PolicyMatters

Why regulate at all?

Exploring unintended consequences.

Disclosures

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UBER
REGULATION
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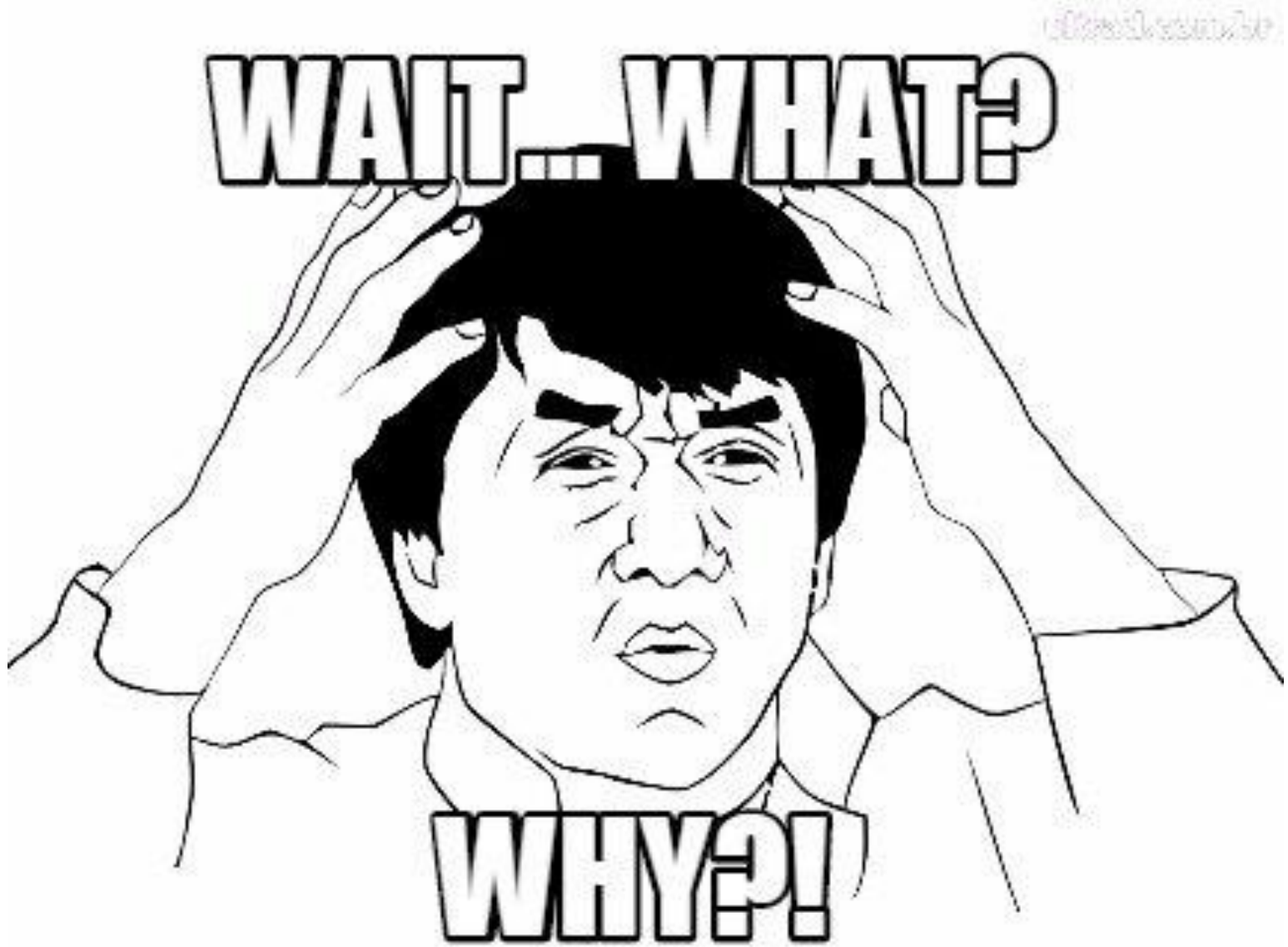
Unintended consequences


WAIT... WHAT?
WHY?!

Directive 2014/40/EU – The Automotive Products Directive

- Cars running on leaded petrol, used by 106 million drivers across Europe, can only be bought in the colour brown but remain legal everywhere. It was felt that pollution could only be addressed if people abstained from driving, and use bicycles if they were unable to do so. Brown cars would therefore encourage people to stop driving.
- Cars with seat belts banned across the EU with the exception of Sweden, which had a history of having seat belts in cars and lower rates of automotive accidents that anywhere else in the EU. It was felt that seat belts encouraged people to drive – particularly young people.
- Electric vehicles – which were originally to be banned – were defined as boats, and provisions were copied from Directive 2001/83 (the Boating Directive) and so are only allowed two seats, and batteries would have a maximum circumference of 10cm so that the range of each vehicle is no more than 20 miles. It was felt that if people could only drive 20 miles with one passenger, they would be discouraged from driving and would be more likely to use a bike.
- Advertising electrionic cars – or manufacturers claiming that they are more environmentally friendly than leaded, was banned. It was thought that this would stop young people driving cars using leaded petrol.
- Member States would even retain the option to ban certain colours of electric cars just in case children in their country were attracted by them.

Unintended consequences

- Now of course, the Automative Products Directive did have some benefits. Investors knew what they were investing in and so money flowed into the sector.
- Uncertainty was lifted from the makers of electric cars – my members – who at least knew they weren't going to be banned. And the new system for notifying certain characteristics of electric cars did lead to them being made marginally less polluting – now they were 96% less polluting than 95%.
- But there were many unintended consequences. The rate of car accidents declined, but didn't get close to levels seen in Sweden, which had been consistently half of those on the rest of the continenfor decades.
- The law wasn't good for drivers of electric cars – particularly for those with families who had to buy two of them.
- And pollution continued to go down, but not by as much as many people thought it would becaue the heavy drivers continued to need to travel more than 20 miles in one go.

Why did this happen?

- In very simple terms, the world of nicotine is regulated based on risk, with any change to the status quo seen for its risks and not for its benefits. This simply doesn’t happen in any other area – including automotive, where cleaner innovations are encouraged.

- We do not, however, regulate cars like we regulate nicotine and reduced risk nicotine delivery systems. SO lets look at the situation in reverse. We have seen the opportunity of electric cars – so what if regulators did the same for nicotine – and saw the vast opportunity that innovation affords society?
- We would of course require that manufacturers prove that reduced risk products are less harmful. But once they had done so through a standardised set of metrics – much like the notification required by the TPD - we would be doing everything we could to get people to use them.
- Rather than force them to hide relative benefits and in some cases even lie to customers, regulators would make manufacturers of all nicotine products put key safety metrics on their advertising, much like is done with car emissions data, which must always be on car advertisements.
- They would be at pains to explain to drivers that some cars were more environmentally friendly than others. The idea of preventing manufacturers of electric vehicles from explaining this to consumers is madness
- And they would ensure through the tax system that reduced risk products are significantly cheaper; just as hybrid cars are cheaper to run than cars using unleaded petrol –due to fuel taxes.

- This scenario would clearly produce better public health outcomes – even better than the miracle that has occurred in Sweden. And all it would take to get to a place where this would be completely uncontroversial is for regulators to see not just risks but opportunities.
- Regulators see opportunity and seek to maximise it in lets of different areas -from climate change to economic policy to healthcare to international development. Why not nicotine? Why can’t we apply an understanding of the opportunities of reduced risk to our policy making analysis rather than simply focusing on small, abstract and generally made up risks?