

Illegal Tobacco Task Force

Notice of Public Meeting

Meeting Date: Wednesday, January 13th, 2016

Meeting Time: 10:30 AM

Meeting Location: 100 Cambridge Street, 2nd floor, Room C, Boston, MA

Task Force members will hear an overview presentation from a tobacco control expert at the Harvard School of Public Health regarding the illicit tobacco trade and will discuss approaches to combatting illegal tobacco sales based on best practices from other jurisdictions. In addition, Task Force members will hear presentations from officials from Connecticut and Rhode Island regarding their efforts to reduce the illegal tobacco trade in their states.

- A. Opening Remarks/Approval of Last Month's Meeting Minutes
- B. Harvard School of Public Health Presentation
- C. Discussion of Potential Legislative Changes*
- D. Connecticut/Rhode Island Illegal Tobacco Presentations
- E. Discussion of Task Force Organization and Spending
- F. Wrap Up/Closing Comments

* Tentative Item/Subject to Change

Due to security at the Saltonstall Building, those interested in attending the meeting should allow for additional time to check-in.

If any member of the public wishing to attend this meeting seeks special accommodations in accordance with the American with Disabilities Act, please contact DOR Human Capital Development at 617-626-2355.

Date of Posting: January 8, 2016 @ 5:00pm

Illegal Tobacco Task Force Minutes

Meeting Date: Thursday, December 10, 2015

Meeting Time: 10:00 AM

Meeting Location: 100 Cambridge Street, 2nd Floor, Conference Room D – Boston, MA

Board Members Present: Kajal Chattopadhyay (Co-Chair), Steve Fennessy (Co-Chair), Thomas Bocian, Amber Villa, David Solet, Michael Sweeney, Lea Susan Ojamaa, Shawn Collins.

Others: Christy Fedor, Victor Solorzano, Peter French, Josh Brabazen, Evan Garcia, Brenda McConville, Casey Harvell, Molly Parks, Tom Nowicki, Kevin Brown, Lisa Dellanno, Maryann Merigan, Nicole St. Peter-MacDermott.

Call to Order:

- Meeting was called to order at 10:10 AM by Co-Chair Kajal Chattopadhyay.
- Meeting was first official session for 2015 Illegal Tobacco Task Force. Mr. Chattopadhyay made initial introduction to the group and gave historical background of the creation of the Task Force. Provided in everyone's folder was language from FY2016 Budget Outside Sections 71 and 184, the general laws outlining the establishment of the Task Force.
- Mr. Chattopadhyay discussed the statutory provisions establishing the Task Force and emphasized that each member agency would have one vote on voting items, including those member agencies with two designees serving on the Task Force. Each member of the Task Force agreed.
- Prior to following the agenda items, Mr. Chattopadhyay informed the Task Force that it is subject to the provisions of the Open Meeting Law and asked all Task Members to submit a Certificate of Receipt of Open Meeting Law Materials (included in the folder).

Altria Client Services Presentation:

- Meredith Miles, Bart McEntire and John Connolly of Altria Client Services introduced themselves to the Task Force and attendees on behalf of their firm, Altria Client Services. Their team specializes in Brand & Trade Channel Integrity, working with companies such as Phillip Morris to support law enforcement agencies with illegal tobacco crimes. A full scope of their work and assistance with illicit tobacco sales prevention in numerous jurisdictions across the country was given. Task Force members were provided a copy of the presentation and given an opportunity to ask questions.
- The Altria Client Services group further outlined the work of other jurisdictions, such as the Cook County Cigarette Enforcement Unit in Chicago, Ill., and the Cigarette Strike Force in New York.

- Ms. Ojamaa suggested to the board that multiple perspectives would be key to making informed decisions. She made mention of a recent Institute of Medicine Illicit Tobacco Report that would be interesting for the Task Force to read. At Mr. Chattopadhyay's request, she will be forwarding a copy of the report to him for distribution to Task Force members.

Legislative Changes:

- Kevin Brown, DOR's General Counsel, outlined the draft proposed legislation his office is working on involving statutory updates and revisions to the tobacco statutes.
- Currently, a package of proposed legislative changes is at ANF for review. After the review is completed, the package will be distributed to the Task Force for input and discussion.
- According to Mr. Brown, a number of statutes and regulations are out of date and need reworking. Those include definitions in the tobacco tax statute, criminal penalties, and civil and forfeiture provisions.

