



18th January 2016

AACS SUBMISSION

Research Director
Health and Ambulance Services Committee
Parliament House
George Street
Brisbane Qld 4000
hasc@parliament.qld.gov.au

Re: Inquiry into tobacco licensing arrangements in Queensland

On behalf of members of the Australasian Association of Convenience Stores (AACCS), the peak body for the convenience industry in Australia, we make the following submission to the Health and Ambulance Services Committee regarding the inquiry into tobacco licensing arrangements in Queensland.

The focus of our submission is to emphasise the importance of legal tobacco to convenience stores, the majority of which are small business operating under licence or franchise agreement, or independent ownership.

We also seek to highlight the real world implications and limitations of licensing schemes when it comes to the sale of tobacco, while providing a unique retailer perspective on the impact of increased government regulation on the illicit tobacco market in Australia.

We are solely interested in the retail implications; the impact of potential changes to licensing regimes for the sale of legal tobacco, the potential for licensing to encourage the illicit market, and the impacts on customer convenience.

Ever-changing tobacco regulations such as excise increases and plain packaging legislation have disproportionately impacted small businesses. The major grocery chains which also sell legal tobacco are in a much stronger position to absorb the costs associated with increased regulation as small businesses are left to count the financial cost.

The rise in the market for illegal tobacco has coincided directly with the increase in regulation governing the sale of legal tobacco products. The introduction of tobacco licensing will not deter those who sell illicit tobacco products, and will instead encourage criminals to fill any potential gaps in the legal tobacco market with non-compliant products of dubious quality.

The fact remains, tobacco remains a legal product that adult consumers can choose to buy. It is also an important product category for convenience stores.

Convenience store owners, operators and employees are proven responsible retailers. Any proposed amendment to legislation governing the sale of tobacco in Queensland must recognise both the

importance of legal tobacco to our industry and our ability to responsibly and safely sell restricted products to consumers.

Thank you for your consideration of our submission.

Jeff Rogut FAIM MAICD
Chief Executive Officer
Australasian Association of Convenience Stores Limited
ACN: 156 638 023

Mobile: [REDACTED]
Office: [REDACTED]
email: [REDACTED]
Website: www.aacs.org.au

Mail: [REDACTED]
Mt Waverley,
Vic. 3149
Australia

About the AACS

The Australasian Association of Convenience Stores (AACS) is the peak body for the convenience industry in Australia.

Nationally, our industry employs over 40,000 people in over 6,000 stores. The majority of these stores operate as family run businesses, often under licence or franchise agreement, or independent ownership. They regularly employ family members and people from the local communities in which they operate.

The AACS represents the interests of these small businesses; their owners, staff, suppliers and customers.

The convenience industry in Australia was valued at approximately \$18 billion in 2014 according to companies contributing to the *2014 AACS Annual State of the Industry Report*. This report contains the most comprehensive information available on the convenience industry in Australia and we would be happy to provide a copy. The 2015 report is currently being compiled.

As an Association we enjoy strong ties with our international counterparts including the convenience stores associations in the US, Canada, the UK and New Zealand. We also visit similar stores in South East Asia to keep abreast of changing or emerging trends.

Additionally, we are a member of the Council of Small Businesses of Australia.

Response to the Terms of Reference

In this submission, the AACS offers the following brief comments on the third point listed in the inquiry's Terms of Reference, namely:

- The capacity for licencing arrangements for tobacco wholesalers and retailers to support broader public health objectives.

As retailers, it is inappropriate for us to comment on or identify what we deem suitable public health objectives for the state of Queensland.

However it is appropriate for us to comment on the impact of proposed licensing schemes as these impacts have been experienced by our members in other states.

Firstly, it must be remembered that tobacco products are already unable to be advertised. They are out of view of customers, they are in plain packaging and the price boards for tobacco products are also subject to restriction.

Adult customers who visit convenience stores must explicitly approach and ask staff if they wish to purchase tobacco products. It is not an impulse purchase; these adult customers visit our stores for the express purpose of purchasing legal tobacco.

This is their right and mandating that a license be purchased by the store operator in order to serve these customers will have no bearing on their purchasing behaviour in this regard. It is illogical to consider it would.

As was noted during the Public Briefing for this inquiry on December 2, 2015, the incidence of smoking in Queensland has steadily reduced without the implementation of any licensing scheme or cap on number of outlets permitted to sell tobacco.

Though the margin on tobacco products is not high for retailers, legal tobacco is an extremely important product category for convenience stores. On average, over 37% of a typical store's sales and 25% of a store's gross profit comes from legal tobacco¹.

