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BRIEFING ON ACHIEVING TOBACCO-FREE GENERATIONS FOR TASMANIA HELD IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON TUESDAY 17 MARCH 2015.

CHAIR (Mr Dean) - This is a briefing today by Imperial Tobacco Australia and they have a number of people who will speak as part of this briefing. We have Andrew Gregson here, the head of Corporate Affairs, Imperial Tobacco Australia, and Rachel Elliot, their Government/Stakeholder Relations Manager.

I will ask Rachel and Andrew to identify the other people who will be speaking as they come forward. Andrew is at the table now. Andrew, can you introduce each person as they come forward?

Before we commence the proceedings there are a couple of things I need to say. This is a public session, and parliamentary privilege does not apply. That needs to be made very clear. It will be recorded by Hansard, as was the previous briefing given in support of the legislation.

We also have the press here and outside we have TV cameras. Are you happy for the TV cameras to be a part of this briefing by Imperial Tobacco? It is only fair that you have a say in relation to that, since it is being recorded, and it is a public meeting.

Mr GREGSON - Thank you for the opportunity to address that issue. Our preference, but we will take your guidance on it, is that this be a session for the information of members who are being asked to vote on an important piece of legislation. My preference would be that we have an open discussion and perhaps arrange some footage for the cameras later on, if that would work for the media people.

CHAIR - I want you to be comfortable providing the information in this session, so I am happy to support your position, unless members have any other comments to add. So, you are saying that after the briefing you would be happy to talk with the media?

Mr GREGSON - They might like to get some cutaways at some stage during the briefing. But, I think it would be better for an open and frank discussion -

CHAIR - Possibly come in now and have them take some overlay on the session. If they can come in now and do that, then before we commence the actual briefing we ask that they leave.

Mr MULDER - A point of order, if it is a public briefing, on what basis would you be excluding the media? Or you are having a private briefing, in which case -

CHAIR - I just asked Andrew that.

Mr MULDER - So you are all in unison that this is a private meeting?

CHAIR - No, it is not a private meeting, it is a public session. As I said at the beginning, it is being recorded on Hansard and the information that is provided will be available publicly,

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as was the situation with the previous briefing. As I said, in relation to the TV coverage, I have a position on that, but that does not accord with the position of Imperial Tobacco.

Mr GREGSON - If I may change that position, this is the first we have heard of the possibility of media recording. Anything that Rachel and I have to say we would be very happy to have that recorded by anybody, but we have not had an opportunity to discuss that with the other Tasmanian business people who are here today. They have not had the opportunity to have a say. So, could we suggest for expediency, that if anybody wants to record anything that Rachel or I have to say, no problem at all, but we might afford some privacy to the others who are here to join us without having had the opportunity to discuss it with them.

Ms FORREST - May I ask a question on that point? Do the other members across the table know it is going to be a public meeting; that it was not going to be a closed private briefing? There has been a bit of communication that needs to be sorted out.

CHAIR - It was not for me to do that. I simply said, as the mover of this bill, that I would facilitate this briefing. I simply asked for a list of the witnesses who would be coming here today, and that is what I have done.

Mr WILKINSON - Wouldn't it be best at this stage just to let Rachel proceed with her conversations, then after that maybe there can be a short adjournment. Andrew and Rachel can speak with the independent retailers and see what they think, then they can come back and let us know what they want to do. That way, we have heard from Andrew and Rachel that they do not mind it being televised; we have not heard yet from the independent retailers whether that is the case. If we give them five minutes they can have a chat about it, see what they think, then proceed from there, so we can get under way now, as opposed to some time delay before we get under way.

CHAIR - Thanks, Mr President. We are happy to proceed that way with the press present and cameras present at this stage while you and Rachel are presenting.

Mr GREGSON - Absolutely.

CHAIR - Andrew, I open it up and you have the floor. We have been given about an hour for the session, so we will see how we go.

Ms ELLIOTT - Good morning, everyone. I am Rachel Elliott. I am the Government and Stakeholder Relations Manager of Imperial Tobacco Australia. This is Andrew Gregson, the Head of Corporate Affairs and Legal at Imperial Tobacco Australia. I might just do a quick introduction as a courtesy of everyone who is here today. We have Sally Woolley, Saad Mohammed, Tim Slater and Shane Deyton, each of whom are retailers of tobacco products in Tasmania.

First off, I thank Mr Dean for offering to host this briefing for us today. We genuinely appreciate the opportunity to brief you on the proposal being put forward to Parliament next week. We have the opportunity to hear from retailers today to discuss the implications and the impact that this proposal would have on their business and on the economy in Tasmania. First off we would like to give you a bit of an overview of Imperial's position. I hand over to Andrew.

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Mr GREGSON - Thanks, Rachel. Just departing from the agenda for a moment, I know many of you because I originally hail from Tasmania, and I am absolutely delighted to be back. Thank you very much for welcoming us here today to what was an old place of employment for me, so it is wonderful to be back.

Imperial is a global company. We are listed on the London Stock Exchange. Globally we are the fourth biggest tobacco manufacturer. In Australia we are one of three existing tobacco manufacturers. Depending on the way you measure it, we are either the second or third largest player in the Australian market.

