2016, and that old stock (including smaller packs) was being sold all the way up to May 2017. Therefore we also consider the 2017 sales data. The estimated number of packs sold in 2017 was just over 1.4 billion. Using this figure to estimate the impact, we estimate a cost of roughly £0.25m.
- 7.75 The range of costs estimated using newly available data remain broadly the same as what was expected in the Impact Assessment; therefore the realised costs are likely to be in the same region as estimated in the Impact Assessment.

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<sup>40</sup> Product retrieval time in small tobacco retail outlets before and after the Australian plain packaging policy: real world study <https://tobaccocontrol.bmj.com/content/23/1/70.long>

<sup>41</sup> Only factory made (packs) cigarettes were considered in the IA. HRT was not accounted for and has not been done so here.

<sup>42</sup> Based on Nielsen data

<sup>43</sup> A cross-sectional study of the impact of standardised tobacco packaging legislation on university students <https://www.tandfonline.com/doi/abs/10.1080/1067828X.2018.1431992> (Full summary can be found in 'Peer reviewed studies' section above).

### **Other costs and benefits for the general population (not quantified)**

7.76 There were other expected economic impacts associated with SPoT in regard to the general population. Although in the Impact Assessment these were discussed qualitatively but not quantified or included in the net present value, we are revisiting them here to understand if they can be quantified using new evidence.

#### *Reduced Child and Adult Ill-health from Second-hand Smoke and avoidable treatment Costs*

7.77 An additional benefit of standardised packaging was expected to be a reduction in second-hand smoke (SHS) exposure due to reduced rates of smoking. The Impact Assessment reviewed evidence available at the time. The Royal College of Physicians 'Passive smoking and children' report<sup>44</sup> estimated the cost of primary care and hospital admissions related to diseases caused by SHS to be £23.3m a year in the UK. Sims et al (2010)<sup>45</sup> reported a 2.4% reduction in hospital admissions for myocardial infarction (heart attack) in the year following the introduction of the smoke free legislation in England. The potential benefits were modelled; however the estimates were considered speculative and excluded from the Impact Assessment.

7.78 The Health Survey for England publishes data on where adults are exposed to SHS. The proportion of adults reporting exposure to SHS at none of the listed type of locations rose from 67% in 2015 to 70% in 2018. The Smoking, Drinking and Drugs use among young people in England reports children's exposure to SHS. The proportion of children reporting being exposed to SHS in a home or car in the last year fell from 64% in 2014 to 60% in 2018. These reductions in exposure would likely produce benefits for the general population, however these remain unquantified in this review due to no new evidence on the health impacts the change in SHS may have led to having been identified.

#### *Cleaner streets*

7.79 It was estimated that in 2007 local authorities spent £342m<sup>46</sup> to remove cigarette litter from the street. There were expected savings due to standardised packaging as a result of reduced prevalence. These savings would be to local government, and businesses such as public houses and entertainment venues related to the costs of removing cigarette litter on the streets and across business premises. As outlined in the key indicators section, average consumption has fallen slightly, as has overall prevalence. Therefore it is likely that the overall cost of removing cigarette litter has decreased, benefiting the general population. However, we have not identified any new evidence or

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<sup>44</sup> Royal College of Physicians (2010). Passive smoking and children. London: Royal College of Physicians.

<sup>45</sup> Sims M, Maxwell R, Bauld L, Gilmore A (2010), Short-term impact of smoke free legislation in England: retrospective analysis of hospital admissions for myocardial infarction. *BMJ* 340:c2161.

<sup>46</sup> Keep Britain Tidy: Reducing Smoking Related Litter, a guide for businesses.

[http://www.nerwai.org.uk/uploaded/file/Smoking%2520Related%2520Litter\\_615.pdf](http://www.nerwai.org.uk/uploaded/file/Smoking%2520Related%2520Litter_615.pdf) (Figure used in IA, link no longer available)

received any in the consultation to quantify the reduction in costs to local authorities of removing cigarette litter.

### **Businesses who employ smokers**

7.80 The reduction in smoking prevalence due to SPoT is also expected to increase economic productivity, due to there being fewer smokers at work. This benefit would be spread across all businesses in the UK.

### **Fewer smokers at work improved productivity**

7.81 A reduction in smoking prevalence and number of smokers results in fewer smokers at work. There are significant productivity costs associated with smoking. The Impact Assessment explored various cost estimates that accounted for extra breaks taken by smokers and extra sick days taken by smokers compared to non-smokers.

