

Service Station Association Pty Ltd

ABN: 44 000 030 688

**43 Brisbane St
Darlinghurst NSW 2010
Tel: (02) 9213 4222
Fax: (02) 9212 6889**

2nd May 2011

Assistant Secretary, Drug Strategy Branch
Attention: Tobacco Reform Section
Department of Health and Aging
MDP 701
GPO Box 9848
CANBERRA ACT 2601

Dear Sir/Madam,

Re: Consultation Paper – Tobacco Plain Packaging

The Service Station Association Pty Ltd is opposed to the proposal to introduce the mandating of plain packaging for tobacco products. The SSA's position has not changed since the proposed policy was announced and our submission at the time stated our opposition. There is no new information that has come to light since that has caused us to alter our position. In fact, some of the more recent information has only reinforced our opposition.

For example, a report from Deloitte titled "Potential impact on retailers from the introduction of plain tobacco packaging", February 2011, states that the operator of a service station can expect to incur additional staff costs of between \$9,000 and \$34,000 due to the extra work that would be required to handle plain packaged tobacco products. In another Deloitte report titled "Illicit Trade of Tobacco in Australia", February 2011, it is estimated that the size of the illicit tobacco market as a proportion of the legal tobacco market is 15.9% in 2010 and growing. Plain packaging will provide an opportunity for this established trade to expand into the field of ready made products.

For the benefit of the current process, we reiterate our views.

Plain packaging of tobacco products will unfairly damage our members' businesses for little or no community benefit. The sale of tobacco products is a major source of revenue for service station profitability. It is a little known fact that no service station in Australia can survive without a major contribution from non fuel commercial activities.

Intense competition in the industry over the last forty years has eroded the gross margin on petrol sales to such an extent that they only contribute approximately 20 to 25 per cent of a site's gross profit. Other commercial activities, mainly the sale of convenience store lines, account for the balance. In fact, without these activities, the retail cost of petrol would be at least 10 cents per litre higher to enable a site to be viable and therefore to remain in business. Even with the benefit of non fuel commercial activities, the service station industry is extremely competitive and operates on paper thin margins. The significant decline in service station numbers over the past twenty years bears testimony to this fact.

Depending upon the size of the business, the contribution of the proceeds of the sale of tobacco products often exceeds 20 per cent and in some instances can be higher than that of petrol sales. In terms of shop sales, tobacco products make a bigger contribution to gross profit than any other category.

All of the non fuel shop items sold at service stations are available from other outlets, most notably supermarkets and discount stores. With a few exceptions, most of a service station's shop items are sold at prices significantly higher than at supermarkets. Again, the higher margins are necessary to achieve site profitability. The fact that service stations can operate this way is because they offer convenience more than value. In fact, convenience is a service station's core business.

It follows therefore that a loss of convenience for a service station's customers will result in a loss to the business. Given the high transactional load created by the demand for tobacco products, mainly cigarettes, plain packaging will slow down the process of console operators meeting customers' needs quickly and efficiently. It will take longer to serve a smoker's legitimate demand for a legitimate product.

The loss of business that will result is three fold. Firstly, some customers will simply accept inconvenience and buy their cigarettes at the supermarket where they are cheaper anyway. However, it's not just the loss of tobacco sales that will damage the service station business. The loss of associated sales, such as milk, bread, soft drinks, confectionary etc, when this customer goes elsewhere will only multiply the loss. Finally, the inconvenience will be felt by other customers waiting further back in the queue who may also take their business elsewhere.

Maintaining convenience is vitally important for the service station industry.

The Service Station Association is also concerned that it will lose sales to the illicit trade. The SSA understands that the illicit trade in tobacco products is already significant and increases with increases in tobacco excise rates. Plain packaging will make it much easier for organised crime members to introduce counterfeit cigarettes in to the Australian market with the many harmful consequences that that would bring.

While the Service Station Association is supportive of measures to reduce smoking rates in Australia, it does not support measures that simply move the sales from one channel to another. Based on the information that has been put forward over the last twelve months or so, the SSA does not see any compelling evidence that plain packaging will have a significant impact on tobacco consumption.

The Service Station Association therefore cannot support a proposal that will damage its members' businesses for limited and dubious benefit to society. The SSA strongly opposes plain packaging and instead urges the Government to pursue strategies that have a proven history of success. The Service Station Association believes that education and awareness are the most effective tools for reducing tobacco consumption rates. These measures, combined with restrictions on where people can smoke have created a certain stigmatisation around tobacco consumption. The most significant remaining aspect is that of young people taking up the habit. Much more work needs to be done to understand what drives young people to commence smoking and how they are being supplied.

The Service Station Association believes the glamorisation of smoking in various media forms that are directed towards young people needs to be addressed and stronger messages developed. Peer pressure needs to be addressed as does the supply. It should be an offence for any person to supply tobacco products to under age people. There should also be an infringement process developed to penalise young people who are caught smoking.

Finally, the Service Station Association would support a total ban on tobacco products if it could be demonstrated that it would be effective. The SSA doubts that it would as it would only drive the practice into the area of illicit and illegal trade with no control over quality. It is these very concerns about driving the trade in tobacco products underground as a result of poorly designed restrictive measures that underpins SSA's objections to plain packaging. These concerns only reinforce the need to improve education and awareness. After all, the problem goes away totally when people choose not to smoke.

The Service Station Association remains available for further consultation on this issue.

Yours faithfully,

Ron Bowden
General Manager

