



Dear Red Tape Committee members,

Re: The effect of red tape on tobacco retail

I write this submission on behalf of my business which in 3 days' time, being May 1st 2017*, will be forced to apply to become a specialty tobacconist. By the time the submissions have been read, my business will have started to undergo the paperwork required to become a specialty tobacconist here in the state of Victoria.

As of August 1st this year I am forcibly made, due to the introduction of new regulations last September, to become a specialty tobacconist despite not selling any tobacco products, anything containing nicotine or combustible items within my stores.

I started this business two and a half years ago to help people switch to vaping, as I have done successfully from being pack a day smoker over 5 years ago. I feel better for no longer smoking, I can breathe better, taste better and don't get as sick as I once did with constant colds, flus, breathing issues etc.

In the two and a half years since starting this business from the spare room in my house I have grown it into 2 retail stores, plus a warehouse facility.

The effects of compliance to my 2 retail stores is not just on the cost of current fitout to become a specialty tobacconist, but also in my ability to grow my business. Being forced to become a specialty tobacconist and being given a mere 4 square meters of space to display over 1000 products that my business sells is high on impossible for the business, and I cannot open any further stores due to display restrictions imposed by the new regulations.

I have spent thousands on fitting out 2 stores, including special benches for customers to sit at, display cabinets & walls, ceiling ducts, shelving, seating areas and hanging walls. I estimate that I will now need to spend per store a further:

- Up to \$30,000 on custom lockable cabinetry including new displays that fall into the 4 square meters per store currently allocated. With over 1000 items in store we require a large amount of lockable storage to comply.
- Up to \$18,000 in wages for specialty trainers to retrain staff
- Up to \$15,000 in contractor costs for between 150 – 200 hours per store spent reconfiguring stores to come up to compliance
- \$2000 in costs to frost windows so that products are not available to be seen by the public from the outside
- \$2000 in costs to move existing security cameras, to allow for viewing around frosted areas
- \$4000 in costs to reconfigure existing menus into signboards & digitized versions
- \$1500 in costs for additional signage to the stores and covering up existing cabinetry

This is industry wide in Victoria and at least 10 other retailers would have similar costs to meet compliance come August 1st this year. This cost to them and to myself is both in time, and the money required to do so which as a small business is hard to find and justify for up to \$50,000 per store.

In addition to this, as a specialty tobacconist we are unable to restock the store during opening hours meaning that we will need to add more hours and staff to fulfil this task. As the guidelines state restocking can only be done at the expense of doors being closed unless you're a convenience store / petrol station open 24/7, leaving us only able to restock shelves after hours or at an economic loss by closing the doors during business hours.

Meeting compliance also does not guarantee the future of my business, which is a huge risk for me in spending up to \$100k to meet to Government standards for a specialty tobacconist. An example of this is something that I have undertaken in our store over the last 8 weeks where we have surveyed customers, of whom 83% have said they may not shop in our stores post August as they are unable to vape in store, view some the products, ask questions about the products or try the flavours that we have on offer, which are subjective to most palates.

Because of the above I will need to find the money to cover the costs to meet regulation, and there are no guarantees that my business will be as viable or survive as it currently is after August 1st when our ability to help customers is restricted in ways such as:

- Limited talk of products in store, and we only recommend a product that a customer specifically asks about – most customers walk into our stores not knowing where to start, limiting what we can say means that the customer is no better off than if they had purchased online instead
- Not being able to allow customers to try liquids in store, which is a huge part of the profitability our business.
- Not being able to relocate our business, or else we lose our 4 square meters of display space, which means that our landlords will have the ability to charge whatever they want for our rent going forward. One of the sites my shop sits on is currently under application to be redeveloped, this means that our business will be forced not only into another location but also will lose grandfathering – the same grandfathering promised to us by the Andrews Government so as not to “affect our small business”

By not allowing myself and other current and future businesses to open further stores as the current model sits, the Andrews / Turnbull Government is denying future customers the help that they need to switch to vaping.

The process to become a specialty tobacconist also falls within the confines of my local councils, who in addition to making sure that stores are compliant have also received no extra budget to do so. The new regulations being introduced don't just affect my business but also every café, restaurant, bar and any other place where you can currently smoke or vape because as of August 1st the regulations change to include things like no smoking or vaping in food areas – so local businesses are going to have to choose between having an outdoor area for smokers and vapers or to serve food & drinks in, which will have to be policed by already overworked councils around Victoria.

The number one issue that we currently face with coming up to compliance is that we are essentially pioneers to legislation that was meant for sellers of cigarettes, cigars and other tobacco products. The products that we sell do not contain tobacco, nicotine or any of the other 6000+ chemicals that cigarettes contain, yet we are being lumped into the same category as them. We liken this to lumping fruit juice manufacturers into the same regulations as alcoholic manufacturers – it would never happen, and on the slim chance that it ever did it would be utter madness. Sure, both juice and wine may contain grapes, but they aren't the same thing.