7.82 The Impact Assessment used a figure of £3,458 for the lifetime productivity lost per smoker. Since the Impact Assessment we have not identified any new estimates or analysis therefore this assumption of the lifetime productivity lost is unchanged. This was applied to the number of extra quitters that were expected due to standardised packaging<sup>47</sup>, roughly 200,000 per year for 2016 and 2017, producing a total benefit of £900m to businesses who employ smokers.

7.83 After revisiting the estimates in the original Impact Assessment, the expected number of quitters due to SPoT is slightly reduced to roughly 170,000 per year for 2016 and 2017. This in turn affects the estimates of improved productivity, reducing the expected benefit from fewer smokers at work to be roughly £800m.

### **Retailers of tobacco**

7.84 In the Impact Assessment, retailers of tobacco were one of the main stakeholders considered. Retailers were expected to incur costs such as increases in costs due to serving time, as well as lost profits. The costs discussed would be spread across all retailers in the UK, and mostly realised over a 10 year period, meaning the likely impact on individual retailers would be small. One consultation response from a representative body of a large number of independent retailers said, on the economic impact of SPoT:

*"Across the retail sector it is difficult to see if SPoT has had any noticeable financial impact, which suggests that it has had limited impact on sales of the affected products."*

### **Time taken to sell tobacco**

7.85 The IA estimated a cost to the retailers of tobacco of roughly £0.5m in lost time due to longer transactions. This was based on the number of packs expected to be sold, the

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<sup>47</sup> See 'General Population: Health gain and lower inequalities in health from reduced smoking (Adults)' for details on impact of SPoT on smoking prevalence and number of smokers



increase in serving time due to standardised packaging, how long this increase would last, and time to retailers (costs of wage and overheads). The evidence surrounding this cost is the same as for 'Time taken to buy tobacco' above.

- 7.86 The IA used the forecasted number of packs sold<sup>48</sup> to estimate the overall cost. We now have actual sales data estimates for 2016 (when the impact was expected to occur).
- 7.87 The Impact Assessment assumed roughly 1.7 billion packs would be sold in 2016. The estimated number sold in 2016 was just over 1.8 billion, slightly higher than expected. Calculating the expected impact based on this figure increases the costs to roughly £0.62m. However, evidence suggests<sup>49</sup> that few standardised packs were being sold at the start of the implementation period in 2016, and that old stock (including smaller packs) was being sold up to May 2017. Therefore we also consider the 2017 sales data. The estimated number of packs sold in 2017 was just over 1.4 billion. Using this figure to estimate the impact, we estimate a cost of roughly £0.47m.
- 7.88 The range of costs estimated using newly available data remain broadly the same as what was expected in the Impact Assessment; therefore the realised costs for retailers are likely to be in the same region as estimated in the Impact Assessment.

#### **Profits decreased (due to fewer smokers)**

- 7.89 The Impact Assessment considered that, given one of the primary impacts of SPoT would be a reduction in smoking prevalence, consumption of cigarettes would also decrease. This was expected to reduce profits for retailers. This was calculated by assuming consumption would fall proportionally in line with prevalence falling. For example, a 5% decrease in prevalence would result in a 5% decrease in consumption, which would then be applied to the forecasted clearances.
- 7.90 Based on the impact on prevalence<sup>50</sup>, a reduction in consumption of roughly 2% was expected in the first year, and 4% for each year after that. This equated to 40-80m packs not sold each year due to standardised packaging. A profit margin of £0.32 per pack for retailers is applied, resulting in an overall cost to retailers of £185m.
- 7.91 Since the Impact Assessment, the assumptions around reduction in prevalence have been updated resulting in a slightly lower proportional fall in prevalence. To estimate the number of packs not sold due to standardised packaging, we consider the actual clearances that have been recorded by HMRC since the implementation of SPoT.

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<sup>48</sup> Only factory made (packs) cigarettes were considered in the IA. HRT was not accounted for and has not been done so here.

<sup>49</sup> A cross-sectional study of the impact of standardised tobacco packaging legislation on university students <https://www.tandfonline.com/doi/abs/10.1080/1067828X.2018.1431992> (Full summary can be found in 'Peer reviewed studies' section above).