Other Business:

- Discussed was the \$1 Million appropriation for the Illegal Tobacco Task Force in FY2016. Ongoing needs were brought to the board's attention for vote.
- Mr. Brown, along with DOR's Molly Parks, petitioned the board for disbursement of \$12,500 to assist in a joint illegal tobacco investigation. Monies would be used to supply equipment and software needed for DOR and State Police.
- Mr. Sweeney questioned whether this request should be moved into an executive session for further discussion or handled as an emergency measure. He then made a motion to approve the asked \$12,500 as an emergency measure, but would like more time to review requests in the future.
- A unanimous vote in support of the transfer of \$12,500 was approved.
- Sweeney asked to be given background and updated information of the purchase of the equipment and software in the future.
- Next meetings are planned for January 13 and February 9. Two upcoming report deadlines of March 1st and July 1st will be discussed.

Meeting adjourned at 12:01 PM by Mr. Chattopadhyay

The Illicit Tobacco Market and Tobacco Control: Balancing the Response

Vaughan Rees, PhD

Center for Global Tobacco Control

Department of Social & Behavioral Sciences



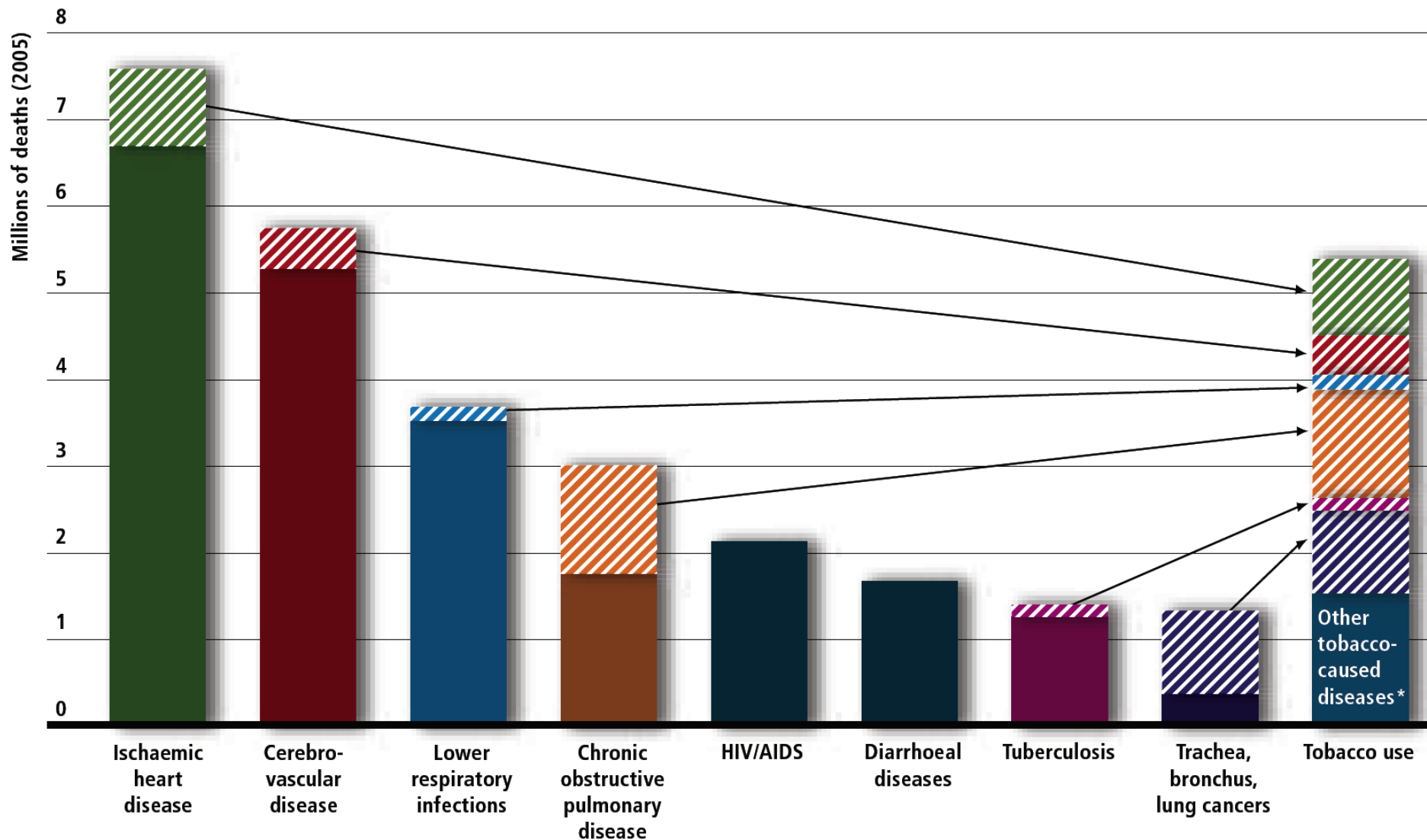
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Department of Social and
Behavioral Sciences

