

21st of July 2011

Committee Secretary
Standing Committee on Health and Ageing
House of Representatives
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Parliament House
CANBERRA ACT 2600
By email: haa.reps@aph.gov.au

Submission No. 41
(Plain Packaging Bill)
A.O.C. Date: 26/07/2011

The Australian Newsagents Federation Submission to House Standing Committee on Health and Ageing Inquiry into Tobacco Plain Packaging

The Australian Newsagents' Federation (ANF) is the peak body representing Newsagents in Australia.

With our association partners the QNF, VANA, NANA & WANA we jointly represent well over 2,000 small businesses around Australia, who together employ an estimated 10,000+ staff. Nearly all ANF members are small or micro businesses employing less than 20 staff, the majority of whom would employ five or less staff. Newsagents are convenience destinations in most Australian communities who rely on quick high quality service as their major point of difference. The majority of Australians shop in a newsagent every week.

Our member newsagents are subject to a number of pressures that are distinct from those that affect large corporations and even many other small businesses. Whilst newsagents make a significant contribution to Australia's economy and are one of the largest retail channels in the country, they are often characterised by modest profit margins. Newsagents are particularly vulnerable to tough negotiations by powerful suppliers and significant changes in regulation as their margins are largely set externally and they have a very limited ability to absorb large increases in costs. The impact of changes can have dramatic consequences for newsagency owners, their staff, their families and their communities.

The ANF is committed to protecting the interests of our newsagents around Australia, in order to ensure that they continue to make a positive and sustainable contribution to the Australian community, as they have done for generations.

The ANF submits to the Standing Committee on Health and Ageing that the Government's Tobacco Plain Packaging Bill 2011 and the Trade Marks Amendment (Tobacco Plain Packaging) Bill 2011 (bills) should not proceed. We submit that there is no credible evidence that plain packaging will reduce

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smoking in the community. Newsagents will be negatively impacted if these bills are implemented as a result of increased regulatory burden for community newsagents, confusion on behalf of retailers, and an increase in illicit tobacco trade.

The ANF supports measures to reduce the harm caused by smoking in the community. However, where tobacco control measures are not supported by any evidence-base, and where they impose significant costs and hardship to the industry - government's have an obligation to get the balance right between social and economic interests.

The ANF submits that the bills are not based on any credible evidence that they will reduce smoking in the community. In fact this proposal has been considered and rejected in Canada and the UK on these grounds. Notably the UK's Minister for State (Public Health) stated; *"No studies have been undertaken to show that plain packaging of tobacco would cut smoking uptake among young people or enable those who want to quit to do so."*¹ Another example from Dr Patrick Basham of the Democracy Institute, provides that; *"the empirical evidence fails to provide any evidence of a casual link between plain packaging and youth smoking initiation."*²

The vast majority of community newsagents vend legal tobacco products, and the proposed plain packaging changes represent yet another layer of regulatory burden for community newsagents.

The ANF believes the introduction of plain packaging laws will further complicate the sale and stock management processes now required to remain compliant with retail display ban regulation, and exacerbates the frustrations associated with face-to face customer interactions.

As you are aware community newsagents have recently adjusted their point of sale formats in most states and territory's in response to the recent retail display bans of tobacco. Our members report that the retail display bans have lengthened queues and created other delays adding to the frustration of shoppers and it follows that these bills will further detrimentally impact community newsagents who generally market themselves as convenience destinations.

In addition the ANF believes that the introduction of these bills requiring plain packaging of tobacco products will make it even harder for our members to run their businesses and will result in:

- Increased transaction times due to greater confusion in identifying correct products
- Increased incidence of transaction picking errors
- Complicating stock management processes including inventory management, restocking and

¹ House of Commons, Public Bill Committee Debate, UK, 25 June 2009, Column 305

² Patrick Basham, Democracy Institute Submission to the Australian Senate Community Affairs Legislation Committee Inquiry into the Plain Packaging (Removing Branding from Cigarette Packs) Bill 2009, 30 April 2010

increasing the risk of theft from stores.

Item 2.8 of the draft Tobacco Plain Packaging Regulations 2011, as outlined in the Minister's second reading speech, which includes these draft regulations, does nothing to allay these fears of our members.

We are concerned that as an unintended consequence of the proposed bills newsagents capacity to deliver to our customers the service and convenience that traditionally is our key point of difference will be further limited. This will ultimately lead to driving our customers away from local community run mum & dad businesses to larger retailers.

Industry research indicates that where a community newsagent stocks tobacco products, an average of 56%-64% of consumer baskets include tobacco products, and on average 39% of these transactions include the purchase of non-tobacco products.³

If tobacco sales are lost as a result of the customer delays and frustrations attributable to compliance with the new regulatory requirements; community newsagents are concerned that the magnitude of the financial impact to their businesses will extend to other significant non-tobacco sales associated with each lost customer. We do not support these bills that have no evidence base and for which no detailed modelling has been done on the effects they may have on community newsagents. We are also extremely concerned that these bills will have a detrimental impact on our members businesses and that they may also drive customers away to larger retailers.

The ANF also believes the introduction of plain packaging of cigarettes is likely to cause an increase in illicit tobacco trade as plain packaging enables easier counterfeiting and trafficking of illegal tobacco products, and encourages consumers to switch to low cost alternatives, such as cheaper unregulated and untaxed illicit tobacco products.

An increase in the trade of illicit tobacco products not only deprives government of the excise revenues normally levied on legally distributed tobacco products, but also impacts the volume of legal tobacco products sold, and the commercial viability of community newsagents.

Further, an increase in the trade of illicit tobacco products will reduce government's visibility of the tobacco trade and prevent the proper regulation of the sale and distribution of tobacco leading to a range of unintended negative social consequences.

Given the range of potential unintended consequences of these bills, we are concerned by both the

³ Fletcher, M (2009) Keynote Presentation: newsXpress Conference, 14-16 October 2009, Grand Hyatt Melbourne.



lack of evidence-based research demonstrating the efficacy of the policy and the detrimental impact it would have on community newsagents in Australia. The newsagent industry has been significantly impacted and continues to be threatened by a range of challenges a number of which derive from government policy. This comes at a time of unprecedented economic challenges particularly in the retail sector of our economy.

Some of these challenges confronting community newsagents include falling newspaper and magazine circulation due to digital disruption, unfair supplier contracts, increased costs and red tape from changing workplace relation's regulation, unreasonable competition from Coles, Woolworths and the government owned Australia Post, regulatory changes affecting lotteries and shifting demographic trends.

We believe these bills to introduce plain packaging of tobacco will damage the viability of many 'mum and dad' community newsagencies and cause further harm to the newsagent industry.

Yours sincerely,

A handwritten signature in black ink that reads 'A. Maccioni'.

Alfonso Maccioni
Chief Executive Officer
Australian Newsagents' Federation

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