<sup>50</sup> See 'Health gain and lower inequalities in health from reduced smoking (Adults)'

7.92 As explained above, in the Impact Assessment it was assumed consumption would decrease by roughly 2% in the first year and 4% in the years following. This assumption has remained the same in our updated estimate.

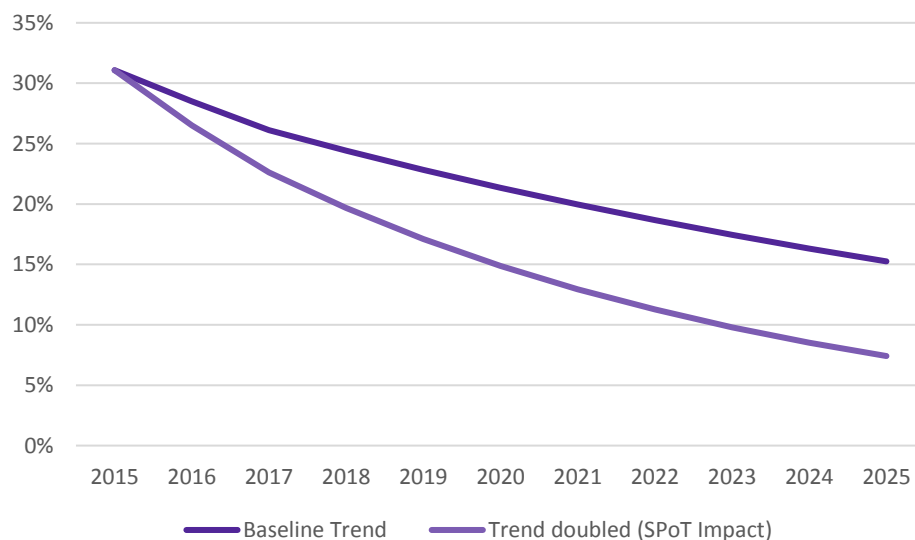
7.93 However, the actual clearance figures are significantly lower for the 5 years of 2016 to 2020. For the years after, we apply the same assumed 2% reduction each year which results in 40-75m packs not sold each year due to standardised packaging. Applying the same profit margin as in the Impact Assessment of £0.32 per pack for retailers results in lost profits to retailers of around £162m as a result of fewer smokers.

**Profits decreased (due to downtrading)**

7.94 Another cost considered to be incurred by retailers was the profit lost from downtrading as a result of the regulations. It was assumed that given the lack of branding and all packs looking identical, more people would switch to cheaper packs. The move from premium and mid-price packs (P&MP) to cheaper packs would reduce profits for retailers.

7.95 The market share for P&MP packs was already declining before standardised packaging was introduced. To estimate the impact that standardised packaging might have on downtrading, the scenario where this trend is doubled in the years of implementation was explored (see Figure 14) due to no specific evidence surrounding this impact.

Figure 14: Baseline trend in P&MP market share, doubled trend in P&MP market share (due to SPoT)



7.96 The percentage market share for P&MP for both the baseline and SPoT impact scenario were applied to forecasted tobacco clearance figures, such that the difference between the two would be the reduction in the number of P&MP packs sold due to standardised packaging. The average difference in profit between a P&MP pack and a cheaper pack was estimated to be £0.14 in the original Impact Assessment. The estimated profit loss to retailers due to downtrading was estimated to be roughly £90m (£40m over the 5 years between 2016 and 2020).

7.97 No new evidence on the P&MP market share was submitted through the public consultation or identified in our review of peer reviewed or commissioned evidence. However, one longitudinal study<sup>51</sup> identified did look at the purchasing behaviours across price quartiles. Generally, the likelihood of participants purchasing from the highest two price quartiles did decrease up to 12 months post implementation. However, the likelihood of purchasing from the cheapest quartile remained the same 12 months post implementation. The likelihood of purchasing from the 2nd price quartile did double, somewhat in line with the scenario estimated in the original Impact Assessment. As a result, the trends used in the Impact Assessment have been used when re-estimating the costs. Similarly the difference in profit between types of packs is assumed to remain the same. However, the actual clearances of tobacco are lower than anticipated in the Impact Assessment. When applying the baseline and SPoT impact scenario market shares to new clearance figures, we expect a slightly reduced cost. This is expected to be roughly £80m (£35m between 2016 and 2020).