Any regulations, including the introduction of licensing regimes, that jeopardise the ability of these small businesses to sell legal tobacco will clearly have a significant impact.

Inaccuracies recorded in the Public Briefing December 2, 2015 transcript

A review of the transcript of proceedings for the Public Briefing held as part of this inquiry on December 2, 2015, in Brisbane necessitates a response to clarify various inaccuracies apparently recorded as fact.

These inaccuracies refer to the prevalence of illicit, or illegal, tobacco in the Australian market and the proportion of the total tobacco market that the illicit market represents.

¹ *The AACS State of the Industry Report 2014*

The comments are attributed to Dr Jeanette Young of the Department of Health.

Included in the transcript is a comment from Dr Young referencing the impact of plain packaging on the illicit tobacco market in Australia.

Dr Young stated: *“I know the Commonwealth was very concerned about that with the plain paper packaging and there were a lot of allegations around at that stage. They did a lot of work and showed there was no increase.”*

Respectfully, this is far from the actual case. As at October 2015, the illicit tobacco market was estimated by KPMG² to account for 14.3% of total tobacco consumption nationally in the 12 months to June 2015.

According to the KPMG research, if the amount of illegal tobacco consumed in Australia in the 12 months to June 2015 had been sold legally, it would have generated an extra \$1.42 billion in tax revenue for the Australian Government.

Dr Young is also recorded in the transcript as saying with regard to the proportion of illicit tobacco in the total tobacco market: “it is less than five per cent of the total cigarettes smoked in this country, so it is small.”

As explained above, this comment is significantly and dangerously inaccurate. It is important to accept that not only one side of the debate, for instance the perspective of the health lobby, has all the correct answers. Impartiality dictates that research and input from other bodies must not be disregarded or minimised.

Below in this submission, the AACS provides an outline on the current state of the illicit tobacco market in Australia for the Committee’s reference.

Increased tobacco regulation and the rise of the illicit market

The sharp rise in the market for illicit, or illegal, tobacco warrants consideration. Recent high profile seizures of illegal tobacco has reinforced the enormity of this issue in Australia.

Illegal tobacco is by its very nature non-compliant with restricted sale and packaging requirements, and criminals have no issue selling illicit tobacco products to minors.

These criminals would obviously have no regard for any proposed licensing regulations. Introducing licenses would not have any impact whatsoever on those who sell illicit tobacco products, and instead could provide extra motivation and encouragement for these criminals to fill gaps in the legal tobacco market with non-compliant tobacco products of dubious, inferior or dangerous quality.

Government loses out as well. It’s no secret excise from legal tobacco sales is a significant contributor to Government revenue. As at October 2015, the illicit tobacco market was estimated by KPMG³ to account for 14.3% of total tobacco consumption nationally in the 12 months to June 2015.

² *Illicit Tobacco in Australia 2015 Half Year Report*, KPMG

Sold legally, this would have generated an extra \$1.42 billion in tax revenue for the Australian Government.

Seeking to legislate or restrict the number of tobacco licenses would play directly into the hands of criminals, whose effectiveness in filling gaps in the legal tobacco market resulting from increased regulations has been proven in recent times.

Counting the cost of customer inconvenience

The AACS wishes to briefly touch on the importance of customer service to the convenience store value proposition. Integral to good service is ensuring a convenient offering to our customers.

As we've emphasised previously, tobacco is a legal product. The AACS is of the firm belief that adult consumers have the right to purchase legal tobacco should they so choose.

Providing a convenient solution to those adult consumers is at the core of what we do. For the small businesses in the convenience store sector, convenience is our key point of difference. We are open 24/7, 365 days per year, and we provide a unique service in the local communities in which we operate.

Legal tobacco is already a heavily regulated product category, and our stores are proven responsible retailers.

We urge the Committee to recognise our rights and to permit convenience stores to continue to serve our customers and the local communities in which we operate by adopting a reasonable regulatory approach to the sale of legal tobacco in Queensland.

Thank you for your consideration of this submission and don't hesitate to contact me if you require any further information.

The AACS is not an arm of, nor does it lobby on behalf of, the tobacco industry. It is the peak body for the convenience industry in Australia, representing the interests of some 6,000 stores.

Jeff Rogut FAIM MAICD

Chief Executive Officer

Australasian Association of Convenience Stores Limited

ACN: 156 638 023

Mobile: [REDACTED]

Office: [REDACTED]

email: [REDACTED]

Website: www.aacs.org.au

Mail: [REDACTED],

Mt Waverley,
Vic. 3149
Australia