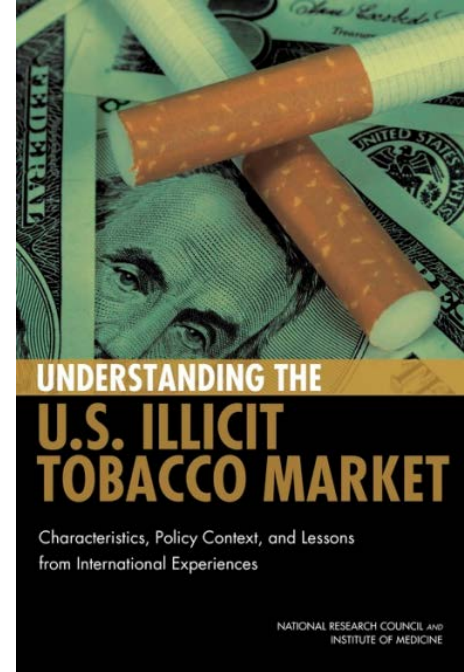


Tobacco a Risk Factor for 6 of the World's 8 Leading Causes of Death



Institute of Medicine, 2015: *Understanding the Illicit Tobacco Market*

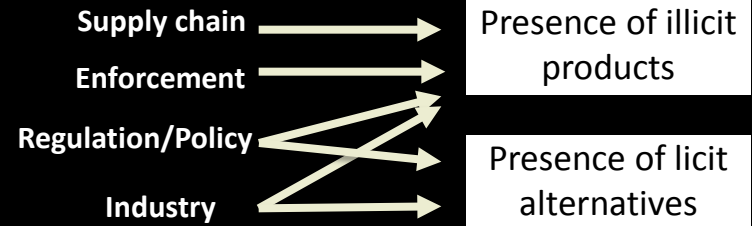
- Congressionally mandated report from the National Research Council and Institute of Medicine
- Took an international perspective
- Experts from economics, criminology, law enforcement, sociology, public policy & public health
- Held public meetings & assessed available evidence
- Interest in effect on illicit market of a potential regulatory approaches



Product/brand characteristics

- Taste, flavor
- Brand image, prestige, etc.
- Price/value
- Nicotine delivery
- Mentholation
- Ventilation

Supply-side moderators



Regulation
of product/
brand

Overall appeal of
product/brand
BEFORE regulation

Overall appeal of
product/brand
AFTER regulation

Magnitude of
change in
product appeal

Quit altogether

Switch to licit alternatives

Switch to illicit product
(e.g., original product)

Continue using product

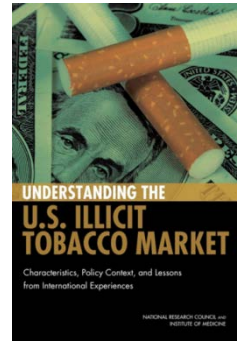
User characteristics

- Demographics: e.g., ethnicity, income
- Nicotine dependence
- Brand loyalty
- Peer/social acceptability
- History of product/brand use

Demand-side moderators

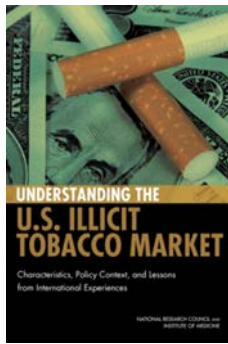
- Acceptability of alternatives
- Nicotine dependence
- Intentions/opportunities to quit
- Brand loyalty
- Acceptability of illicit use
(including prior personal & peer illicit use)