#### **Profit decrease (due to potential increase in illicit trade and CBS)**

7.98 The Impact Assessment considered a potential increase in illicit trade and cross border shopping as a result of the standardised packaging regulations. The expected impact was a decrease in profits associated with a diversion of sales to the illicit market.

7.99 A diversion of 0.4% of sales was assumed based on the size of the illicit market at the time, equating to between 7-9 million packs and HRT pack equivalents not sold. This was based on forecasted clearances<sup>52</sup> at the time. For each of these packs not sold, retailers were expected to incur an average profit loss of £0.32, bringing the profit loss over 10 years to around £20m.

7.100 Evidence from the UK<sup>53</sup> and other countries<sup>54 55</sup> has found no increase in illicit trade due to standardised packaging. HMRC also produce 'tobacco tax gap estimates'<sup>56</sup> and have noted no increase in the size of the illicit market for tobacco since the implementation of SPoT. The tobacco industry has submitted and often cited KPMG reports claiming there had, and would be an increase in illicit tobacco due to SPoT, however this is disputed by the evidence outlined above therefore we do not consider this robust enough to produce new estimates from.

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<sup>51</sup> Effect of UK plain tobacco packaging and minimum pack size legislation on tobacco and nicotine product switching behaviour: <https://onlinelibrary.wiley.com/doi/full/10.1111/add.15050>

<sup>52</sup> Economic and Fiscal outlook - March 2014: [Economic and fiscal outlook - March 2014 - Office for Budget Responsibility \(obr.uk\)](https://www.ons.gov.uk/economy/budget/economic-and-fiscal-outlook-march-2014)

<sup>53</sup> Introduction of standardised packaging and availability of illicit cigarettes: <https://thorax.bmj.com/content/76/1/89>

<sup>54</sup> Early evidence about the predicted unintended consequences of standardised packaging of tobacco products in Australia: <https://bmjopen.bmj.com/content/4/8/e005873>

<sup>55</sup> Use of illicit tobacco following introduction of standardised packaging of tobacco products in Australia: [https://tobaccocontrol.bmj.com/content/24/Suppl\\_2/ii76](https://tobaccocontrol.bmj.com/content/24/Suppl_2/ii76)

<sup>56</sup> HMRC Measuring Tax Gaps: <https://www.gov.uk/government/statistics/measuring-tax-gaps>

- 7.101 Despite there being no evidence of an increase in the illicit market, the actual clearances of tobacco (both cigarette and hand rolling tobacco) were lower than forecasted<sup>57</sup> in 2016. From the actual clearances, we consider the counterfactual in the Impact Assessment where these clearances make up 99.6%<sup>58</sup> of the market, and calculate the difference between the actual clearances and the counterfactual. This number of packs is then multiplied by the average profit loss of £0.32 per pack, bringing the profit loss over 10 years to roughly £18m.
- 7.102 The expected cost due to a slight reduction in the overall clearances of tobacco suggest any impact would be roughly in line with the estimates in the original Impact Assessment.

### **Reduced profits (associated with reduction in branding)**

- 7.103 To explore the impact of a reduction in branding, the Impact Assessment looked at the number of adult quitters each year and the expected number of these smoker that would smoke premium and mid-price (P&MP) packs of cigarette<sup>59</sup>. The Impact Assessment assumed that the number of quitters who would be P&MP smokers would double due to standardised packaging.
- 7.104 The difference between these two scenarios was the expected number of extra P&MP quitters due to standardised packaging, and this number was multiplied by the average number of packs smoked per year, and by the profit difference between P&MP packs and cheaper packs to produce an estimated cost to retailers of roughly £61m.
- 7.105 This is combined with the estimated retailer profit loss from downtrading to produce the total loss of profits due to a reduction in branding, roughly £151m.
- 7.106 This cost has been estimated again using the updated number of quitters due to standardised packaging<sup>60</sup>. Other assumptions around the average number of packs smoked per year and the profit difference between P&MP packs and cheaper packs remain the same. The updated estimated costs are slightly lower at roughly £53m from a reduction in branding and combined with downtrading to an estimated £132m in costs to retailers.

### **Wholesalers of tobacco**

- 7.107 In the Impact Assessment, wholesalers of tobacco were one of the main stakeholders considered. Wholesalers were expected to see a reduction in profits due to a possible

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<sup>57</sup> Tobacco Statistics Tables: Table 2, Calendar Year Clearances:

<https://www.gov.uk/government/statistics/tobacco-bulletin>

<sup>58</sup> 1 minus the expected diversion to the illicit market.

