



Committee Secretary
Standing Committee on Health and Ageing
House of Representatives
PO Box 6021
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Submission No. 22 (Plain Packaging Bill) A.O.C. Date: 20/07/2011
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Reference: Tobacco Plain Packaging Bill 2011

Dear Committee Secretary,

Firstly may we thank the Selection Committee for asking the Health and Ageing Committee to inquire into and report on the proposed Tobacco Plain Packaging Bill 2011.

By way of introduction CTC is a Tobacconist Franchise Operation with a membership base of 144 stores nationwide, of which our major concentration is across the eastern seaboard. Our members are typical small business owners supporting both their immediate and extended family. Generally they work long hard hours seven days a week to keep their business viable and competitive against national grocery chains and other market pressures. As small business owners we risk large mortgages, have high contractual lease obligations and balance cash flow amidst spiraling costs. Not to mention providing work opportunity to other fellow Australians.

The small business sector needs the Governments support as it is critical to the overall mix of Australian working culture, employment and revenue generation.

What responsible free thinking Australian would not support an environment that protects our children from harms way. As such CTC **agrees in spirit to most of the Australian Government's Action on Smoking**. It is obvious that there will be strong counter argument within the debate on Plain Packaging benefits. What we request is that the Federal Government approaches this sensitive issue **fairly and provides a workable outcome for all stakeholders**.

Recently the State and Territory Governments implemented (or indicated intention) laws restricting the visibility of tobacco related products within the marketplace. The varied approach across all states and territories clearly indicate that there is **no consensus on the how best to reduce smoking**. The legislation however has pushed up productivity costs, forced additional compliance cost and diminished the general equity across our small business channel.



Conversely there has been no apparent downturn in volume directly attributed to the concealment of tobacco related products. Logically, one can deduce that this **was “appeasing” legislation that was definitely not well thought through.**

The “Tobacco Plain Packaging” proposal is of major concern to CTC and our members, as again our productivity cost and business risks will escalate, whilst there will be minimal to no contribution towards your stated objective to reduce the smoking rate among the Australian population to 10 per cent by 2018.

It is understood that currently **Sixteen (16) per cent of the total tobacco market is made up of illegal product.** This tobacco is generally **sold through the informal market and is void of any “health” regulatory standards.** Given the proposal is to move to a generic style pack and therefore reduce the complexities of replication, would this not lead to an escalation in the illegal market?

In considering the above, one must also consider that illegal tobacco is prepared outside of the strict guidelines and may very well be contaminated, thus causing death. Who becomes liable? Is it the Government for failure to act on an identified concern? The retailer who unwittingly made the sale? Or the perpetrator, whom you have currently failed to impede?

Arguable the Sixteen (16) per cent illegal trade would increase under a Plain Packaging market. **What would then become of the market structure and supply chain, which currently supports thousands of hard working taxpaying Australians?** Would this give way to an untraceable tax evasion system which exerts pressure on the formal market to revert to similar measures to stay afloat?

How does a legitimate Retailer handle counterfeit product? **The current illegal stock in circulation is not easily detectable, so how will a generic version present?** Without the ability to differentiate how could one defend the inference by a customer that the product purchased from their outlet is illegal? Taking this a step further, if the outlet is a tenant of a large shopping centre chain and the complaint is directed toward the landlord repeatedly, it could become grounds for eviction or at least the need to defend ones integrity.



The Government continues to pledge support toward the small business sector. In formulating the Plain Package proposal, has consideration been given to a further market imbalance, if through “economies of scale” **the major grocery sector develop generic brands**, as they have with other grocery items. The consequence of this would be detrimental to the small independent “specialist” from a cost and supply perspective.

If the Government feels they can freely remove the Big Tobacco's registered trademarks and the resultant brand equity **what security have we in small business got when it comes to our CTC group equity?**

A mid size “Specialist Tobacconist” holds approximately \$90k in tobacco inventory. Under a Plain Packaging regime, stock management would apply untold pressure on productivity. On a mid size outlet model this would equate to at least one additional staff member. Therefore placing more cost pressures on small business owners, who service the community by tax payment and generating a livelihood for their family and others within the community. This coupled with outlaid expenses to conceal tobacco related products, has the potential to tip a percentage of outlets into closure.

The abovementioned points may come across as impositions, but **is Plain Packaging really going to reduce smoking?** People smoke cigarettes not packaging... Your argument that tobacco in Plain Packaging would reduce the aspiration aspect is unfound; Smokers' choice is largely influenced by peer groups and family structure. **Aspiration advertising was legislated against last century..!**

Before we commit to a solution that encourages illegal trade and brings in a new dimension of health risks and spiraling costs, lets look at a workable solution that can be achieved through **a controlled environment that regulates the sale of tobacco products and administers meaningful dialogue in regard to the risk and prevention of smoking**. Rather than looking to penalise the retail sector, the Government should opt to work in concert to deliver real reduction outcomes. This could be achieved through a regulated **licensing scheme** that targets consumers at the coalface. A systematic approach which can inform, support and control the responsible use/sale of a legal product.



Provided below are some recommendations for the grant of a license:

a) License Fee

A payment of \$3k to \$5k should be applied to the issue of a tobacco retail license and be subject to the stringent entry requirements stipulated under the licensing regulations.

b) Mandatory Code of Ethics

The licensee be required to undertake a "Code of Ethics" course which addresses responsible retailing. The subject matter should cover penalties for the sale of illegal product and the supply to minors by third parties. Additionally the course may cover educational advice on the effects of smoking in our community and the benefits of the "quit for life" program. Utilisation of the outlet attached to the license should be considered as a medium for distribution of related paraphernalia.

c) Compliance

There needs to be a workable level of enforcement to ensure there is compliance with all regulation in regard to tobacco retailing. A mandatory expulsion clause for serial offenders needs to apply.

Plain Packaging is not going to work. It will drive up costs and reduce margins as we in registered business have to compete with the informal market. Rather than a thorough well structured risk minimisation program, this proposal **seeks to dehumanise a smoker of a legal product**, from which the Government extracts considerable revenue. As with the ill thought through States and Territories "hide the packs" approach, smokers will reject the intent and pass it off as another "big brother" stunt, thus losing the opportunity to meet the Government's goal to reduce the smoking rate among the Australian population to 10 per cent by 2018.

We urge you to consider our position and offer our time and resources should you need any further information or contribution toward making a balanced decision about the true ability to reduce smoking rate levels through Plain Packaging.

We again thank you for this opportunity and hope that our submission has been of value.

Yours in business,

George Georgas
Managing Director
The CTC Group