On the bill Mr Dean has presented to you, we have spoken with our colleagues at the other tobacco manufacturers and have kept them up to date on the fact that we are briefing you today, and they have indicated they are satisfied with that scenario. They are also available to speak with you.

Globally, in terms of regulation, our position is simple. We support sensible practical and rational regulations. It may sound a strange situation but tobacco companies, and particularly Imperial, have supported a number of regulatory measures in respect of tobacco. In certain instances we go beyond what is required by local or domestic regulation. In general, if a regulation is sensible, rational and practical, we will support it.

In our submission the proposal that is before you at the moment does not fit any of those criteria. Let me give you an example of what does fit those criteria. Imperial does not and will not support, and does not do any research into, underage smoking. We sell product that is for adults. We only support its consumption by adults. We have no interest whatsoever in tobacco products being supplied to people under the age of majority. This proposal does not fit into the same rational regulatory stance as that.

Let me lay out something to you that is reasonably clear and it goes to the workability of Mr Dean's proposal. There are essentially, in any market, three avenues to access tobacco products: legitimate local retailers; the illicit trade; and the carriage by mail order or some other form of postal delivery.

I am not here to talk to you about the channel from local retailers' perspective. There are four local retailers here who will provide you with what they believe the implications of this will be. They have not been schooled or trained in any way by Imperial. The words they will say are theirs and absolutely not ours. We provide product to retailers; we do not directly retail it. They will be the ones that can provide you with a good understanding of what that channel looks like.

The second channel that tobacco products are available from is the illicit trade. That is something we undertake considerable research into and understand quite well. Along with our competitors, British American Tobacco and Philip Morris, we commission KPMG LLC, the UK arm of KPMG's global consulting firm, to conduct a twice annual research study into illicit tobacco supply in Australia. KPMG as a consulting firm, and their methodology, is widely recognised as globally superior in assessing the illicit supply of tobacco products. They are recognised by the OECD as the premier provider of information in relation to illicit supply.

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In Australia the illicit supply of tobacco is currently in excess of 14 per cent of the supply of tobacco. Perhaps 14 per cent does not sound like a very large number, but if you ask any retailer what 14 per cent looks like, if you ask any wholesaler of goods would they like another 14 per cent of the market, I can assure you it is a considerable volume, particularly when you start talking in terms of the supply of tobacco.

It falls largely into a couple of categories. The first is called 'chop chop' or loose tobacco. It is illegally grown tobacco that is sold loose. You then have contraband products, which is fully manufactured cigarettes that are specifically manufactured and made for smuggling. Australia does have a problem with contraband. The third is a simple form of illicit where it is not duty paid. That is, it is purchased legally in another market and then brought to Australia without tax being paid. Essentially, they are smuggled cigarettes and they are very easy to spot in this market because they are not in plain packaging.

What KPMG tell us is that the vast majority of that product is coming in out of South East Asia, particularly out of Korea at the moment. You can buy a packet of cigarettes in Korea for approximately \$1.50. A packet of cigarettes here sells from \$15.00 upwards, depending on the size of it.

The opportunity for arbitraging illegally importing cigarettes is considerable and as a result KPMG tell us the volume of illicit trade in Australia is already over 14 per cent.

Roman Quaedvlieg is the CEO of the Australian Customs Agency, obviously a Federal Government department. He recently told a Senate additional estimates inquiry that illicit tobacco is now one of their six main priorities for the year ahead, which obviously indicates to you that they see illicit tobacco as a major problem in Australia and a problem that is likely to grow, particularly as excise taxes increase.

He has also said quite clearly, and it is recorded in *Hansard* from those Senate hearings that he believes that this is not a minor or backyard crime but it is serious and organised criminal activity - his words - by criminal groups that are involved in the illicit tobacco trade in Australia, and that includes Tasmania.

He notes that the same infrastructure spine that those groups use for hard drugs - you are talking heroin, methamphetamines, cocaine - is, and will continue to be used, as the same spine for the importation and distribution of illicit tobacco. In other words, anything that is done to increase the demand and pool and consumption of illicit tobacco will also have implications for the profitability of that harder drugs infrastructure supply chain. That is not our words. That is from the head of the Customs agency who tells us that this is a problem. He also specifically mentioned that if there is essentially economic prohibition through the continued excise increases, then you will see it becoming more of a problem, particularly that contraband product being purchased in other markets and then distributed in Australia.

What does that mean in the context of Mr Dean's bill? I think you probably have jumped to the conclusion that I am going to make for you anyway, and that is the illicit supply chain already exists, it is already sophisticated, and it is sitting ready to work behind the implications of the bill that you put. So the illicit supply chain will be in no means halted by the progress, passage or implementation of this bill. In fact, the criminal groups that

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run it will find themselves at a serious advantage in no longer having to compete against legitimate local retailers.

The third measure of distribution is mail order. I do not need to tell you that you can buy products via the internet and you can have them delivered directly to your home. That happens not only across international borders. As the minister, Michaelia Cash, told us late last year in Perth on a visit to a Customs processing centre for Australia Post, she was quite stunned by the sheer volume of tobacco that Australia Post was intercepting that was being purchased overseas. They were purchasing it from overseas obviously to attempt to avoid the excise on it and to buy cheaper tobacco products. But what it tells you is that consumers are already aware of, and are already using, legitimate distribution techniques that do not involve having to bypass State laws.