<sup>59</sup> Based on market share information supplied in the original consultation

<sup>60</sup> See 'Health gain and lower inequalities in health from reduced smoking (Adults)'

increase in illicit trade and cross border shopping, as well as reduced profits due to fewer smokers.

- 7.108 A representative body for wholesalers did not provide any response to the consultation question regarding the economic impact of SPoT.

#### **Profits decreased (due to fewer smokers)**

- 7.109 The costs here are estimated the same as for retailers above, except for a different profit margin applied to the packs not sold. The Impact Assessment estimated a cost of £92m based on the 40-80m packs not sold each year, and a £0.16 profit per pack.
- 7.110 The same profit margin applied to the updated estimate of 40-75m packs not sold each year produces a cost of roughly £81m as a result of fewer smokers.

#### **Profit decrease (due to potential increase in illicit trade and CBS)**

- 7.111 The methodology for this cost is the same as for retailers, except for a different profit margin for wholesalers. For each of pack not sold, wholesalers were expected to incur an average profit loss of £0.16. Applied to 7-9 million packs and HRT equivalent not sold, the profit loss over 10 years is estimated to be to roughly £9m compared with the Impact Assessment estimate of roughly £10m.

#### **Tobacco manufacturers and their shareholders**

- 7.112 Tobacco manufacturers and their shareholders were estimated to incur both costs and benefits as a result of the regulations. The costs are covered by reductions in profits, while benefits include reduced production, design, and implementation costs.

#### **Profits decreased (due to fewer smokers)**

- 7.113 The cost here is estimated the same here as above for retailers and wholesalers, except with a different profit margin applied to each pack not sold. The Impact Assessment estimated a cost of £92m based on the 40-80m packs not sold each year, and a £0.16 profit per pack.
- 7.114 The same profit margin applied to the updated estimate of 40-75m packs not sold each year produces a cost of roughly £81m to tobacco manufacturers and their shareholders a result of fewer smokers.

#### **Profits decreased (due to downtrading)**

- 7.115 The methodology for this cost is the same as for retailers and wholesalers, except for a different profit margin for manufacturers. For each of pack down traded, manufacturers were expected to incur an average profit loss of £0.33 per pack. Applied to 7-9 million packs and HRT equivalent not sold, the profit loss over 10 years is estimated to be to roughly £10m.

7.116 In the Impact Assessment, the estimated profit loss to retailers due to downtrading was estimated to be roughly £21m (£9m over the 5 years between 2016 and 2020).

7.117 When applying the baseline and SPoT impact scenario market shares to new clearance figures, we expect a slightly reduced cost. This is expected to be roughly £18m (£8m between 2016 and 2020).

#### **Profit decrease (due to potential increase in illicit trade and CBS)**

7.118 The methodology for this cost is the same as for retailers and wholesalers, except for a different profit margin for manufacturers. For each of pack not sold, manufacturers were expected to incur an average profit loss of £0.02 for factor made packs, and £0.03 for hand rolling tobacco. Applied to 7-9 million packs and HRT equivalent not sold, the profit loss over 10 years is estimated to be to roughly £1.2m compared with the Impact Assessment estimate of £1.4m over 10 years.

#### **Reduced profits (associated with reduction in branding)**

7.119 To explore the impact of a reduction in branding, the Impact Assessment looked at the number of adult quitters each year and the expected number of these smoker that would smoke premium and mid-price (P&MP) packs of cigarette<sup>61</sup>. The Impact Assessment then assumed that the number of quitters who would be P&MP smokers would be double due to standardised packaging.

7.120 The difference between these two scenarios was the expected number of extra P&MP quitters due to standardised packaging, and this number was multiplied by the average number of packs smokers per year, and by the profit difference between P&MP packs and cheaper packs to produce an estimated cost to manufacturers of roughly £14m<sup>62</sup>.

7.121 This is combined with the estimated manufacturer profit loss from downtrading discussed above to produce the total loss of profits due to a reduction in branding, roughly £35m.

7.122 The number of quitters due to standardised packaging has been re-estimated above<sup>63</sup>, and is slightly reduced. Other assumptions around the average number of packs smoked per year and the profit difference between P&MP packs and cheaper packs remain the same. Therefore, the estimated costs would be slightly lower at roughly £12m from a reduction in branding, combined with downtrading to an estimated £18m in costs to manufacturers.

