

28th of April 2017

Red Tape Committee
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Alliance of Australian Retailers submission on the effect of red tape on tobacco retail

The Alliance of Australian Retailers represents over 3,000 small business retailers comprising newsagents, petrol stations, tobacconists and independent convenience and mixed-business retailers on issues relating to the retail sale of tobacco products.

Its member associations are the Australian Lottery and Newsagents Association, the National Independent Retailers Association and the Tasmanian Small Business Council.

The Alliance of Australian Retailers Pty Ltd (AAR) appreciates this opportunity to contribute to the Senate Select Committee on Red Tape inquiry into the effect of restrictions and prohibitions on business (red tape) on the economy and community, with particular reference to: The effect of red tape on tobacco retail.

The AAR supports evidence-based measures to reduce smoking in the community, but is opposed to the greater use of non-proven market restrictions and burdensome red tape, which have the effect of unfairly impacting on small business retailers and policy outcomes that will do nothing for public health except place onerous and unfair restrictions on legitimate retailers, exacerbate the increasing trade in illicit tobacco and encourage the shift of customers unfairly toward the major retailers.

Our members operate legal businesses selling a product that is entirely legal, they help to generate \$billions of dollars in excise tax revenue as well as Goods and Services Tax, while employing tens of thousands of people nationally. Tobacco still delivers an important share of sales and available hours for staff in our member small businesses, and it also provides important foot traffic, which leads to additional sales of other products.

Tobacco is a particularly over-regulated area in Australia. Often, this over-regulation has led to an unnecessary burden and cost imposed on Australian small business retailers, and in many instances, it has been entirely counterproductive.

Tobacco retailers must comply with a broad range of federal and state tobacco laws and are required to operate in a strictly regulated and controlled environment in relation to the sale of tobacco products. This creates costly time and management burdens in their businesses.

In exchange for these costs, there should be a social outcome that noticeably reduces the harm of smoking in our community, while not inequitably or unnecessarily impacting the wellbeing and economic opportunities available to our small business retailers.

The extra burden of additional compliance regimes for tobacco retailing, particularly for small businesses, and the cost of this, raises the serious question of whether providing additional

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subsidies or tax concessions to small businesses involved in the sale of tobacco should be explored and introduced. Certainly, our member businesses are being made less efficient by increased training, transaction time and customer frustration impacts that have occurred because of tobacco plain packaging and display bans.

Small business retailers like those we represent are under additional pressure due to this excessive tobacco regulation. In addition to ensuring all tobacco products comply with far-reaching retail regulations like ensuring tobacco products sold are all in plain packaging, that tobacco products are kept out of sight behind closed doors, that relevant signage is posted, and, most importantly, that tobacco products are not sold to anyone under the age of 18, our members are exasperated by the follow-on consequences of plain packaged products and extreme excise tax rises that have led to illicit tobacco being so easily sold. Threatening not only the safety of our local communities, the barefaced sale of illicit tobacco by organized crime groups encourages customers away from legitimate retailers on the basis of price and within the environment of the now undistinguishable differentiation of tobacco products.

Particular consequences of extreme excise tax increases and additional regulations on tobacco products include placing the operational cost impost onto retailers, the increases of retail burglaries for tobacco products, as well as the magnification of the trade in and opportunities for illicit tobacco which have direct negative consequences on the safety of our community, not to mention encouraging customers away from legitimate retailers.

Our members are now regularly hearing about illegal sales occurring in their communities and are raising these incidences with tobacco control authorities. They are annoyed that inconsistent illicit trade laws, state and federal, hamper reports of illegal sales venues being investigated and closed without delay. This is impacting our community and impacting our legal retailers. A consistent national approach including greater harmonisation of state and federal illicit trade laws is required to counter the growth in the illicit trade in tobacco. This will ensure that efforts to counter illicit trade are efficient and effective.

Like the trade in illicit tobacco products, our members feel they bear the brunt of new tobacco compliance costs, and yet they are impacted unfairly by the flow on impacts of red tape. Products like electronic cigarettes containing nicotine are freely available online with little consequence, but they are currently banned for regulated retailers to sell to interested customers.

AAR encourages better regulation of these products given that tobacco regulation initiatives are proposed to improve health outcomes in our community. The approach to restrictions on electronic cigarettes is inconsistent with good regulation and more available evidence should be considered regarding developing more reliable regulation of e-cigarettes. Preventing our retailers from providing a harm reduced alternative to smokers and restricting our members from making electronic cigarettes available to our customers in a regulated environment only pushes our customers to unregulated environments like online, instead of the regulated environment of our retail stores.

AAR is also concerned with particularly restrictive, or inequitable Tobacco licensing regimes where through cost or other restrictions, these can become a large disincentive for smaller retailers like our members to continue selling tobacco. Excluding certain retailers by reducing their capacity to participate, adding restrictions on certain employees, locations, or number of retailer restrictions, will inequitably push the tobacco category only to the major retailers, which is unfair. Tobacco compliance regimes should not unreasonably impact small businesses more than their major

retailer competitors and should not create unfair competitive environments. Fair competition means a just, open, and equitable competition between business competitors. All red tape in relation to tobacco retailing should be assessed to make sure it does not have the consequence or effect, of inequitably impacting small businesses more than their competitors.

As long as tobacco remains legal to sell, purchase and consume, the AAR submits that small retail businesses should not continue to be punished inequitably for participating in selling legal tobacco products.

On behalf of AAR members

Yours sincerely,

Ben Kearney

Executive Director

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