

The need for E-Cigarettes Law amid The Current Tobacco Industry and its Social Impact

Background

Tobacco companies are calling on the Ministry of Health for clearer regulations on smoking alternatives such as e-cigarette deeming that the current Control of Tobacco Product Regulations 2004 does not adequately cover the marketing of e-cigarettes and heated tobacco products.

The major industry players in Malaysia are namely Philip-Morris International (PMI), British American Tobacco (BAT), and Japan Tobacco International (JTI), all of which have heated tobacco products (HTP).

	PMI		BAT	JTI
Model Type	IQOS 3	IQOS 3 Multi	Glo 2	Ploom Tech
Official retail price	RM390	RM350	n/a	n/a
Heating method	Tobacco is heated directly	Tobacco is heated directly	Tobacco is heated directly	Tobacco is heated via capsule
Device Structure	Holder, Charger	All-in-one	All-in-one	All-in-one
Max Number of uses before charging	1	10	30	4-5
Weight	Holder (22g), Charger (103g)	50g	102g	72g
Charging Time	3.5 minutes	90 minutes	2-4 hours	90 minutes

Source: PMI, BAT, JTI

Amid the trend of smokers seeking alternative to conventional cigarettes, PMI has launched its HTP namely IQOS in the Malaysian market in December 2018 and it is gaining traction among the Malaysian smokers.

Safety and Side Effects

HTP products are consumed through "Heat-not-Burn" (HNB) device which heats up the HTP products around 350°C without combustion (regular cigarettes reach temperatures of over 600°C). Unlike regular cigarettes, the HTP products emits dry vapour instead of actual smoke, meaning that the level of harmful chemicals are significantly reduced compared to cigarette smoke (up to 90%).

According to United Kingdom Government's Committee on Toxicity, HTP products are safer than regular cigarettes but still harmful to health. The committee found that people using heat-not-burn products are exposed to between 50% to 90% fewer "harmful and potentially harmful" compounds compared with conventional cigarettes. As the HTP products still contain tobacco the risk of cancer is still there.

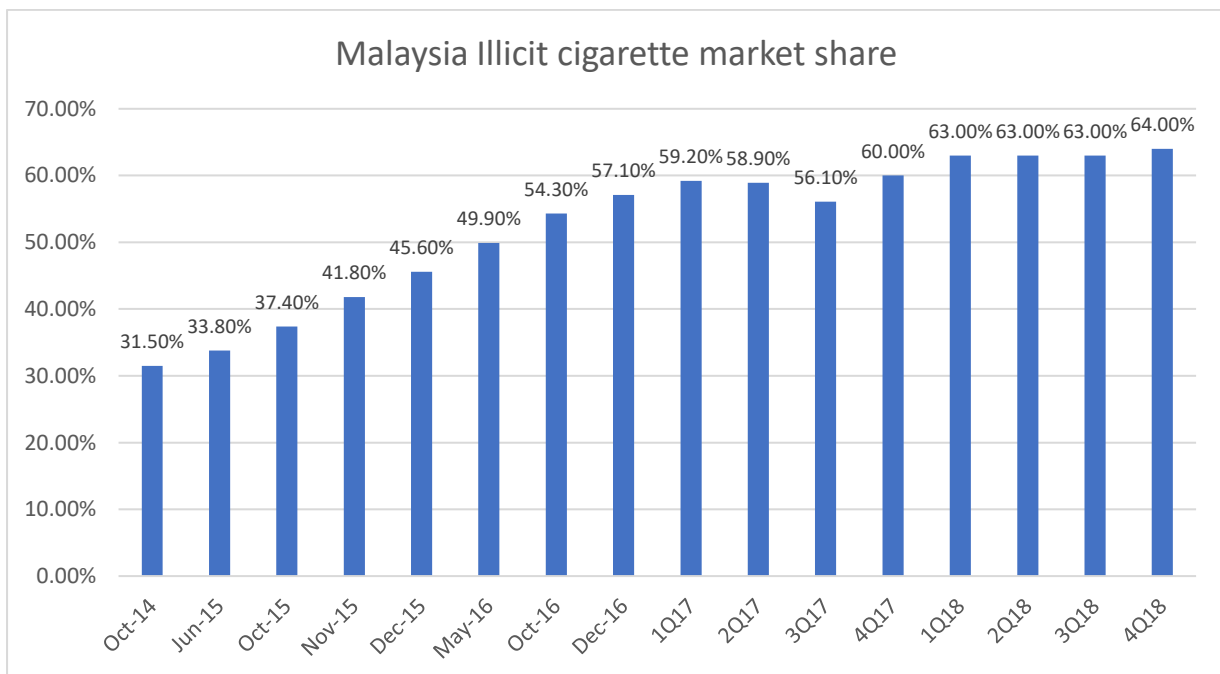
It is important to note that HTP is different from e-cigarettes or vapes. The difference that differentiate them is HTP heat tobacco while E-cigarettes heat liquid that may or may not contain nicotine.