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<sup>61</sup> Based on market share information

<sup>62</sup> Only a small proportion of manufacturers are based in the UK, therefore the costs borne by UK manufacturers are only borne by these manufacturers.

<sup>63</sup> See 'Health gain and lower inequalities in health from reduced smoking (Adults)'

## **Production costs reduced**

- 7.123 One expected benefit due to the regulations was a reduction in the production costs associated with standardised packaging.
- 7.124 Without branding, or any other elements used to enhance the packs appearance such as inks or embossing, the production of packs was expected to be cheaper. The Impact Assessment estimated a saving of £0.02 per pack<sup>64</sup> due to the regulations. This would apply to all packs sold in the UK, however as only a small proportion of manufacturers were based in the UK, the benefits were reduced to 10% of the estimates. The savings per pack were applied to the forecasted tobacco clearances from the Economic and Fiscal outlook publication<sup>65</sup>. The expected benefit due to reduced production costs was roughly £23m (£13m over the years between 2016 and 2020).
- 7.125 The estimated savings per pack is assumed to have stayed the same, however the actual clearances of tobacco are lower than anticipated in the Impact Assessment. As a result, the benefits are likely to be slightly lower, estimated at roughly £20m (£12m over the years between 2016 and 2020).

## **Other costs and benefits (not quantified)**

- 7.126 There were further benefits considered for tobacco manufacturer and their shareholders. While this benefit was considered a direct benefit, it was discussed only qualitatively in the Impact Assessment and not quantified or included in the net present value or EANDCB.

### *Saved expenditure on design and implementation of branding changes*

- 7.127 Evidence and consultation responses reviewed as part of the Impact Assessment found that the manufacturing of standardised packaging would likely produce cost savings compared to branded packs. Responses to the consultation for the Impact Assessment suggested there would be lower costs for suppliers of counterfeit tobacco, which would presumably have a similar impact on legitimate production. Further consultations with packaging companies indicated there would be lower input costs for the industry.
- 7.128 The Impact Assessment concluded there would likely be benefits from production through to assembly of standardised packs, and there has been no evidence supplied through the consultation for this Post-Implementation Review or review of peer reviewed and commissioned evidence to dispute this. This benefit of standardised packaging remains unquantified in this review.

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<sup>64</sup> Josses L (2012). Smuggling the tobacco industry and plain packs. London: Cancer Research UK

<sup>65</sup> [Economic and fiscal outlook - March 2014 - Office for Budget Responsibility \(obr.uk\)](https://obr.uk/economic-and-fiscal-outlook-march-2014/)

## **Tobacco packaging printing companies and their shareholders**

7.129 Tobacco packaging printing companies and their shareholders were expected to incur costs due to the regulations, as the machinery currently used for branded packs was expected to become redundant.

### **Other costs and benefits (not quantified)**

7.130 There were further impacts considered for tobacco packaging printing companies and their shareholders.

#### *Reconfiguration of machinery*

7.131 The cost of reconfiguring machinery to in order to be compliant with standardised packaging was explored in the Impact Assessment. Alongside standardised packaging, the EU's TPD was due to be implemented in the UK in the form of TRPR. TRPR has requirements on packaging such as size of health warnings, which would cause the industry to incur costs in order to be compliant. These were discussed in the Impact Assessment for TRPR.<sup>66</sup>

7.132 One consultation response did note the cost of implementation to manufacturers, discussing the reconfiguration of machinery and purchasing of new machinery. This response suggested the timescales for implementation were not ideal. No further statements, figures, or evidence were submitted in this response to inform the review.

7.133 Standardised packaging was designed to be implemented at the same time as TRPR, one reason being to stop the industry incurring costs twice (once to be compliant with TRPR, and a second to be compliant with standardised packaging). The Impact Assessment assumed the incremental cost of standardised packaging over and above the reconfiguration of machinery for TRPR to be close to zero. There has been no evidence supplied through the consultation for this Post-Implementation Review to dispute this, therefore the costs remain unquantified (expected to be close to zero).

## **HMRC and Taxpayers**

7.134 The regulations were, in general, expected to reduce the amount of tax being paid. This was expected to be due to reduced sales, downtrading, and a potential increase in illicit and cross border shopping.

