August 23, 2017

RE: TEROC Supports Local Policies that Prohibit Tobacco Industry Price Discounting

To Whom It May Concern:

I am writing in my capacity as Chair of the Tobacco Education and Research Oversight Committee (TEROC). TEROC is a legislatively mandated oversight committee that monitors the use of Proposition 99 and Proposition 56 tobacco tax revenues for tobacco control, prevention education, and tobacco-related research in California (Health & Safety Codes §§ 104365-104370, Rev. & Tax. Code § 30130.56(e)). TEROC advises the California Department of Public Health; the University of California; and the California Department of Education with respect to policy development, integration, and evaluation of tobacco education programs funded by Proposition 99 and Proposition 56. TEROC is also responsible for the development of a master plan for the future implementation of tobacco control and research, and making recommendations to the State Legislature for improving tobacco control and tobacco-related research efforts in California. TEROC’s 2015-2017 Master Plan, Changing Landscape: Countering New Threats lays out a vision for a tobacco-free California, including Objective 3: Achieve Tobacco-Related Health Equity, Objective 5: Prevent Youth and Young Adults from Beginning to use Tobacco, and Objective 7: Minimize Tobacco Industry Influence and Activities.

The tobacco industry uses price discounting strategies in the retail environment to lower tobacco price to increase consumption. TEROC strongly urges local governments to adopt policies that prohibit price discounting strategies for the following reasons:

1) Low priced tobacco products promote tobacco use1, enable the tobacco industry to recruit and retain users2, and discourage smoking cessation among youth and adults3.

2) The tobacco industry is driving tobacco-related health disparities by targeting lower-income communities of color and youth and young adults with tobacco product price discounts.

Raising the price of tobacco is shown to be one of the most effective ways to reduce consumption and improve public health outcomes3, 4. With the overwhelming passage of Proposition 56 in 2016, California increased the excise tax on cigarettes by two dollars per pack, taking our state’s ranking from 37th to 9th in the nation, in terms of tobacco taxes. The initiative increased the tax on other tobacco products, including electronic cigarettes by an equivalent amount. When excise taxes are implemented successfully and the price of tobacco increases, tobacco consumption decreases1. However, the tobacco industry retaliates by ramping up price discounting strategies to offset the tax effect. Examples of price discounting strategies include coupons, rebates, gift cards, selling single cigars or little cigars, and other price...
promotions marketed to the customer and tobacco retailer. **TEROC applauds local efforts to adopt evidence-based policies that prohibit the redemption of price promotions and regulate minimum pack size and/or minimum price.** Research demonstrates that these are the most effective strategies to increase the price of tobacco and promote positive public health outcomes such as preventing tobacco initiation, reducing consumption, and encouraging cessation\(^1,^2,^3\).

The tobacco industry targets youth, young adults, and other price-sensitive consumers such as low-income populations with price-related promotions like coupons, multi-pack discounts, and gifts. These communities are exposed to more tobacco retailers in their neighborhoods, more prominent tobacco advertising in those stores, and more frequent and steeper tobacco price discounts compared to white adults of higher socio-economic statuses\(^5,^6\). Nationally, the use of discounts from premium and generic brands of tobacco is highest among Native Hawaiians/Pacific Islanders at 25\%, followed by American Indian/Alaskan Native at 24\%, and then by individuals between the ages of 18-24 at 22\%\(^4\). The result is a higher rate of tobacco use and a higher rate of tobacco-related diseases among lower-income communities of color compared to higher income white people\(^7\). **The social injustices perpetuated by the tobacco industry to make profits and keep consumers addicted to their products are unacceptable. TEROC applauds local efforts to propose and adopt policies that prohibit price discounting strategies in the retail environment.**

Prohibiting price discounting is consistent with TEROC’s 2015-2017 Master Plan, *Changing Landscape: Countering New Threats*, Objective 3: Achieve Tobacco-Related Health Equity, Objective 5: Prevent Youth and Young Adults from Beginning to use Tobacco, and Objective 7: Minimize Tobacco Industry Influence and Activities. There is strong evidence that price manipulation strategies have a disproportionate negative impact on the health and wellness of youth, young adults, and low-income people of color. **Therefore, TEROC strongly supports the adoption of policies that prohibit price discounting strategies at the local level.**

TEROC stands with local agencies and community-based organizations who are working tirelessly to protect the health and well-being of all California residents through comprehensive tobacco control strategies.

Sincerely,

Michael Ong, M.D., Ph.D.
Chairperson
References