Major Conclusions



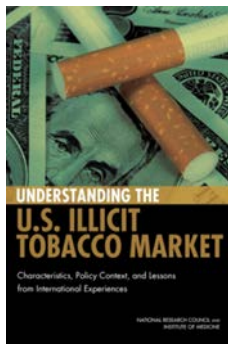
- 4 main schemes:
 - Bootlegging
 - Large-scale smuggling
 - Illicit whites
 - Illegal production
- Bootlegging driven by price factors
- U.S. illicit tobacco market:
 - Estimated range = 8.5 – 21% of market
 - = 1.24 – 2.91 billion packs
 - = \$2.95 – \$6.92 billion lost state / local tax revenue
- Committee's estimate is 8.5% (up from 3.25 in 1992/3)
- Massachusetts a net *importer* of illicit tobacco

Major Conclusions



- Future product regulations unlikely to have major impact on illicit market
 - Fire-safer cigarettes in Massachusetts
 - Possible future regulations on:
 - Menthol
 - Flavors
 - Nicotine level
 - Graphic health warnings

Major Recommendations



- Opportunities exist at multiple levels to control bootlegging:
 - Digital tax stamps with encrypted information
 - Track & trace technologies implemented across state borders
 - Tax harmonization program
 - Appropriate tobacco-specific law enforcement response
 - Collaboration across jurisdictions
 - Agreements with tobacco manufacturers
 - Public education



Illicit market response must be balanced with tobacco control measures

- Tobacco perpetuates poverty, impedes economic development
- Globally, > 1 billion deaths projected for this century (8 million/year by 2030)*
- Each smoker loses 13.2 – 14.5 years of life*
- Globally, members of poorer communities have highest smoking rates
- Vicious cycle of poverty and tobacco use

Productivity loss and healthcare costs undermine the economy

United States

\$6000

Excess cost per smoker

US smokers cost their employers an excess of \$6000 per smoker, due to lower on the job productivity, higher absences and increased health costs

Economic impact in Massachusetts

\$4.08 billion

Annual cost to the health system from smoking

\$1.26 billion of these costs met by Medicare

\$1,065 per household

Residents' state & federal tax burden from smoking-caused
government expenditures

\$240 billion

Smoking caused productivity losses

The tobacco burden is concentrated on the poor

City	Adult Smoking Rate	Difference from MA average
Boston	14.4%	-0.6%
Brockton	28.6%	+13.6%
Chicopee	23.6%	+8.6%
Fall River*	23.2%	+8.2%
Holyoke*	20.9%	+5.2%
Lynn*	25.2%	+10.2%
New Bedford*	29.2%	+14.2%
Springfield*	20.3%	+5.2%
Taunton*	24.2%	+9.2%

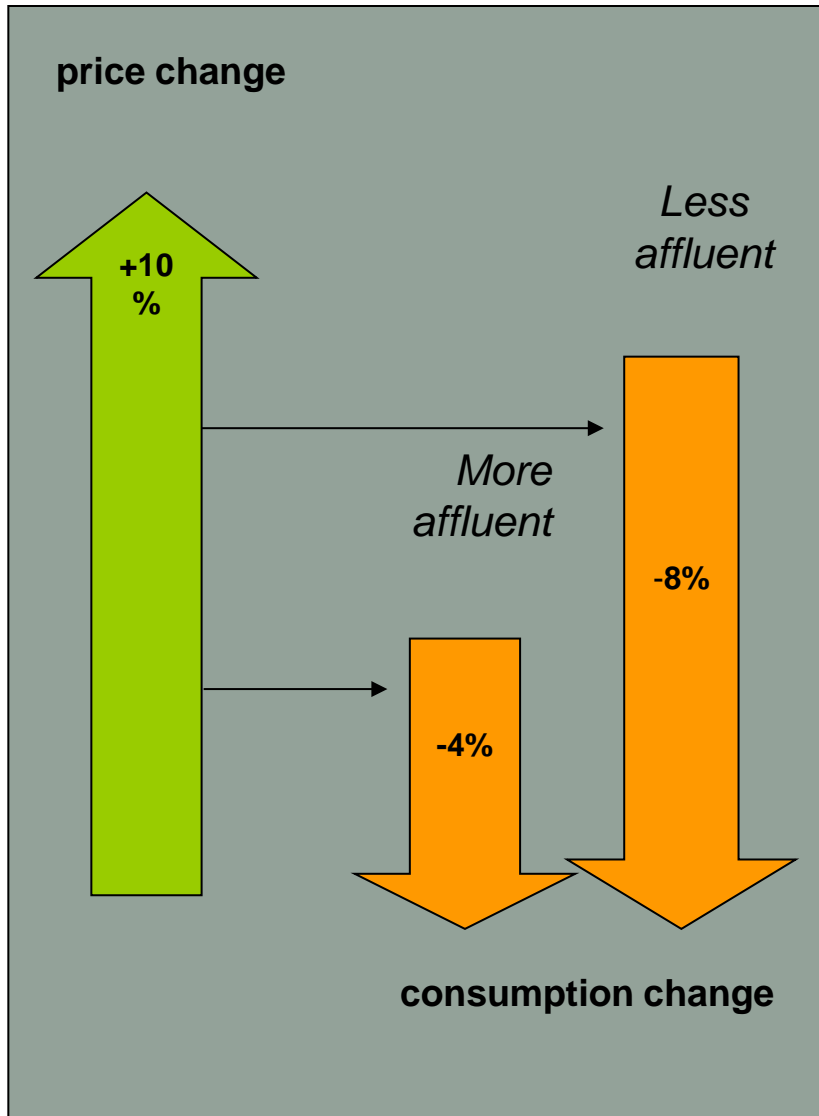
*** Have 15% - 65% more retailers per 1,000 adults than state average**

