



CIGNALL PTY. LTD.
No. 43, Level 1, The Hub Arcade
15-23 Langhorne Street
Dandenong VIC 3175
Ph: (03) 9792 4211
Ph: 1300 308 556
Fax: (03) 9793 6677

A.B.N. 78 111 443 933

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Red Tape Committee
Department of the Senate
PO Box 6100
Canberra ACT 2600

Email: redtape.sen@aph.gov.au

Dear Sir / Madam,

Subject: The Effect of Red Tape On Tobacco Retail

With many years of experience in the retail tobacco industry, we have seen numerous changes along the way. However, we have found that during the last five years our industry has been consistently impacted by red tape across all facets of the business, which has had a financial impact on our retailers.

One of the earlier changes that significantly impacted retail tobacconists is the introduction tobacco plain packaging legislation. Each state had already implemented tobacco display ban legislation, meaning 95% of all stores in the country had to hide tobacco products behind doors. Government at the time deemed this wasn't enough, so plain packaging was introduced in late 2012, which meant every packet had the same colour, font, design etc. Feedback was provided to government at the time as to the impact on retailers but at no stage were we encouraged to have dialogue on the effects. For example, once government had decided plain packaging was being introduced, we provided feedback that we needed brand name and variants on the side of packets and cartons, purely for ease of identifying the product during picking, sorting deliveries etc. Unfortunately this was ignored, hence if stock is packed or stored on its side you cannot tell which product it is.

Retailers for the past five years have had to use additional resources through both time and staffing as it has become more difficult to place an order or unpack a delivery and check against the invoice, purely because it is hard to see the brand / variant of each item. This leads to higher error rates for suppliers, distributors and retailers when dealing with tobacco products. We also note that when retailers have to turn their back to search for a particular brand in a sea of green packaging on the wall behind them, it takes longer to find products, which we have found has increased the chances of theft occurring.

We have also seen tobacco become a target for the government to regain revenue by increasing tobacco taxes year on year. As the price has continued to increase, so have the burglaries of tobacco products. Many stores have been victim to burglaries either at night or assault and robberies during the day, due to the high cost of tobacco products and the ease of which you can move this stolen product. Retailers have had to spend

thousands of dollars increasing security in their stores, while thieves continue to become either more creative or more aggressive.

Another impact of the tobacco prices through higher government imposed excises, has been the amount of illegal tobacco product available in the market place. The industry has seen a massive increase in the quantity of illegal tobacco products available, whether it be chop chop (illegal loose tobacco), pre rolled tubes (tubes pre – filled with illegal loose tobacco), branded products illegally brought into the market or alternatively the latest trend in illegal tobacco product to become available in our market is the plain packaged product that does not have taxes paid. The illegal plain packaged product in the market is the biggest concern, as a many consumers believe this is legal as it is in plain packaging. However the price point it is being sold at is impossible to reach, if all taxes and duties were paid.

All of these items are cheaper than legal tobacco products and so readily attainable, that it is easy for consumers to be swayed into purchasing an illicit product. Consider that a box of 100 illicit pre-filled tubes costs approximately \$35, yet the cost to make this product is next to nothing. The tax alone on a legal product of the same type and size would be approximately \$65. You can see that anyone supplying illegal tobacco products stands to make an extraordinary amount of money.

It is also important to note that the illicit products have no quality standards imposed (including not meeting the Reduced Fire Risk regulations) and therefore come with no recourse to the supplier, should any issues arise with it.

The current situation is that where retailers selling legal tobacco products, are consistently losing income to those that encourage the illicit trade activity, while the government continues to lose significant revenue through lost taxes. Although illicit tobacco has been identified as a widespread issue in Australia, no government body has taken ownership of the issue, hence the lack of enforcement. The penalties imposed to date for selling illicit trade is negligible compared to the excessive profits they make, so the illicit trade will continue to grow and consumers will continue to chase a cheaper, illicit tobacco product. An example of this is in Victoria where there are now over 70 ‘Pop Up’ stores selling only illicit tobacco products. These stores are not part of any recognised brand name and will pop up overnight and the only products they sell are illicit tobacco products. Why are these stores continuing to trade without anyone stopping them?

The latest legal smoking product into the market is the e-cigarette which has seen some mixed reviews from consumers, retailers and the government. Another example of red tape is where e-cigarettes that contain nicotine are currently banned in Australia, yet consumers can jump online and buy them from anywhere in the world without having to prove their age and also without these products being quality checked.

There are scientific studies overseas that show an e-cigarette having less health risks than smoking, yet the government has banned them without looking at this research. People are still smoking despite the plain packaging and price hikes, so surely it would be beneficial to collate more data on the e-cigarettes to prove once and for all if they are a less harmful nicotine product.

All the changes to the industry haven’t stopped many people from continuing to smoke and in many cases, has encouraged them to look for an illegal, non-tax paying alternative. If the e-cigarettes can be proven to be a less harmful nicotine product, then surely that should be made available to those that still choose to smoke.

All these points are examples of red tape our industry has to deal with every day, which significantly impact the income of retailers. Our retailers work hard every day, selling legal products that not only help pay their bills and put food on the table for their families, but also return a significant amount of tax to the government. Some of these things could have been improved by taking the time to have discussions prior to rolling out, while others could be improved by changing penalties and legislation.

The final example we would like to raise is the Queensland Health Department currently investigating the possibility of restricting the number of tobacco licences to retailers in Queensland. At no stage have they had any discussions with anyone in the industry to discuss the positives and negatives of this, despite many attempts to contact them. We believe there is some merit to tobacco licensing as long as it is done properly, but failure to think about all ramifications will mean the increase of illegal product that is already on the increase.

It's about time the government stopped targeting retailers and focused on other areas that would have a more positive impact.

We look forward to an opportunity to discuss this further in the future.

Regards

Cristie Bowler
National Operations Manager