Let me put it to you very simply, if you are a consumer of a tobacco product in Tasmania and this bill happens to impact you, you have the opportunity, the option and the very simple approach of purchasing tobacco from another jurisdiction. I am sure I do not have to provide you any sort of determination in respect of the Australian Constitution or the fact that free trade between States is guaranteed by that Constitution. Hence the fact that this bill cannot overcome that. Consumers in Tasmania will simply be able to re-divert their demand and purchase for tobacco to retailers from elsewhere and in particular, knowing that we are all Tasmanian and hence parochialism is okay, they are going to buy the stuff out of Victoria. That means that Tasmanian retailers are the ones that suffer.

To conclude, there are three sources of tobacco for consumers. Adult consumers of course can only purchase through the legitimate supply chain. I should mention that the criminal gangs running illicit supply chains are not bound by those same laws. They do not care who they sell the stuff to and we know full well that under-age smokers are able to access illicit tobacco, they will not get it through the legitimate local retailers.

There are three sources: local retailers, illicit trade and mail order. Mr Dean's bill will not impact two of those supply sources negatively. It will positively affect the illicit trade and it will not have any influence whatsoever on the capacity of consumers to buy via mail order from another jurisdiction.

But to give you an understanding of the implications for Tasmania, to give you an understanding of what it means for retailers in this State, I would like to yield the remainder of our time as it were to retailers to tell you what it means to them in their businesses, and in your electorate.

CHAIR - Now might be the time for questions to be asked of Andrew. Is that the way you want to manage it?

Mr GREGSON - I have laid out three channels, and one of those was retailers. It might be useful to understand all three of those channels before we go to questions, but you are chairing this debate.

CHAIR - I am with Andrew. If you prefer, we will do it that way.

Mr WILKINSON - That raises what we were speaking about earlier, doesn't it?

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CHAIR - It does, but we will hear from Rachel, and maybe after Rachel I can influence both Rachel and Andrew to accept questions, before we go down the other path.

Ms ELLIOTT - I understand we have three retailers who are happy to be recorded so perhaps if we move to those retailers you can get a fuller idea of what Andrew has just said. If we start with Shane Deyton.

Mr DEYTON - Good morning, everybody. I am Shane Deyton, and I am the retail manager for Bennett's Petroleum in Hobart. I have had a long involvement in the industry, with my own sites, and I know what effect the shop turnover has for all of us these days. When I had a couple of BP fuel sites out in Glenorchy, we would work on very low margins and the shop was very important to our survival. I see this bill as directly affecting our prosperity and our ability to employ the number of people that we do.

Bennett's in Hobart is the fuel supplier for the whole of southern Tasmania, and we own and run eight retail sites. Somewhere between 45 and 50 per cent of our turnover would be in cigarettes. Obviously if we are going to lose that revenue it will have implications for our staff levels and, in the end, our profitability.

I don't know if any of you know the Bennett's brand - I am hoping that you all do. We are a Tasmanian company and we put a lot back into local areas, especially Terry Bennett, Troy's father, who is the managing director now. They live down at Huonville and have a lot of input into the local community down there.

We also have a lot of sponsored sites that we supply and we help the guys who run those independent sites for the whole of southern Tasmania. This will have the same effect on their profitability, and employment opportunities may disappear if they do not have that revenue source. That is all I can say at this stage and I thank you for your time.

Mr SLATER - Good morning, everybody. My name is Tim Slater. I run a Tobacco Station tobacconist at Cove Hill in Bridgewater. Thank you for your time this morning - taking the time to listen to us. Small businesses do not usually get the opportunity to meet with people who are the law makers and the decision makers. We can make phone calls but we are just a small voice. I have been pushing the cigarette companies for the last three years, when they started with plain packaging. 'Come on guys, get off your backsides, we need to talk to these people and explain what our business is. We are running a legal business. We do not sell to underage people. We abide by all the laws. We have been checked by the Health Department on numerous occasions'. We get a letter back - 'You were checked the other day, and you followed the rules. Just remember, keep doing it'. Not 'thank you for doing it' - just keep doing it, keep doing it.

I have been in retail for over 40 years, starting in the fuel industry. I was in that for almost 25 to 30 years, as an independent. We were pushed out of that, working on margins of somewhere around two and three cents. We tried to talk to some local members back in the late 1990s, but they wouldn't listen. We followed a lead when the first major supermarket fuel outlet came to Sorell, which was brought in by Purity. Us few independents, we tried to follow their pricing. In the two years before they came to Sorell, we had operated on two cents off our own bat, which was just about impossible to do, so companies were having to help us a little.

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We followed the first supermarket-sponsored fuel outlet for the next 12 months on price, and in that 12 months our profit margins went from two cents to 5.5. So there was an indication that the big guys were coming in, but they were not going to achieve what the government had said, and that was cheap petrol for Tasmania. Shane could verify that margins today are well in advance of that.