According to Cancer Research UK, e-cigarettes are far less harmful than smoking as they do not contain tobacco, which causes the damage from smoking instead they contain nicotine which is addictive but does not cause cancer. In fact, e-cigarettes is also an option to help smokers quit their smoking habits.

Market Potential

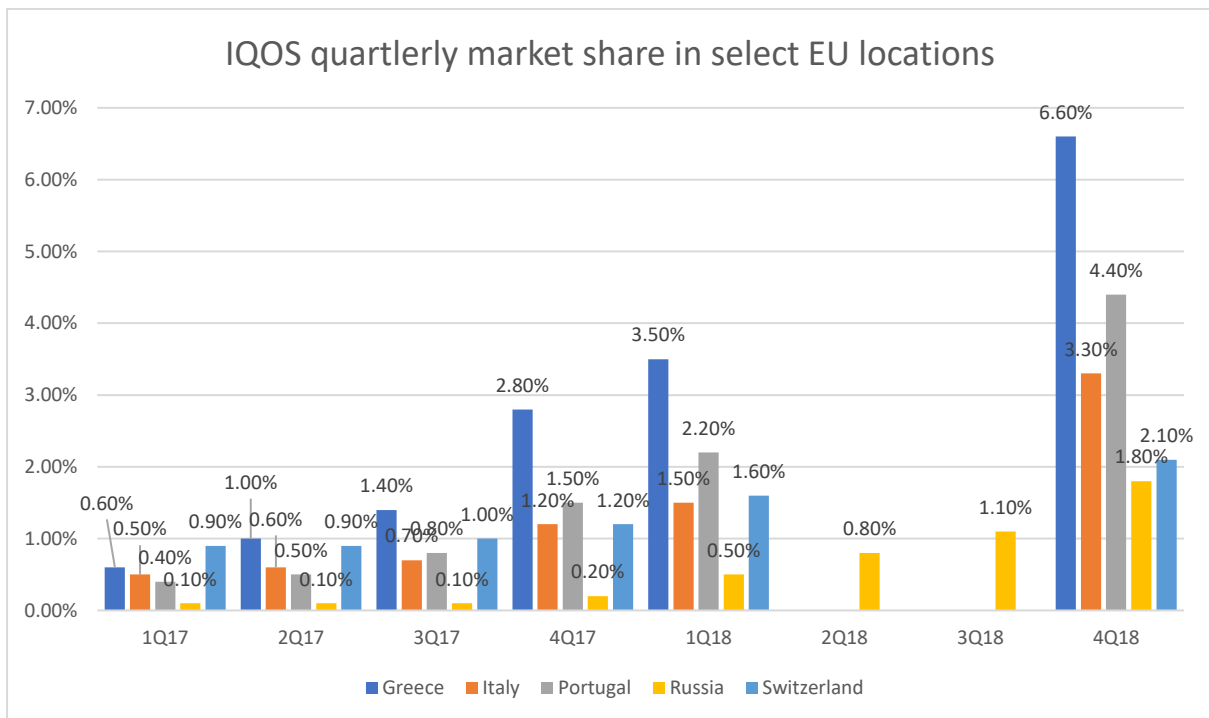
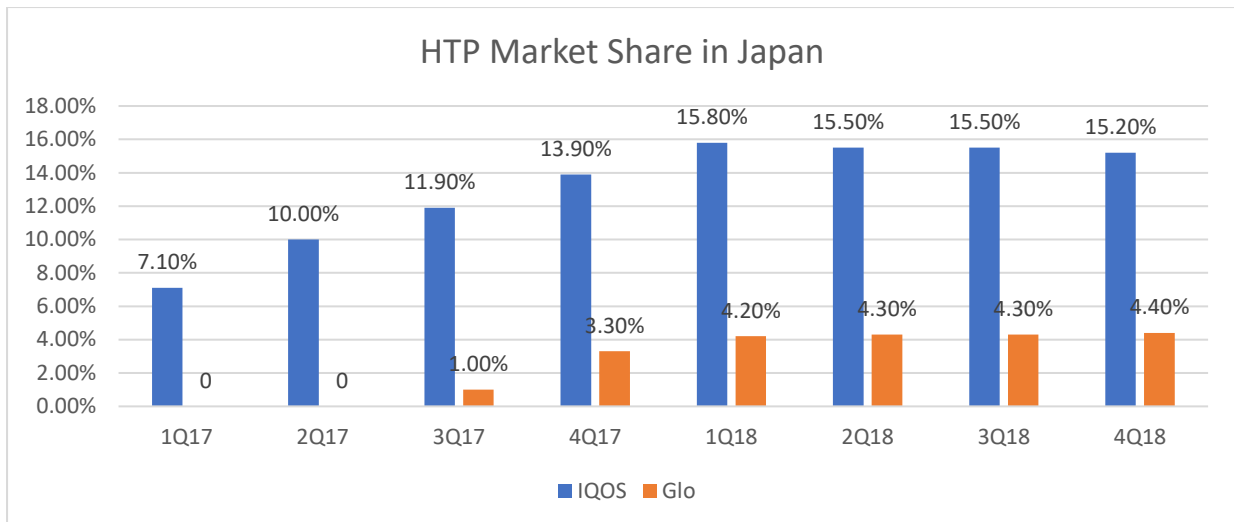
The IQOS heating device in the market is priced at between RM260 and RM390 while a pack of 20 HeatSticks cost RM14. Devices can be found at authorised sellers and selected vape shops while ‘Heets’ can be purchased from 7-Eleven and MyNews convenience stores and selected Petronas petrol stations.

