

19 February 2016

A Healthy Tasmania
Department of Health and Human Services
GPO Box 125
Hobart TAS 7001

Dear Sir/Madam,

**Re: Submission to the Tasmanian Government's
"A Healthy Tasmania Five Year Strategic Plan" Consultation**

The Alliance of Australian Retailers Pty Ltd (AAR) appreciates the opportunity to participate in the Tasmanian Government's "A Healthy Tasmania Five Year Strategic Plan" Consultation.

The AAR represents thousands of individual small retailers around Australia, and includes hundreds of member retailers in Tasmania. The AAR's member associations represent independent convenience stores, newsagencies, milk bars and local corner stores on issues relating to the retail sale of tobacco products.

The AAR supports evidence-based measures to reduce smoking in the community, but is opposed to measures that will unfairly impact on small business retailers and policy outcomes that will do nothing for public health but exacerbate the increasing trade in illicit tobacco (currently at 14.3% of total national consumption) and shift business to other channels of supply.

Our members operate legitimate businesses selling a product which is entirely legal, contribute billions of dollars in revenue to Australian federal and state governments, while employing hundreds of people across Tasmania. In the convenience channel, for instance, tobacco contributes approximately 40% of turnover.

Tobacco is a legal product and an important category for many small businesses. Why should our members be continually punished for selling a legal product, and one which provide governments with approximately \$8 billion in revenue each year?

Tobacco is a highly regulated industry. Our members comply with a wide range of tobacco regulation and strongly support regulation to prohibit supply or use of tobacco products by those under age. Our members sell only to adult consumers who exercise free choice to use our products.

But small businesses like the ones we represent are under increasing pressure due to excessive tobacco regulation. In addition to ensuring all tobacco products are behind closed doors, our members face day-to-day challenges in dealing with plain packaged products which leads to both customer and retailer frustration, and competing with the illicit tobacco trade.

It is important to keep in mind that as tobacco products become more and more expensive, and as brand logos and imagery are banned, consumers look to cheaper products, including illicit tobacco.

The cheapest product will always be found in the illicit market, and those involved in selling illegal product are surely less concerned with selling tobacco products to children.

The AAR notes that smoking is a priority area of the Strategic Plan, and which includes the proposal to raise the legal smoking age to either 21 or 25.

There appears to be an unfounded presumption that demand for tobacco products will simply disappear and also that people will be unable to access the product. This is an obviously flawed argument. One need only think of Prohibition in the United States to see that cancelling supply does not cancel demand, and consumers will look to – and will find - alternative sources.

Such a move will have a serious impact on honest, hardworking retailers. The Tasmanian small business economy will miss out on income which will instead go to interstate purchases, to online purchases, or to criminals peddling illicit tobacco in our own backyard.

The AAR has engaged economic consulting firm NERA to undertake an analysis of the economic impact on Tasmania. A confidential copy of the NERA report is attached in full, but key findings of this analysis include:

- ***This measure will impact Tasmanian retailers and would cost the Tasmanian economy approximately \$43 million per annum.***
- ***Tasmanian business will face sales reduction figures of up to \$52,000. This could have significant impacts for small business when we remember that most of these business may only have revenues of less the \$0.5 million so that reduction in nominal sales is significant (and particularly since tobacco sales can be over 1/3 of their total sales). This will directly impact employment levels.***
- ***A decrease in the Tasmanian tourism segment is anticipated to be up to \$14.2 million annually – again, more lost jobs in a vital employment sector for Tasmanian workers.***
- ***Business compliance and operational costs of up to \$133,000 per annum and administrative burden of 1.5 million additional transaction checks per year.***
- ***This will have a cost impact of almost \$10M annually for supermarkets and almost \$4M for tobacconists – these are legitimate sales lost to alternate channels: interstate, online and illicit.***
- ***In the hospitality sector, it is anticipated this measure could result in between 10-20% loss in patronage.***

Legitimate Tasmanian retailers will lose sales to other channels – interstate, online and illicit. It is not a simple case of demand being affected by a reduction in one channel of supply. Consumers search either for a new method of supply or, more likely, avail themselves of an existing alternative; that means interstate purchases, online sale and the illicit market.

This measure, if implemented, will simply shift sales to other channels of supply. The Tasmanian Government must consider the impracticality of this measure.

Furthermore, legitimate retailers do not sell tobacco products to anyone under the age of 18 – the widely accepted age of majority. The age at which one can vote, can fight for their country, and can choose to drink alcohol. There is already legislation in place to prevent under-age smoking – and rightly so. But once a person turns 18, they have the right to make their own choices about a range of things.

The current comprehensive legislative framework with respect to tobacco products already adequately deals with the sale of tobacco products to those under-18. Retailers, and any person supplying tobacco products, can face penalties. Police may also seize tobacco products from children. The AAR submits that penalties must be enforced to be effective. The current system would be an effective deterrent if enforced.

Therefore, the AAR asks the Tasmanian Government to consider reviewing the existing regulatory framework of tobacco controls, especially the amount of penalties that have been issued with respect to sales to minors, whether the level of penalties act sufficiently as deterrents or not, and the current enforcement and judicial capacity to deliver compliance to existing law. It is also worth noting that while under-age smoking is an offence, there appears to be no associated penalties.

Moreover, the AAR would like the Tasmanian Government to provide the evidence that demonstrates legitimate and complying retailers as the primary source of tobacco supply to those under-18.

As long as tobacco remains legal to sell, purchase and consume, the AAR submits that small businesses should not be punished for selling tobacco products by being subjected to unreasonable regulation that has not been proven to be effective in its aims.

We ask that you listen to the retail community, such as our members, who have to deal with the consequences of ill-thought out policy on a daily basis. This proposal is simply not workable nor practical.

Yours sincerely,



Chiang Lim
General Manager