That is not the issue we are here for today, but I just need to give you a little bit of background why small business - look, to put it bluntly, we are getting a bit sick of being belted around the ears with all these regulations and red tape and whatever. As I said, I push the cigarette companies and I thank Imperial for giving us this opportunity to come and talk at a meeting. As small businesses, we do not have enough power to organise something like this. We have to have people with a legal background and all those sorts of things, and small businesses cannot afford to have that type of backstop.

Getting on to the current legislation that is being proposed by Ivan Dean. It is going to have catastrophic effects on small retailers. In our industry, or in our shop, cigarettes are 75 per cent of our sales. We work on a low margin. We employ mainly female staff, with one junior. We found that with the plain packaging, and abiding by the rules about ID, there was just so much abuse that one of our female staff could not take it any longer - the continuous abuse.

If this legislation is passed, we are going to be the public face of it, not the government. They will be sitting back, still reaping \$80 from every \$100-worth that we sell, to pay for government services, employees, whatever. We are going to be left out there with - 'Okay, can you show me your ID?'. I will not go into the language that will be used, but you can imagine what we will get. It will cause delays in serving customers. 'Just a minute, hang on, where is my wallet?' Asking their partner, 'Hang on, do you have my ID there?'. So we are waiting, and somebody else is standing waiting to be served while we do all this.

The next thing is they cannot find it. So, 'I am, I was born in such and such'. We will repeat, 'Well, we have to see ID'. So they say, 'Stick your so-and-so cigarettes somewhere'. I have had my female staff called blonde bitch, blonde sluts - all this type of language. I am not going to put my staff through that again. I have had enough of it. Like I said, we have been belted around the ears with legislation - plain packaging, and all these rules. We have abided by them - we are law-abiding citizens. We do the right thing. When it comes to putting these things in place, the onus is on us. We are the ones footing the bill. We get fined.

If Mr Dean is going to bring this in, then I am certainly not going to be the policeman for it. He needs to employ security officers or whatever and charge the purchasers as they leave our shop, not us, because we have had a gutful. We are small businesses. Without being rude to you today, you become a parliamentarian, what is it, for a few years and you are then entitled to your lifetime super.

Mrs TAYLOR - It used to be, but it is not true.

Mr SLATER - As a small business, our business is our superannuation. Every time we have spare money, there is a price rise in cigarettes and that spare money goes to put that same stock in the cupboard again. We don't get spare money to put into super. The goodwill of our business is our super.

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If you go to an accountant today our business would be to the value of half a million dollars and if a purchaser came along and went to their accountant, they would say, 'Do not touch it. Cigarettes are 75 per cent of their turnover. It is trying to be phased out and there are all the rules and regulations. It is not worth it.' We have a business where I should now be retiring, but I have to keep going, which will suit the federal government. They want us to work to over 70, so I reckon I will be working until 80 if I can live that long, but our super is tied up. Every regulation that comes in makes it a bit harder to get a return on whatever investment wise. Hopefully you can see where we are coming from.

Going back to what Andrew said, illicit tobacco will take over. The thing that we are worried about is what is going to happen as the price and more regulations come in? There is nothing to stop them jumping online. Tasmania is trying to set the scene by being the big nanny state. We are number one. We do not have tobacco here. You will have tobacco here, but it will not come from your retailers. You will not be getting 80 cents in the dollar tax for it. It will be coming from somewhere overseas through online marketing. If we are the first state to go, purchasers will come from Victoria and they will have it shipped over. Young people will get together and you know what young people are like - when I was 18 and the drinking age was 21, because you were not allowed to have it, if you could sneak into a hotel, you thought, 'We're big time, we're doing something we're not allowed to.' What is going to happen is the younger generation are going to start to say, 'This tobacco is banned stuff, we're not allowed to have it, but let's go and try it. We can't buy it here, but let's go online and order some, unless mum and dad are willing to get it in the supermarket.' The retailer will be still out there trying to do the right thing, but we will be in a declining market.

If we were to lose probably 40 per cent of our cigarette sales, there will go two jobs. We are one small business. How many small businesses are around the state? How many people do they employ? How much employment does the Government want to lose? Do you want your money going to some overseas black market? As Andrew said, groups who bring it in, do you want these groups set up where you do not get any more tax, or do you want to keep us law abiding citizens earning 80 cents in the dollar for the Government?

Thank you very much for your time.

Mr MOHAMMED - My name is Saad Mohammed. I've been in retail all my life. I grew up in retail with my parents at a very young age and I've been self-employed for the past 32-odd years in retail. Over that period I have seen a decline in retail business and in how we do our business, and how the trends have changed, and how ways and procedures have changed. It is not easy these days to run a small business. Retail has become very difficult for a number of reasons.

Getting to our point in regard to this particular bill, I opened a tobacco shop on 1 July last year, in Argyle Street. I invested some money to go into there. I have employed a person there with me. I have invested a lot of time and effort in regard to opening of the store, rebranding and refurbishing it. It was very tough and it still is tough, as small business overall is not easy. All my life I have worked very hard. I have put in a lot of 13-hour days, seven days a week, for a long period of time.