BRFSS 2009 data; Reported by Mass. Dept. Public Health, June 2015

Tobacco Control in Massachusetts

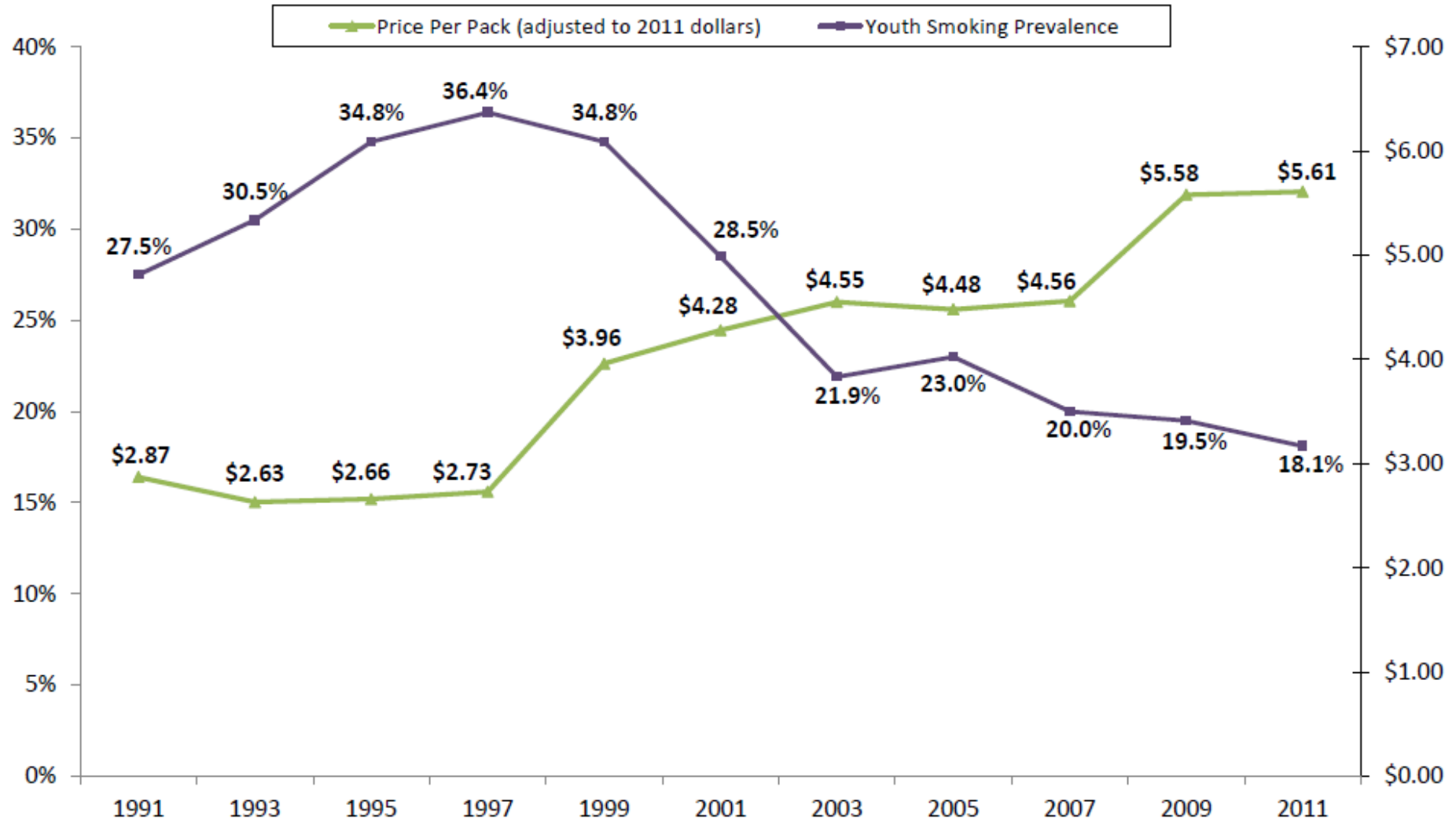
- Progressive tobacco tax
- Policies to protect youth
- Communication campaigns
- Youth-related tobacco industry tactics
- Support for cessation
- State and local laws