Did you know that:

- There are 2.6 million smokers in Australia, with a cost of billions of dollars each year in smoking related illnesses to the Government in Health Services
- In Victoria alone there is around 150,000 users of Personal Vaporizers
- Nationwide the figure rises to around 500,000 end users of these products in Australia

- The rate of smokers among the indigenous population is nearly 50%? Among the mentally ill it is 66%, pensioners it is 74% and among addicts such as Alcoholics and Drug abusers it is a staggering 84%. We are talking about the most vulnerable people in our society having an addiction that in a lot of cases means them choosing between food, basic living needs and their addiction to cigarettes. At \$28 a packet, a pack a day smoker is looking at \$196 a week - which means that those on Newstart are spending up to 4/5th's of their fortnightly allowance on their addictions to cigarettes.
- The cost to set up a vaporizer is on average \$40 for a starter kit, with the daily liquid amount being as little as 50c a day to use. That's significantly less than smoking and even with the cost of upkeep including coils, liquids and other consumables the cost can be as low as \$20 a month for an end user.

A great study done by the Royal College of Physicians into the effects of electronic cigarettes can be found here <https://www.rcplondon.ac.uk/projects/outputs/nicotine-without-smoke-tobacco-harm-reduction-0> where they have found that vaping is 95% less harmful than smoking. This study has been widely used to the point where governments have approved the sale of the devices that we sell with legalised nicotine.

I have found in my personal experience that a greater number of our customers are ex addicts, unemployed and or from lower socio economic backgrounds. These customers see our products as a way to better their financial or health situations and we see a lot of desperate people who are just 'wanting to quit' and are looking for alternatives. Unfortunately, addiction doesn't discriminate and I see people from all walks of life including police officers, health professionals, politicians, solicitors, sales people, cleaners, chefs and the unemployed who have all turned to vaping as an alternative to smoking.

The Turnbull Government have created more red tape for businesses such as ours, and while the Liberal Government overall are supporters of the products that we sell, we have found it increasingly hard to get anyone in power to meet with us to discuss the issues faced from not only a small business perspective, but also a health perspective.

Recently myself and some customers were interviewed by Tara Brown from 60 minutes regarding the TGA's decision to not legalise the sale of nicotine and the state of our industry within Australia. The studies behind the products we sell are largely positive and nicotine liquids are available via the NHS in the UK, and will also become available in New Zealand in the coming months. So why is the Australian Government who would have access to the same data not getting on board with this? We are talking about potentially saving millions of lives and billions of dollars in health costs.

Because of the New Zealand Government's stance on the products we sell, and the ability to now legally sell nicotine I am considering moving a large portion of my business to New Zealand. This means more jobs, more money in taxes and more money for surrounding businesses as our customers tend to grab a coffee or lunch or dinner at local eateries where my stores are currently situated. This means less money for Australian businesses, less jobs for Australians and revenue loss for the government as I potentially look at shutting down both of my retail stores before August's introduction of the new regulations, if I feel that my business is no longer sustainable after this time.

I don't want to have to move my business offshore, but with the Australian Government being so against my industry and not wanting to assist us in any way, when we can ultimately save the government money in the long term, then I simply have no choice. I must do what's best for not only myself but also my family. A lot of other retailers in Australia are having the same discussions as me on this matter, for the sake of their long-term futures.

Some of the regulations being introduced into Victoria on August 1st make sense – sales to minors being the biggest one as most retailers around Australia currently operate under this model and

self-regulate on this topic. Another challenge for my business and other businesses in Victoria is around the tasting bars that we currently have and not being allowed to have our customers vape in store. The products that I sell are largely subject to taste and people not being able to try the flavours in store means that they will buy less.

At present the Victorian Government will not change or review the regulations as they stand without interaction or involvement from the Federal Government. With South Australia and Tasmania about to have similar regulations introduced and with the current standing of the regulations in New South Wales, Queensland and Western Australia there are hundreds of businesses like mine that are affected or will be affected soon because of similar legislation and guidelines. Tobacco is one of the only industries that we can find that is regulated by State, and there is little to no consistency from state to state. I cannot understand why there is no basic federal laws.

If you would like to discuss the matter further or if you would like me to be a witness to this committee on the 16th May I am more than happy to speak on behalf of my business, on behalf of many retailers whom I have spoken to during this process in Australia and to put our point of view across as we are all facing very similar struggles right now and need someone to hear our plight.

Kind Regards,

Wick & Wire Co Victoria

*Footnote: as per a phone call on the afternoon of Friday April 28th the documents for specialty retailers will not be released until they have ministerial approval. These were due for release on May 1st and we are unsure as to when these will now be released, cutting our time for certification even finer.