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In regard to the tobacco shop, this particular legislation that is being thought about will hurt us, there is no doubt about that. It will hurt families. It will hurt small business and in particular it will hurt employees. If this bill was to pass, my business will suffer, I have no doubt about that. The first person that would feel it would be my employee. Just to give you an idea, my employee, not long ago, invested in a property. He has borrowed a decent amount of money, he has a house and he is doing his job and he is very good. If he was to suffer from this legislation, he will get hurt. By losing his job, and not being able to find some sort of employment, that property would have to go. This legislation would hurt the small self-employed person more than anyone else. I believe they need to be protected and sometimes I feel that they are not being protected.

I hope a bit of common sense comes into it, and a good thought process is put in place for this bill to be rejected. It will hurt us, there is no doubt about that. I have taken on this project in the city for a quite a few years, with a good leasehold. If that hurts my business that is going to directly affect me and my family and my employee and I do not want that.

Like the gentleman mentioned, we work hard, we pay our taxes, and we do the right thing. We are governed strictly; we abide by all the rules and regulations. At the end of the day sometimes we feel we do not get much recognition or much help. I hope common sense comes into it because it is a legal product. It is there, you are not going to stop it. If you try to stop particular sales of cigarettes, there are avenues that are more harmful than going through the legal passage. To me, it is quite a simple argument, so thank you very much for your time.

Mr MULDER - Some clarification, do you run a mixed business or a specialist tobacconist?

Mr MOHAMMED - I have a specialist tobacconist and I also have a mixed business. I have worked in retail, in supermarkets and retail shops, all my life.

Ms WOOLLEY - My name is Sally Woolley, my partner and I bought a retail business in the CBD, a mixed business, about five years ago. Nearly every day I wonder why. My husband wanted to give up plumbing; he wanted something else to do. I am stuck working in the shop.

We have four full-time people and three casuals. I am not very good at public speaking so I wrote some things down. As a retailer I feel we are targeted for doing the right thing. We are selling a legal product to a legal consenting adult. The laws are already in place for retailers not to sell to underage people and we adhere to them strictly. Anyone who looks under 25, we ask for identification. But there is still smoking in the age group 14 to 18 and even earlier. This happens and surely this must fall under responsibilities of parents. It is not the responsibility of retailers because we are doing the legal thing. We are not selling cigarettes to underage kids but where are they getting them from? Mr Dean's bill will not stop this, they will still be able to get them from somewhere.

It will affect a business, inasmuch as the person born after the year 2000 will be able to buy a Tatts product. We are about a third tobacconist, a third Tattslotto and a third hairdressing. They can freely buy a Tattslotto product but then we ask for their identification if they want to buy cigarettes. They can gamble but they cannot buy cigarettes. They cannot buy a legal product, yet gambling is a legal product. Cigarettes are a legal product but we have to ask for identification.

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Some customers still get very irate, especially the ones who look over 18 but aren't carrying their ID. I was called an f**ing slag the other day because I refused a person who was obviously over 18 but didn't have his ID on him. He wasn't a very nice person and so he was told to get out of the store and stay out. To try to implement this law would be pretty impractical - probably not in the in the first year because we are in the habit of asking people for ID, but maybe in the future when someone is 25 and they are asked for ID. We are not allowed to serve them a cigarette, a legal product. To judge somebody now by looking - I have asked a person who is 32 for their ID. Some people, especially the Asians, look very young. It is a real problem - who you ask and who you don't ask.

Mr ARMSTRONG - They'd be rapt, wouldn't they?

Ms WOOLLEY - The girls are, the men not so much.

The products are already freely available online and if this comes in it will certainly impact our trade. Customers will turn to buying their cigarettes and tobacco products online via Coles and Woolworths, because I think Coles and Woolworths online come out of Victoria, so the tax revenue will go to the Victorian government. I am not sure about that but I presume that Coles and Woolworths will work around how to get them to customers.

Ms FORREST - On that point, Mr Chairman, if you're buying online from Coles and Woolworths you don't have to put your age in, do you?

Ms WOOLLEY - You do if you are buying cigarette products.

Ms FORREST - You do? I don't know.

Ms WOOLLEY - If you buy cigarettes online you have to tick that you are 18.

Ms FORREST - You don't have to prove it though.

Ms WOOLLEY - No, you don't have to prove it, or anything like that. I presume there will be something in the legislation that if cigarettes are purchased online, an adult has to collect them at the door. But there is underage smoking now, so who is buying for those people? Will those same people collect and sign for cigarettes purchased online at the door? If you are going to introduce this legislation, you will also have to look at online purchases. How are you going to know that an under 18-year old is not purchasing them, or that an under 25-year old is not purchasing them by the time you get to the year 2000 and whatever? Not only do we miss out on our percentage profit, but the government will also miss out on their tax.

We have online sales happening at the moment. We have customers who have been trying to give up smoking and have turned to the new e-cigarettes, which we sell. The ones that we sell in the shop don't contain any nicotine or tobacco, but they are freely available online. The strongest cigarette we can sell is the 16 milligram. The nicotine e-cigarette that they can buy online is 32 milligram. There are a lot of people swapping to e-cigarettes but they buy them online so that they can get the 32 milligram hit of nicotine. If you have people who are born after the year 2000 swapping to these, they are actually going for a higher nicotine rate.