### **Tax and duty decreased (due to reduced tobacco sales)**

7.135 A reduction in the number of adults smoking, and fewer children taking up smoking, was expected to reduce the amount of tax paid.

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<sup>66</sup> Tobacco Products Directive Impact Assessment (2016)



- 7.136 The Impact Assessment estimated a lifetime loss of tax from each adult who quits to be £10,872. The estimated lifetime loss of tax from each child who does not take up smoking was estimated to be £14,630. These estimates are applied to the number of quitters expected due to standardised packaging, and the fewer children taking up smoking each year. Based on roughly 200,000 extra quitters over two years, and roughly 5,500 fewer children taking up smoking each year, the loss of tax was estimate to be £4.5bn.
- 7.137 However, the number of quitters and how many children would not take up smoking were re-estimated in the sections above<sup>67</sup>. Both of these are estimated to be slightly lower than first estimated. The lifetime loss of tax from adults who quit and children who do not take up smoking is assumed to remain the same. When applying the lifetime loss of tax to the newly estimated 170,000 quitters and 5,200 fewer children taking up smoking, the expected loss of tax is estimated to be roughly £4bn.

### **Tax and duty decreased (due to downtrading)**

- 7.138 One of the drivers in a reduction of tax paid was that lost from downtrading as a result of the regulations. It was assumed that given the lack of branding and all packs looking identical, more people would switch to cheaper packs. The move from premium and mid-price packs (P&MP) to cheaper packs would reduce amount of tax paid for each pack.
- 7.139 The market share for P&MP packs was already declining before standardised packaging was introduced. To estimate the impact that standardised packaging might have on downtrading, the scenario where this trend is doubled in the years of implementation was explored (see Figure 13).
- 7.140 The percentage market share for P&MP for both the baseline and impact scenario were applied to forecasted tobacco clearance figures, such that the difference between the two would be the reduction in the number of P&MP packs sold due to standardised packaging. The average difference in taxes paid between a P&MP pack and a cheaper pack was estimated to be £0.16. While there is a loss of tax paid on cigarettes, the money saved from buying cheaper cigarettes is assumed to be spent elsewhere, recovering some of the taxes lost. However, tobacco is very highly taxed, therefore the taxes gained will be less than what is lost. It was estimated that £0.21 is lost per down traded pack.
- 7.141 The estimated loss of tax due to downtrading was estimated to be roughly £134m (£59m over the 5 years between 2016 and 2020).

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<sup>67</sup> See 'Health gain and lower inequalities in health from reduced smoking (Adults)' and ' Health gain from reduced uptake of children smoking'

7.142 No new evidence on the P&MP market share or loss of tax was submitted through the public consultation, therefore the trends used in the Impact Assessment are used when re-estimating the costs. The actual clearances of tobacco are lower than anticipated in the Impact Assessment. Therefore, when applying the baseline and impact scenario market shares to new clearance figures, we expect a slightly reduced loss of tax. This is expected to be roughly £117m (£52m between 2016 and 2020).

### **Tax and duty decreased (due to potential increase in illicit and CBS trade)**

7.143 Another impact on the amount of tax paid was the potential increase in illicit trade and cross border shopping as a result of the standardised packaging regulations. The expected impact was a decrease in tax paid associated with a diversion of sales to the illicit market.

7.144 A diversion of 0.4% of sales was assumed based on the size of the illicit market, equating to between 7-9 million packs and HRT pack equivalents not sold. This was based on forecasted clearances at the time. For each of these packs not sold, HMRC were expected to incur an average tax loss of £6.19 per pack for factory made cigarettes, and £3.30 for hand rolling tobacco<sup>68</sup>. The loss of tax over 10 year was expected to be roughly £337m

7.145 As noted above<sup>69</sup>, evidence from the UK and other countries has found no increase in illicit trade due to standardised packaging. HMRC also product 'tobacco tax gap estimates'<sup>70</sup> and have noted no increase in the size of the illicit market for tobacco.

7.146 Despite there being no evidence of an increase in the illicit market, we consider the scenario as assumed in the Impact Assessment. The actual clearances of tobacco (both cigarette and hand rolling tobacco) were lower than forecasted in 2016. From the actual clearances, we consider the counterfactual where these clearances make up 99.6% of the market, and calculate the difference between the actual clearances and the counterfactual. This number of packs is then multiplied by the average tax loss of for packs of cigarettes and hand rolling tobacco, reducing the estimated tax loss over 10 years to roughly £305m.

