

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 127

Topic: Volume of Tobacco Consumption

Hansard Page: Wednesday 30 May 2012, page 120-121

Senator CORMANN asked:

Senator CORMANN: If you could provide that on notice, that would be great. Given that you say you expect the changes to be revenue neutral, is it fair to assume that you assume the consumption of tobacco is going to remain stable?

Mr Clark: Are you referring to the relocation offshore?

Senator CORMANN: Overall in aggregate, what you are saying is that the loss in revenue from excise is going to be made up by an increase in customs duty. I assume that what you are saying is the loss of local production is going to be offset by an equivalent increase in imports. Is that right?

Mr Heferen: Correct.

Senator CORMANN: So volume, then, by the sounds of it, is going to remain the same. Is that right?

Senator Wong: Volume of what?

Senator CORMANN: Volume of tobacco consumption.

Mr Heferen: Certainly they will be substituted. People will still want to smoke.

Senator CORMANN: So they will import it rather than use local produce?

Mr Heferen: The question about the aggregate demand, the total demand for cigarettes, I think is something we would need to take on notice.

Mr Clark: Historically, tobacco consumption has fallen steadily over many years. As far as the exact volume assumptions in the forecasts, we will have to provide them to you.

Senator CORMANN: The government has told us that they expect the consumption of cigarettes and tobacco to reduce dramatically because of the introduction of plain packaging for cigarettes. How have you reflected that in your revenue estimates for excise and customs duty, if at all?

Senator Wong: Is that not the same question?

Senator CORMANN: No. It is not the same question.

Mr Heferen: That would be a function of what the demand changes to.

Senator Wong: Which is the one we took on notice.

Senator CORMANN: The government says that the introduction of plain packaging for cigarettes will actually reduce the level of smoking in Australia. Have you specifically taken into account the government's expectation that the consumption of tobacco is going to reduce as a result of the introduction of the plain packaging legislation?

Mr Heferen: What we took on notice was the volume, because that is the issue—how much the volume will come down.

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Senator CORMANN: That is the first question.

Mr Heferen: But that is the question.

Senator CORMANN: No. The second question is: to what extent have you taken into account the government's expectation that the plain packaging legislation will drive down the consumption of tobacco? That is a subsection of the original question.

Mr Heferen: In our answer on notice, we will attempt to provide that to the extent we are able to.

Answer:

The estimates in the 2012-13 Budget include all announced Government measures.