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The value of our investment in the retail sector, as a tobacconist, is being eroded by these regulations - plain packaging and increasing prices - that have been put in place to reduce the smoking rates. If we wish to sell at some stage in the future, this part of our business would be worthless. Is the government going to give us an exit package like they did with the forestry industry? We are small retailers and we employ a lot of people.

Mr MULDER - It depends how big the tobacco part is, I suppose.

Ms WOOLLEY - Why target one section of the retail industry, which is a dwindling market thanks to government rules and regulations, when other health problems in other industries aren't being addressed? We have a major fast food outlet next to us, and isn't obesity passing smoking as a major health problem? Alcohol has its problems with underagers, with binge drinking, drink driving, behavioural problems, gambling and violence. Yet this bill is just targeting one part of society that is dealing with legal adults and a legal product. As a consumer, I am an adult, do not treat me like a child. It is my choice if I want to smoke. I do not smoke, I used to smoke from the age of 15 until I was 22, then I have had an occasional puff after that. I read literature, I know it is bad for me. Retail is there to sell the product to somebody who wants to buy it. It does not matter whether I sell it to them or they go next-door to buy it, they will still buy it from somewhere. That is why I am in retail.

As a person, two close people who have passed away due to cancer related to smoking, but I also have four friends who have recently passed away with melanoma. So given that, I think there are a lot more things in society that are as worrying as smoking. Thank you.

Mr GREGSON - Before we move to questions, obviously it is the job of a lot of people around this table to talk and to present in public. You have just heard from four people who have given up their time from their businesses, and this is not their job to come and talk to the public. I would like to thank and congratulate them on the presentations they have just given. Thank you very much for your time, it is appreciated.

CHAIR - Did Rachel want to say more, or are we straight into questions now? We will go straight into questions.

Ms FORREST - I certainly acknowledge the challenges facing small business; I do not think anyone disputes that at the moment. I am interested - I think you, Sally, acknowledged it is bad for you and it is harmful, and there are a range of other things that are too. The evidence is pretty clear on cigarette smoking. To my mind, there is no doubt that it is a really harmful thing, it would be great if no-one did it, but it is still legal, as you say.

For those you who said - and the figures have ranged from 30 per cent of your business to 70-odd per cent of your business - with the other changes that have been put in place over the years to try to reduce the uptake of smoking - which is what this is designed to do, trying to stop people starting, the only really effective way of dealing with this problem - then why would you own a specialist tobacconist shop? Why would you do that at the moment when so much relies on a product that is under pressure all the time to be effectively reduced in sales, even though we see that statistically that does not happen?

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Mr MOHAMMED - From my point of view, the particular site was a tobacconist prior to my opening it. The previous owner had some issues, closed it up for a period of time, then I came in and reopened in whatever. For me, at that time, it was just a challenge basically. There was an existing business there. I thought, if there was an existing business there before, I could certainly go in and improve it and make it better. I think I am doing that to a certain extent, considering where the place was and where the business originated from.

For me, it was the challenge. Like I said, I have been in business all my life. I have another store that I run as well. This was just basically another arm to my business in regards to my business ways and wanting to get ahead, probably getting to where I want to get earlier rather than later.

But in saying that, my going in, if it was not financially strong in regards to what I have done in my previous time in business, I do not think I would have made it, to be honest, because the first few months were very difficult. I have invested a lot of money from my own personal pocket to basically keep it alive and keep it up and running. It is slowly growing and is slowly getting better, but it is certainly not easy.

Ms FORREST - The question, I guess, is why would you do it when you know this is an industry under pressure?

Mr MOHAMMED - Like I said, it is a challenge. I thought there was money to be made there. I was prepared and I am committed 120 per cent to do whatever I can to make sure I survive, and I do what I can to do that.

Ms FORREST - In terms of this legislation as proposed, it only stops you selling to people born after the year 2000. I am not sure what the birth rate is at the moment, but those who are born each year -

Mr MOHAMMED - No, but in the long scheme of things it will hurt.

Ms FORREST - My point is, it is a very gradual onset. Some people claim that it will have an immediate catastrophic impact on their business. I find it hard to accept that because it is a gradual -

Mr MOHAMMED - In regard to this bill that is being proposed, I certainly did not know about it or hear about it prior to opening a tobacco shop. I have just found out about it in the last month or two. I knew nothing about it when I started up in July last year.

Ms FORREST - This is not an outright ban on cigarettes. Doesn't that give you time to adjust your business model to move away from a dependence on cigarette sales. This is the question that has often been put when other changes have been made to legislation. There have been claims that changes will destroy businesses. But in this case it will be gradual change in volume of sales. Isn't it possible to adjust?

Mr MOHAMMED - In regards to my store in the city, I am only allowed to sell tobacco related products. I am not allowed to sell a packet of chewing gum, therefore the majority of my sales are cigarettes and that is where it will hurt if this legislation comes into effect. Some tobacconists or specialist tobacco shops may have other things happening - like Sally said, she has a hairdresser. I don't have that. I am only allowed to sell tobacco related products.

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I am not allowed to sell a bottle of water. I am not allowed to sell anything that is not tobacco related.

If this legislation comes in, it will hurt me the most, being a tobacco specialist shop only. I have nothing to fall back on in that particular store.

