

## Cigarettes should be sold in plain packaging in New Zealand

### NO

Our association is not comprised of health professionals. Nor are we public health policy experts. We are not here to argue the health impacts of smoking. The evidence on that score is clear; it's not something we dispute.

As an association representing the interests of convenience stores, most of which operate as small businesses typically under a franchise or license agreement, it's the burden plain packaging places on retailers without demonstrable health benefits that we would highlight.

On that score, the evidence is also clear. Plain packaging of tobacco in Australia has had a significant, negative impact on small businesses. Retailers' bottom lines have been hit. The associated cost burden has been borne solely by these business owners, with no government recognition or support.

Plain packaging has triggered a variety of extra costs for retailers, associated with additional staff training, labour requirements, product handling errors, increased inventory management procedures, and customer frustration. The reality is that theoretical studies by academics prior to introduction that suggested plain packaging would, in fact, be more efficient for retailers, have been proven to be wrong.

Then there is the dramatic rise in the black market trade of tobacco, which warrants detailed consideration.

The most disappointing aspect is that plain packaging has had no impact on the volume of tobacco sold, despite the disruption, as well as political posturing. In the 12 months (as at December 2013) that plain packaging has been in operation

in Australia, the sales volume of tobacco sold by AACS members increased by 5.9% over the previous year.<sup>1</sup>

While it is clear plain packaging has not affected overall volume, consumers are increasingly shifting to cheaper products as brand values have been diminished, and price has become the main driver of tobacco purchases. This tightens the profit margins accessible to retailers.

This seems a logical progression; however, it's worth nothing too that the shift in preference to cheaper products enables people to buy tobacco products more frequently. The 'sub-value' segment (i.e. the cheapest brands available compared with the more expensive mainstream brands now that brand value and image have been diminished) has grown almost 58% since the introduction of plain packaging.<sup>2</sup>

It's not just the volume of tobacco sold. Actual smoking behaviour has not changed either.<sup>3</sup> Plain packaging as a solution is proving futile on a number of levels. According to leading European policy and economics consultancy London Economics, the smoking rate in Australia is unchanged since the introduction of plain packaging. Dr Gavan Conlon of London Economics said:

...the data does not demonstrate that there has been a change in smoking prevalence following the introduction of plain packaging despite an increase in the noticeability of the new health warnings.<sup>3</sup>

Directly coinciding with the introduction of plain packaging is the escalation of the black market trade of tobacco in Australia to unprecedented levels. Numerous high profile 'busts' in recent times demonstrate the enormity of this problem, from loose tobacco products called 'chop chop', to products packaged to mimic brands but in non-compliant packaging.

#### Jeff Rogut

CEO, Australasian Association of Convenience Stores Limited (AACS)  
jeff@aacs.org.au

Rogut J. Cigarettes should be sold in plain packaging in New Zealand—the 'no' case. *J Prim Health Care*. 2014;6(2):159–160.

The illicit trade of tobacco obviously impacts responsible retailers that sell legal tobacco, as they miss out on sales while criminals profit. However, the Australian Government is its own victim too, missing out on significant tax revenue as a result of the spike in illicit tobacco. According to Deloitte, the illicit trade of tobacco costs the [Australian] Government an estimated AUS\$776 million in lost revenue annually, as at December 2012.<sup>4</sup>

Similar to the spectacular failure of the ‘war on drugs’, and even harking back to the prohibition disaster, plain packaging has driven illegal tobacco products underground, to be sold by criminal elements. There are no controls on the quality of these illicit products, their contents, or who the end-purchasers and users are. This should be of concern to all health advocates. It is an unfortunate bi-product of flawed and short-sighted policy, introduced with no evidential basis.

Research from leading international research company Roy Morgan on the impact of plain packaging on small retailers in Australia shows that awareness among small retailers of illicit tobacco is high and has dramatically increased since the introduction of plain packaging.<sup>5</sup> In all, 33% of small retailers reported customers enquiring about purchasing illicit tobacco since the introduction of plain packaging, and 43% perceive illicit trade to have had a moderate or major impact on their business.<sup>5</sup>

As we have previously emphasised, the AACS is not attempting to underplay the health impacts of smoking. In our view, the notion of health and wellbeing go side-by-side, which brings us to an interesting and increasingly ignored point. Given that tobacco remains a legal product for adult consumers to purchase, it is reasonable for those adults who choose to smoke to be treated with respect. Too often smokers are demonised as second class citizens, blamed for broader issues affecting community health, despite tobacco excise being an essential contributor to public health funding. Every law abiding citizen is due a certain degree of respect, for their dignity not to be unfairly jeopardised. As retailers committed to treating all of our customers with respect, we believe that maintaining and respecting their legal rights is essential to their wellbeing. Even—especially—smokers.

We don’t expect health lobbyists to cease anti-smoking campaigns. This would be reckless. Where our industry can support consumer education in relation to smoking, we are willing to participate. What we don’t support are measures borne of political posturing that burden retailers or their customers, for no improvement in health outcomes. This too is reckless. The importance of education should never be discounted. It’s where this debate should always return.

As responsible retailers, we’ll continue to do our part. We’ll comply with age restrictions. We’re evolving to reflect changes in consumer behaviour, embracing healthier snacks, fresh fruit and bakery products. Perhaps there is a need for greater research into products like e-cigarettes and the sale of anti-smoking medications in convenience stores to support those customers seeking alternatives. Retailers don’t force consumers to buy particular products. Instead, retailers sell products consumers want to purchase.

New Zealand and other countries have the advantage of learning from the failure of plain packaging in Australia. The European Parliament rejected plain packaging as recently as October 2013. These countries have the opportunity to prioritise education to meet their health objectives. They also have the opportunity, indeed the responsibility, to prevent retailers from carrying the full burden of ill-considered policies, like plain packaging.

## References

1. Australian Centre for Retail Studies, Monash University. The convenience shopper survey. Q4 2012.
2. Australasian Association of Convenience Stores Ltd. State of the Industry Report. April 2013. [cited 2014 Apr 9]. Available from: <http://www.aacs.org.au/wp-content/uploads/2013/03/AACS-SOI-Report-Final-Apr-2013.pdf>
3. London Economics. An analysis of smoking prevalence in Australia. November 2013. [cited 2014 Apr 9]. Available from: <http://londoneconomics.co.uk/wp-content/uploads/2013/11/London-Economics-Report-Australian-Prevalence-Final-Report-25-11-2013.pdf>
4. Deloitte. Illicit trade of tobacco in Australia: update for 2012. A report prepared for British American Tobacco Australia Ltd, Philip Morris Ltd. and Imperial Tobacco Australia Ltd.; December 2012.
5. Roy Morgan Research. The impact of plain packaging on Australian small retailers; August 2013. [cited 2014 Apr 9]. Available from: <http://www.aacs.org.au/wp-content/uploads/2013/03/Impact-of-Plain-Packaging-on-Small-Retailers-Final-Report.pdf>