### **NHS Treatment Costs**

7.147 The NHS was expected to see both costs and benefits due to the regulations. The benefits were expected to be from reduced expenditure due to fewer smoking related

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<sup>68</sup> These profit margins are lower than for retailers and wholesalers - only 10% of manufacturing companies were UK based and so costs would only be borne by this proportion of companies.

<sup>69</sup> See 'Retailers of tobacco: Profit decrease (due to potential increase in illicit trade and CBS)'.

<sup>70</sup> HMRC Measuring Tax Gaps: <https://www.gov.uk/government/statistics/measuring-tax-gaps>

hospital admissions, whereas costs may be incurred through a long term change in healthcare use.

- 7.148 These impacts were not quantified in the Impact Assessment, and due to these being long term costs and benefits they have also not been revisited in the Post-Implementation Review.

## Annex D – Department of Health and Social Care approved summary PIR report templates with the RPC opinion

<p><b>Title:</b> Standardised Packaging of Tobacco Products Regulations 2015 (SPoT)</p> <p><b>PIR No:</b> To be allocated</p> <p><b>Original IA/RPC No:</b> 3080</p> <p><b>Lead department or agency:</b> Health &amp; Social Care</p> <p><b>Other departments or agencies:</b> N/A</p> <p>Contact for enquiries: <a href="mailto:addictionspolicy@dhsc.gov.uk">addictionspolicy@dhsc.gov.uk</a></p>	<b>Post Implementation Review</b>
	<b>Date:</b> 29/10/2021
	<b>Type of regulation:</b> Domestic
	<b>Type of review:</b> Statutory
	<b>Date measure came into force:</b> 20/05/2016
	<b>Recommendation:</b> Keep
	<b>RPC Opinion:</b> Green

### 1. What were the policy objectives of the measure?

The objectives of standardised tobacco packaging were to:

- Improve public health by discouraging young people from taking up smoking
- Supporting quitting among smokers who want to quit
- Help people who have quit to avoid relapse back to smoking.

### 2. What evidence has informed the PIR?

A suite of quantitative and qualitative evidence:

- Key indicator data, including adult and youth smoking prevalence, and stop smoking services
- Independently commissioned research reviewing on consumer and industry response to standardised packaging
- Peer reviewed papers published in scientific journals on the impact of standardised packaging
- A public consultation covering the regulations, and independently conducted interviews of small businesses

### 3. To what extent have the policy objectives been achieved?

The impact of these regulations cannot be wholly isolated from the effects of other government regulation and interventions. However, evidence in 2 above indicates the standardised packaging regulations have been effective in meeting its objectives:

- Smoking prevalence among adults in the UK has fallen from 17.2% in 2015 to 14.1% in 2019. Current smoking prevalence among young people in England fell from 5.6% in 2014 to under 5% in 2018.

Sign-off for Post Implementation Review: Minister

***I have read the PIR and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.***

Signed: Maggie Throup MP, Parliamentary Under Secretary of State (Minister for Vaccines and Public Health)

Date: 08/03/2022

#### **4. What were the original assumptions?**

The SPoT regulations were expected to deliver:

- 5,500 young people not starting to smoke each and 400,000 adults quitting over the course of 2 years;
- £29bn of discounted health benefits (roughly 485,000 QALYs)
- Costs to business, including an equivalent annual net cost to business of £36.78m
- A reduction in tobacco duty revenue of £5bn over 10 years

#### **5. Were there any unintended consequences?**

No unintended consequences have been identified.

Industry arguments against the regulations have not been backed up by recent evidence:

- There was no evidence of a decrease in the price of tobacco due to the regulations
- There was no evidence of an increase in illicit trade due to the regulations

#### **6. Has the evidence identified any opportunities for reducing the burden on business?**

The main burden on businesses were the estimated lost profits as a result of the regulations, due to a reduction in any profits associated with branding. It would not be possible to reduce the burden on business in these areas without undermining the health benefits associated with the regulations.

Other costs associated with an increase in serving time for customers and retailers are expected to be in line with the IA estimates.

#### **7. For EU measures, how does the UK's implementation compare with that in other EU member states in terms of costs to business?**

Not applicable.

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