Based on market expectation, PMI HTP alone is expected claim 5% of the total Malaysian tobacco market in 2019. This market penetration is taken into account of the highest Malaysian illicit cigarette market share of 64.0% in history and vape market which peaked at 15% in 2015.



Source: British American Tobacco, Kantar

HTP is gaining popularity in other markets notably Japan, S.Korea, and a number of European Nations. Since introduction in Japan, HTP has captured almost 20% of total tobacco market within just 2 years. Based on PMI’s IQOS performance alone, it is fast gaining traction in Greece, Italy, Portugal, Russia and Switzerland.



Pakatan Government Position

HTP is also cost-tax effective compare to conventional cigarettes as the excise duty cost of a HTP is only 24% of the retail price (RM4.80 per pack of RM14.00) compare with conventional 46% excise duty cost of conventional cigarettes (RM8.00 per pack of RM17.40).

The current favourable excise duty structure for HTP (24 sen/stick vs 40 sen/stick for regular cigarettes, representing a 40% discount) may imply the government's acceptance of HNB devices.

Government aims to recover RM1bn in lost tax revenue. In the recent Budget 2019 announcement, the government announced its desire to clamp down on the illicit tobacco trade, aiming to collect at least RM1bn in lost tax revenue. It is estimated that

RM1bn represents 13% of the total tobacco market, achieving this target could lower illicit trade to 50% of total market share from 64% currently thus introducing HTP is maybe one of the initiatives.

Additionally, MoH have shared that HNB devices are exempt from carrying pictorial warnings, as they technically do not come under the classification of a regular cigarette. Note that currently, cigars and cigarillos are not required to carry pictorial warnings.

While e-cigarettes are banned in certain countries (Australia, Singapore, Thailand etc.), it is deemed legal in others (USA, UK, New Zealand etc.). Note that the National Health Service (UK) has a favourable view on e-cigarettes, recognising them as a smoking cessation aid.