Tobacco price lowers consumption



- 10% price increase reduces tobacco use rates by about 8% among the poor and around 4% among the better off
- Poor and young respond more to higher prices than the more affluent and old
- Higher price also reduces consumption among those who continue to smoke
- = Improved health

U.S. Youth Smoking Prevalence vs. Cigarette Pack Price, 1991-2011



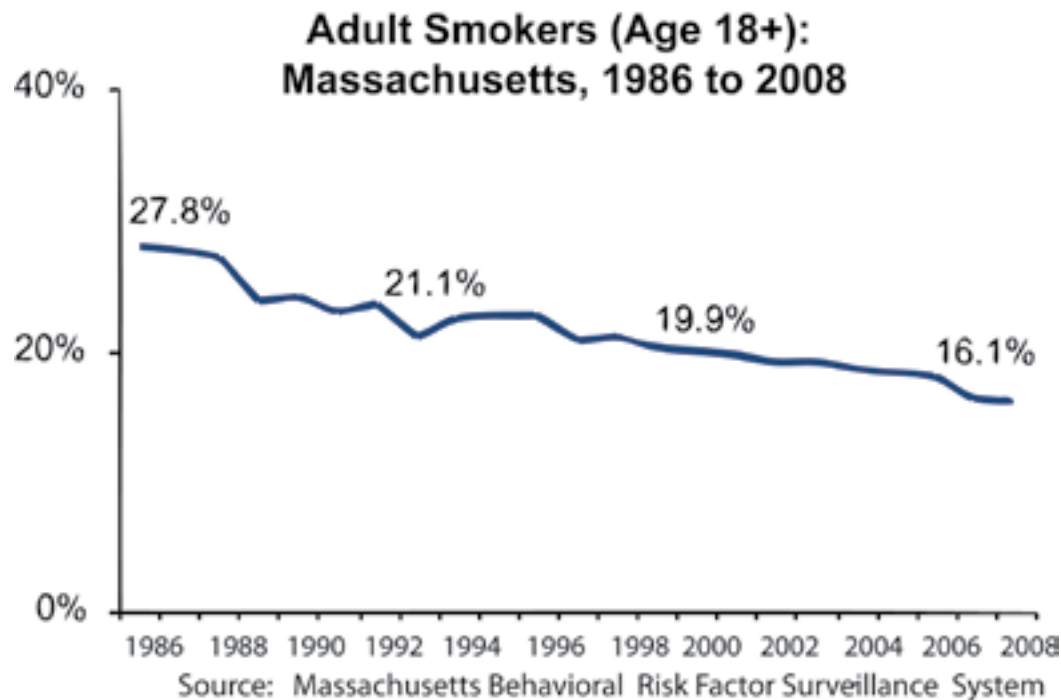
Sources: *The Tax Burden on Tobacco*, 2011; CDC, Youth Risk Behavior Survey, 2011.

Note: Pack prices are from November 1, each year.

Obstacles to Tobacco Taxes?

- Will reduce government revenues
- Smuggling (illicit trade)
- Difficult to collect and implement
- Regressive (against poor)
- Will destroy jobs / hurt farmers

Impact of Massachusetts tobacco control program



In 2013:

- **Adult smoking: 16.6%** (national = 16.8%)
- **Youth smoking: 10.7%** (national = 15.7%)

BRFSS 2013 data; Reported by Campaign for Tobacco Free Kids, 2015

Need to maintain strong tobacco control

- Of all children alive in Massachusetts today, 103,000 will be killed by tobacco
- Particular concerns for low income communities, women, youth
- Undermines socioeconomic growth, health costs, productivity

Care is needed to balance revenue protection & law enforcement with public health goals

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