Ms FORREST - Are you looking at a business model to adjust to change?

Mr SLATER - It is the value of our business - that is what it is changing. You said it will take years - it will come in as a gradual thing - but as time goes on it is never going to stop. Every year there will be a new group of people turning 18, there will be a new group of people that you will be asking for ID. When it gets to 10 or 12 years down the track, how many people will you be asking for ID?

That may not affect me, I may not be here. I cannot see myself selling my business because it has lost its value, because of the pricing and the restrictions on cigarettes. When I bought the business, cigarettes were the main business, along with the Tattsлото outlet. We have grown the business since then, put money into it, done shop refits and what we are saying is that the more legislation comes in, the less value our business is to us.

Not only are we losing value in the business, we cannot sell it, we are finding it hard to sell. If we leave it to the family, I won't have the problem but my family is going to have the continuing problem of this legislation biting at them. I will invite you come - and I would like any member here to please come out to Cove Hill, and have a coffee with me. It is a low income area. They say, 'Why would you be out there?'. I have been out there 25 years, and my customers are some of the most loyal and best people - down to earth people - in this state. I would invite any of you to come out and spend a couple of hours with me and let me explain a little more. It is not a simple question we can answer in the few minutes of time we have today. I invite any members at the table to come out, just give us a call. We can have a coffee and a private chat. We can give you more information and answers to your questions than we have time to do here today.

Mr DEYTON - One other thing. You spoke about gradual change, but immediately this bill comes into place, it will take value away from businesses. If we had a prospective buyer when the bill comes into place that would be an added aspect of the negotiations. It is not going to be gradual. If this bill gets up there will be an immediate effect on all our businesses and the ability to sell them.

Mr SLATER - You just asked about looking at a different models for our shops or trying something different. We have been looked at as bad people for some time because we sell cigarettes, but I repeat that we are giving 80 cents in the dollar to the government. We have tried to diversify. We went into phone recharge - we started off on 15 per cent, we are now down to four. We do pay as you go Aurora for the people who like to pay up front because they do not want bills. We get 1 per cent because it brings people into your shop.

Ms FORREST - You have tried to diversify?

Mr SLATER - Yes, we are trying to do other things but there is nothing out there for small business that has a good margin. We are tending to work for nothing all the time. We are trying to survive on these low margins and you cannot get a high volume on it because it

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is all available opposite at the supermarkets. We tried selling mobile phones but where our phone was \$79, at Coles it would be \$29. We had an instance a while back on a \$39 recharge. It cost us \$27.88, and we sell it for \$30. Coles have them on special for \$7 each. How do we compete?

You say change your module, do something else. It is already tried. It is very hard to get to change your shop to a different type of shop or different type of products and get a return on that because the multinationals have the market pretty much tied up. They are even now trying Tattslotto so I guess eventually we will lose that.

CHAIR - We have a restriction of time so if there are still questions to be asked, if you could keep your answers and questions reasonably short it would be appreciated because of a few issues that people want to talk about.

Mrs ARMITAGE - Ted, I think you were the one saying it is 75 per cent of your sales?

Mr SLATER - Yes.

Mrs ARMITAGE - Saad, 40 or 50 per cent of your sales? You may not wish to answer this question but are you able to tell me the profit margin on a packet of cigarettes?

Mr SLATER - It varies. We do specials.

Mrs ARMITAGE - You can put cigarettes on special?

Mr SLATER - Yes, the supermarket puts them on special, so we are entitled to fund out of our own pocket. The customer will want 5 cents a packet .

Mrs ARMITAGE - Five cents; 10 per cent a packet?

Mr SLATER - No, you are probably working on an average of 8 or 9 per cent.

Mrs ARMITAGE - How many packets are you likely to sell a week?

Mr SLATER - It is hard to put it into packets because it can be packets of tobacco, packets of 20s, packets of 40s.

Mrs ARMITAGE - I thought in a newsagent say, you would do quite well with other products.

Mr SLATER - Our purchases I guess are round about \$30 000 a week of stock.

Mrs ARMITAGE - Have you been targeted more by robbers because you stock large amounts of cigarettes? Have you been robbed in the last couple of years? Do you fear for your safety?

Mr. WOOLLEY - When I walked into my shop at Sandy Bay, I got done within the first two or three weeks. They came in and took every single carton and packet of cigarettes that I had in the store. About \$30 000.

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Mr DEYTON - We have a number of 24-hour sites and we are very careful with that and all of the jump wires, the alarms. Fortunately, we have not had those issues and I think it is because of that preparation.

Mr SLATER - We had one attempt to come through the roof, but because it is a shopping centre and we have security and we have inside walls. Previously in the service station where we were for 10 years, we had 58 robberies and five ram raids because we were sitting out in the open. Now we are a little more protected but there is still a cost to us because I can probably go back a decade, and you could leave one of the girls to close up for the last hour prior to winter time. We cannot do that anymore. We need someone from security because we never know what is around the corner. So that has created another cost for that extra staff member to be there in opening and closing.

Mrs ARMITAGE - Okay, thank you.

Mr HALL - To clarify, the gentleman from Cove Hill, I think you mentioned that in a typical retail small business, if this bill is passed and you lose about 40 per cent of your tobacco sales, that equates to about two jobs. Was that what you said?

