

Submission by

MASTER GROCERS AUSTRALIA

/ LIQUOR RETAILERS AUSTRALIA

to

**Legislative Council Sessional
Committee Government
Administration A**

The Secretary – Ms. Jenny Leaman

Parliament of Tasmania

**Response to
Tobacco Free Generation Bill**

5th June 2015

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Introduction

Master Grocers Australia / Liquor Retailers Australia (MGA/LRA) is a National Employer Industry Association representing Independent Grocery and Liquor Supermarkets in Tasmania, Victoria, New South Wales, ACT, Western Australia, South Australia, Queensland and the Northern Territory. Independent Supermarkets trade under brand names, such as IGA, Foodland, FoodWorks, Friendly Grocers and SPAR, and they range in size from small, to medium and large businesses.

Independent Supermarkets play a major role in the retail industry and make a substantial contribution to the communities in which they trade. In Australia there are 2,100 independently owned IGA, Foodland, FoodWorks, Friendly Grocers and SPAR branded supermarkets employing over 88,000 full time, part time and casual staff, representing \$13.5 billion in retail sales. Many MGA members are small family businesses, employing 25 or fewer staff.

MGA makes this submission in opposition to the Private Members Bill tabled by MLC Ivan Dean in the Upper House. If passed (and subsequently also passed in the Lower House of the Tasmanian Parliament) the Bill would make it illegal for retailers to sell tobacco products to anybody born on or after 1 January 2000. The bill which would come into effect on 1 January 2018, is intended to effectively outlaw smoking for those born before the year 2000, while protecting the rights of existing adult smokers, in theory effectively discouraging young people from taking up smoking.

These changes will impose a financial burden and create practical difficulties for independent supermarket retailers without achieving any substantial gains for the community. MGA has concerns that the Bill will have other damaging effects on independent supermarkets, liquor stores and the community generally, if the Bill becomes law.

MGA agrees that the community should be discouraged from smoking in the interests of public health and well-being and therefore supports the current regulatory framework in Tasmania which acts as a deterrent to taking up the smoking habit. MGA has stated on numerous occasions, in earlier submissions to various State and Territory Governments, that MGA is concerned about the impact of smoking in the community. However, MGA has also pointed out the impracticality of many of the existing legal restrictions that have been placed on retailers who provide smoking products to the community. Retailers have already been burdened with increased costs as a result of the passing of laws, to remove tobacco from display, in the States and Territories and now this Bill as proposed by Mr Dean is likely to place a further significant burden on to small businesses in Tasmania.

MGA thanks the Legislative Council Government Administration Committee for this opportunity to comment on the Bill on behalf of our members across Tasmanian.

The Lawful Sale of Tobacco

The retail industry in Tasmania, and their supply of tobacco to adult consumers is an entirely legal business. Our industry has work tirelessly with Government over the last decade to investigate, initiate and implement effective proposals to hasten the decline in the rate of smokers, while also safeguarding small business and their employees from the effects of redistributing sales revenue to illegal suppliers of tobacco. The implementation of the proposed Bill will undermine a number of these successful efforts.

Many of the tobacco related regulations that have been implemented by our members have resulted in increased costs to both consumers and retailers. Unfortunately the industry has also become increasingly aware of the booming black market tobacco industry in Australia. A 2014 KPMG report attributes the surge in illegal tobacco to Australia's high tax rates and the introduction of plain packaging. The Illicit cigarettes regularly have no health warnings and fail to comply with plain packaging requirements. According to KPMG's report, illegal tobacco consumption jumped more than 2 per cent in 2013 and accounts for almost 14 per cent of the Australian market costing the Australian taxpayer \$1.35 Billion in lost revenue.

The increase in illegal tobacco sales can largely be attributed to rising cost of lawfully sold tobacco. The redistribution of sales evidences that consumers of tobacco will endeavor to make every effort access tobacco irrespective of government efforts to limit availability.

This is not unique tobacco. In 1920 the prohibition in the United States came into force prohibiting the manufacture, sale, transportation import or export of intoxicating liquors. Rather than stopping people from drinking the prohibition created additional problems moving the supply chain away from regulated businesses and towards organized crime. As the prohibition failed in the United States and created unforeseen problems, the proposed Bill in Tasmania will fail to meet its desired effects.

It is a rational comparison to compare the proposed bill with the prohibition in the United States. Similarly, the *effects* of the proposed Bill will also be comparable to the effects of the prohibition. As with other restricted products demand for tobacco will still remain and a black market will open up

to fill it. If this Bill becomes law it will merely diminish tax revenue, increase organized crime and severely harm regulated Tasmanian businesses.

Secondary effects of the proposed bill

Most industry experts will confirm that sum of government regulations and education on tobacco consumption has proved largely effective.

Smoking has declined significantly in Tasmania since 2009. Almost one in seven Tasmanians (15%) smoked in 2013 compared to one in five (19.8%) in 2009 and the proportion of adults who have never smoked has increased significantly since from 52.2% 2009, to 56.9%.¹ Since 2009 smoking prevalence in Tasmania has also declined for every age group.² Government regulation and private industry efforts are an amalgamation of disincentives, most notably warning labels on tobacco products, increased taxes on products and government funded advertising on television discouraging tobacco consumption.

Prohibition would simply destroy current successful strategies by placing tobacco use outside of the range of regulation and control. The proposed Bill would encourage future young smokers to purchase products without warning labels while increasing the proliferation of illegal suppliers who will be more inclined to sell cheaper tobacco to customers regardless of their age. With the decrease in regulated tobacco purchases, Governments will also find it harder to monitor existing consumption and be left to guess as to the necessary funding to direct towards tobacco related health and advertising programs.

Further Difficulties for Tasmanian Retailers

This Bill will also adversely impact Tasmanian retailers, particularly the hundreds of small businesses who employ Tasmanians and pay tax through their entirely legal operations supplying a lawful product to adult consumers.

Retailers, who already invest significant funds into existing compliance measures, will be forced to invest additional time and money into training staff to distinguish a customer's date of birth, further complicating existing challenges faced by young checkout operators.

¹ Public Health Services. *Report on the Tasmanian Population Health Survey*. April 2014.

² Ibid.

Young shoppers, who are the focus of this Bill, are already widely accustomed to purchasing products online, particularly those that cannot be lawfully purchased in Australia. Consumers of tobacco products, who cannot purchase cigarettes in Tasmania, will simply purchase those products online, or interstate, where no other states have flagged introducing a similar Bill. As a result, the Bill will gouge tax revenue from the State and devalue Tasmanian retailer's businesses who know their businesses are valued on future profit – which this law would devastate immediately.

Conclusion

It would appear that reasonable analysis of the Bill would suggest that the damaging effects of the Bill are extremely high without any apparent benefit being achieved.

In summary, if this Bill becomes law, it will impose a further cost burden on small businesses and increase illegal tobacco sales while undermining existing means of tobacco control within education and regulation. It is a new spin on a failed idea that prohibition will decrease demand for a product, and the introduction of the Bill would invariably lead to unintended dire consequences within Tasmania.

If there were any beneficial aspects to this legislation then MGA would not be so strongly opposed to its introduction. The passage of this Bill through Parliament is unlikely to have any benefits to community health and MGA does not support the Bill for the above reasons.

Jos de Bruin

A handwritten signature in black ink, appearing to read 'J. de Bruin', with a horizontal line underneath the name.

CEO

Master Groccers Australia / Liquor Retailers Australia