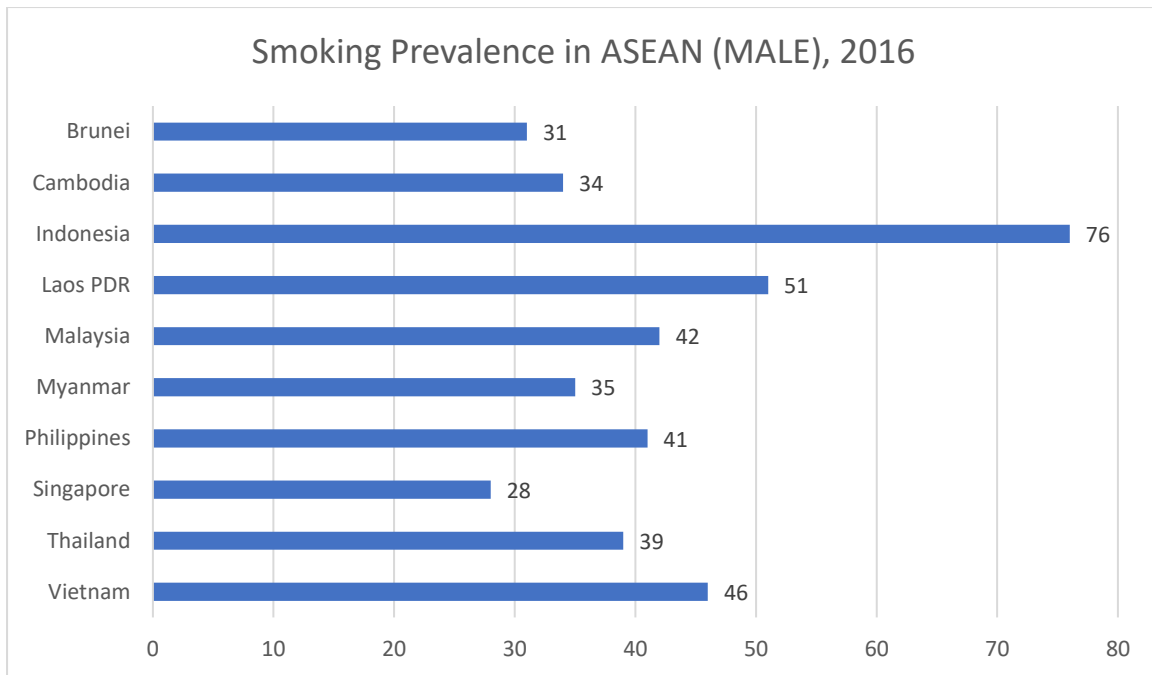
Heath Policy Consideration

The Pakatan Government imposed smoking banned at all eateries nationwide from 1 January onwards. The Ministry of Health announced that going forward, smokers will be required to be at least 3 meters away from the premise before lighting up. The punishment is expected to be set at RM10,000 fine or up to 2 years in jail. However, MoH guided that the first 6 months will serve as a grace period.

Malaysia also signed the WHO's Framework Convention on Tobacco Control which imposed a schedule hike of cigarettes prices for Malaysia and Malaysia commits to be a smoke free nation by 2045.

The Malaysian population of smoker grew to five million in 2016 (4.7 million:2011) and made up 22.8 per cent of the total population. Four out of 10 or 2.3 million adults are exposed to second hand smoke inside their houses, four of 10 or 2.3 million adults at workplaces, and seven out of 10 or 8.6 million adults at public places like restaurants. 1 in 10 secondary students smokes in 2017 and it is 22% prevalent among male secondary students.

The side effect of smoking cause the Malaysian Government to bear RM7.4 billion in treatment cost for smoking related illness in 2018 and 20,000 Malaysian died annually from smoke related-diseases. This is in addition to RM9.9 billion spent to purchase 11.6 billion cigarettes by smokers.



Source: World Health Organization

Smoking Ban in other ASEAN Countries

ASEAN countries are also picking up the effort against smoking. In February 2018 Thailand enforced a ban on smoking and littering of cigarette butts and packets across 24 beaches in 15 provinces. In November 2018, the country also created 81 new no-smoking zones.

In Singapore – one of the first countries in the world to introduce tobacco control legislation in 1970 – its famed Orchard Road became smoke-free on 1 January. Smokers there who want to get their nicotine fix will now have to do so at 40 designated smoking areas (DSAs) along the 2.2-kilometre shopping strip.

In the Philippines – the second-largest tobacco consumer in Southeast Asia after Indonesia – President Rodrigo Duterte signed an executive order to ban smoking in all public places in 2018.

Talking Points

- It is important to differentiate that Heated Tobacco Products and E-cigarettes or Vape are two different things of which Heated Tobacco Products will still cause cancer due to tobacco related compound and Vape will not cause cancer but both will cause nicotine addiction.
- HTP with 90% lesser harmful compound compare with conventional cigarettes may improve the social-health impacts due to cigarettes however it would be limited due to the substantial illicit cigarettes market but the risk of cancer is still there.
- It is unlikely that HTP will spread to low income group or minors as it involved a high entry cost associated with the purchase of heating devices which ranges between RM200 to RM300 unless there emerge affordable alternative in the future.

- The call of regulation for e-cigarettes is ambiguous and maybe confused by the public but ultimately it could be a strategy by tobacco companies to limit off competition in the form of illicit cigarettes and vaping which is undominated by any major companies.
- The tackling of illicit cigarettes market is difficult and arduous despite the commitment of the Pakatan government. An example is the constant smuggling found at the borders and ever higher illicit cigarette market.
- We do not support smoking however we do support liberty of choices and if this calling for new regulation is in any way to help tobacco companies to generate more profits by limiting competition especially the local vape industry which might also be a healthier choice then it must be oppose.

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