costs (mostly for educational programs). In addition, they would face significant advertising restrictions. Retailers would pay \$11 million in one-time costs and \$52 million in annual costs. On an annualized basis, using a 3 percent discount rate over 15 years, costs for these initial requirements total about \$230 million (also about \$230 million at a 7 percent discount rate). Achieving the "Healthy People 2000" goals, however, could demand still further efforts by tobacco manufacturers to restrict youth access to tobacco products. Moreover, FDA plans to propose additional requirements that would become effective only if these goals were not met.

TABLE 1—ANNUAL ILLNESS-RELATED BENEFITS OF ALTERNATIVE EFFECTIVENESS RATES [Undiscounted lives and life-years; 3% discount rate for monetary values]

Fraction of teenage cohort de- terred	Fewer adult smok- ers **	Lives saved	Life-years saved	Medical savings	Morbidity- related productiv- ity sav- ings	Mortality-related will- ingness-to-pay		Total benefits	
						Life-years saved	Lives saved	Low	High
	(No.)	(No.)	(No.)	(\$bils.)	(\$bils.)	(\$bils.)	(\$bils.)	(\$bils.)	(\$bils.)
1/2 *	250,000	60,200	905,300	2.6	0.9	24.6	39.7	28.1	43.2
1⁄3	167,000	40,100	603,600	1.8	0.6	16.4	26.4	18.8	28.8
1⁄5	100,000	24,100	362,100	1.1	0.4	9.9	15.9	11.4	17.4
1⁄10	50,000	12,000	181,100	0.5	0.2	4.9	7.9	5.6	8.6
1/20	25,000	6,000	90,500	0.3	0.1	2.5	4.0	2.9	4.3

* Estimate used in analysis.

** Assumes 50% of adolescents who are deterred from smoking refrain as adults.

TABLE 2—INDUSTRY COSTS FOR CORE PROVISIONS

[\$mils.]

Requirements by sector*	One-time costs	Annual operating costs	Total annualized costs **
Tobacco Manufacturers	15–28	175	177
Visual Inspections		24	24
Training		1	1
Label Changes	4–17		1
Self-Service Ban	11		1
Educational Programs		150	150
Retail Establishments	11	52	53
Training		10	10
I.D. Checks		28	28
Self-Service Ban	11	14	15
TOTAL	26–39	227	230

* Advertising restrictions are considered under distributional effects.

** Sum of one-time costs annualized over 15 years at 3 percent and annual operating costs.

Consumers would incur costs to the extent that they lose positive utility received from the imagery embodied in product advertising campaigns. Consumers would also lose the convenience offered by the use of cigarette vending machines. Costs for these compliance activities were based on the agency's best estimate of the resources that would be needed to establish effective programs for decreasing the incidence of lifelong addictions to nicotine-containing cigarettes and smokeless tobacco products.

In addition to the costs described above, the proposal would create distributional and transitional effects. While the overall impact of these changes on the national economy would be small, because dollars not spent on tobacco-related expenditures would be spent on other goods or services, several

individual industries would be affected. Tobacco manufacturers and suppliers would face increasingly smaller sales, because reduced tobacco consumption by youth would lead, over time, to reduced tobacco consumption by adults. The impact of this trend on industry revenues would be extremely gradual, requiring over a decade to reach an annual decrease of even 4 percent, substantially mitigating the costs associated with any resource dislocation. Also, if State excise tax rates on tobacco products remain at current levels. State tax revenues would decrease slowly over time, falling by \$252 million by the tenth year.

Tobacco manufacturers spent \$6.2 billion on advertising, promotional, and marketing programs in 1993, and about 30 percent would be substantially altered to reflect the various "text only" restrictions or other prohibitions. If

tobacco advertising outlays declined, various service agencies and communications media (including suppliers of retail counter and other display space) would need to attract replacement sponsors. Similarly, vending machine operators would need to find substitute products to replace that portion of their revenue that is currently derived from the sale of cigarettes. Many of these adjustments would occur quickly (e.g., TV networks reportedly recouped advertising revenues within 1 year of the 1971 ban), but others could create short-term disruptions as businesses moved to replace lost product lines.

In sum, FDA finds that compliance with this proposed rule would impose some economic costs on the tobacco industry and short-term costs on several other industry sectors. With regard to small businesses, most impacts would