

Proposed WHO Regulation Of E-Cigarettes To Hurt Nascent Industry

The World Health Organization is looking to regulate e-cigarettes in the same way as traditional tobacco products, which will hurt the multi-billion-dollar industry as new players will think twice before entering it

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Altria Group Inc (MO), Reynolds American Inc (**RAI**), Lorillard Inc (**LO**), and British American Tobacco PLC (**BTI**) will likely be revisiting their decision to enter **the e-cigarette industry**, as the World Health Organization reportedly plans to regulate e-cigarettes in the same way traditional tobacco products are. The planned regulation comes in light of fears that tobacco usage will “renormalize” as more people start using e-cigarettes, and that current antismoking laws like advertising bans would be undermined.

The regulation would lead to e-cigarettes being treated as normal cigarettes and subject to the same laws as traditional tobacco products. E-cigarette manufacturers will not be allowed to advertise and will have to pay huge excise duties, and e-cigs will not be allowed to be used in public.

According to the Financial Times, the WHO is eager to categorize electronic cigarettes as tobacco under the Framework Convention on Tobacco Control (FCTC). The FCTC is a WHO treaty under which governments are obliged to cut smoking rates around the world.

Sales of e-cigarettes have grown exponentially over the last few years. According to Canaccord Genuity Group, e-cigarette annual sales were a mere \$20 million in 2008, but skyrocketed over the next five years to \$3 billion last year. Bonnie Herzog, a senior tobacco industry analyst at Wells Fargo & Company (**WFC**), is optimistic. She projects e-cigarette sales to top \$10 billion by 2017.

The e-cigarette industry's growth potential is immense, as e-cigarette usage among US adults is still very low. According to a survey conducted by the US government, only about 2.7% of all US adults tried e-cigarettes in 2010, compared to 0.6% in the previous year. Furthermore, e-cigarettes sales comprised a small portion of the \$80-100 billion revenues generated by US tobacco manufacturers in 2011-2012, but if e-cig usage picks up at an annual rate of 15% till 2040, e-cigarettes will account for 60% of total cigarette sales in the US by that year. Operating margins for e-cigarette manufacturers are also expected to climb to 25% by 2019, whereas currently they are at 20%.

The WHO's regulation of e-cigarettes will be a serious threat to this growing industry. The WHO looks determined to regulate the industry: the overseer of the secretariat of the FCTC, Dr Haik Nikogosian, has said e-cig smoking “could result in a new wave of the tobacco epidemic.” He further added that he “felt more importance should be given to the threat posed by electronic cigarettes,” as per documents received by FT.

<http://www.bidnesstc.com/21489-altria-group-inc-nyse-mo-british-american-tobacco-plc-adr-nysemkt-bti-news-who-potential-regulations-on-e-cigarattes/>