Mr SLATER - Yes, that is correct.

Mr HALL - Do you think that is right across the board, across the State?

Mr SLATER - I would imagine so, because you have to realise that with tobacco products, we have giftware, we have cards, birthday cards - we are a mixed business, being a newsagent - papers, magazines, I accept phone charge, all sorts of bits and pieces. The person who comes to get a packet of cigarettes will probably top up their Aurora card while they are there. We only get 1 per cent but it is a sale. They will probably buy a newspaper, they will buy a packet of lollies and whatever. If this goes through and they start buying online or from Victoria, for instance, they will not come to our shop anymore. We are going to lose all those incremental sales as well. That is why I am saying it is going to probably affect our business so much, so we will not need the staff because we will not be selling all these extra products in such quantities.

Mr HALL - Thanks for that. Given that scenario, if it is correct, if you extrapolate that right across the State, does there need to be that work done on what the potential loss of employment might be?

Mr SLATER - I am not really sure. I tried to get some figures but I cannot get anything to quote. Somebody here might know better, but I think there are probably well over 3 000 small businesses that sell cigarettes. I am just not sure on that figure to be exact. It is fair to say a lot of those are mums and dads in little corner stores, but if you took - we will lose two - most tobacco stations, tobacconists themselves or newsagencies with tobacconists' in the newsagency like we are, mixed business, I would think would have to lose one to two staff.

If you said, say, there were 3 000 cigarette outlets, there are going to be a lot of the smaller ones out there saying this is too hard, because we have also heard a whisper that licence fees might go considerably higher, so it will not be worth it to sell them, so they will drop the product. They may not have a lot of staff, but maybe they will decide to sell, maybe

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that business will be forced to close. Then take, say, 50 per cent of them are in our situation, if there are 3 000 and they are going to lose two staff each – 3 000 staff.

It is the job as well because the sales will go online and therefore we will not have this. Just one quick question that Sally talked about was the vapour cigarettes. With a decreasing market we felt for real cigarettes, we decided to go into some of the vapour cigarettes as an option. The Health department came and bought one of every one we had, took it and tested it to make sure they had no nicotine content, it was completely free. That was fine, we abided. Now people are going online buying it, but they still want some nicotine. We, as retailers, said to them, this is not the reason for this, you are trying to go off nicotine.

I had a lady come the other day and she said, 'I had a look at the nicotine cigarettes that you have, but they are vapour cigarettes. All the ones that you have are nicotine-free. I have just gone online and bought a package for \$500 and we have worked out we will save money on that compared to the price of cigarettes.' This is coming somewhere out of the States. My neighbour has bought one and the lady across the road has bought one. So there is \$15 000 worth of sales gone off online. Our product is still sitting on the shelf, legal and all. They have bought an illegal one, brought it into the country. Where is the Government's tax on that? They do not get it.

CHAIR - Thank you for that.

Mr MULDER - I have a couple of short, sharp ones. I think Andrew can answer most of these. There has much been made of the fact that it is accepted as a harmful product. I would like to acknowledge that the Government does have some role in trying to reduce the demand of a harmful product. I think you would accept that.

Mr GREGSON - As I said, we accept rational regulation.

Mr MULDER - How much tobacco was lawfully sold in Australia in 2014? Do you have any idea of those figures? Approximate is fine.

Mr GREGSON - You prefaced the question perfectly by saying it should be short, sharp and simple but it is not, because there are a number of different measures. For instance, the Australian Institute of Health and Welfare uses tobacco expenditure as a proxy for consumption. We can record shipments of tobacco but that is industry data which is not publicly available. I am happy to provide it to you but I cannot give you the full data set because it is managed by industry. Essentially, the answer to your question is: it depends on who you talk to. I will come back to you with a few of the data sets if it would be useful.

Mr MULDER - Yes, if you would not mind that, I am just trying to get a feel for how much it is it. Because the next question that relates to it is also very short and sharp. Is that volume or that amount, however measured, trending upwards or downwards?

Mr GREGSON - Downwards.

Mr MULDER - Downwards.

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Mr GREGSON - Yes.

Mr MULDER - On those current trends, when will smoking rates fall to what you imagine to be below 5 per cent of the adult population?

Mr GREGSON - Again, it depends on which statistician you talk to but my knowledge and understanding of this subject obviously is based on the current implications of plain packaging. There is a post-implementation review happening at the moment, two years after its implementation and there is, shall we say, a robust discussion going on as to whether plain packaging has caused an increase in the rate of decline or not. Our analysis and our evidence show that is not the case: that downward trends continue in line with historical trends. Whether that trend continues in a straight line or not goes to the basis of your question, and I cannot forecast that.

Mr MULDER - Given the fact that it is a harmful product and the government has a role in regulating it, what is your view - and you might want to get some of the retailers in on this one as well - on restricted sales of tobacco products in specially licensed areas, such as a specialist tobacconist's shop, as we have one over here? But also, it is the way we manage the other harmful product that everyone keeps raising, which is alcohol. We arrange that for the licence on sales and in that same issue you would have a case then to arguing for the banning of online sales, which would add credit. A licensed establishment is what I am saying, only for the properly licensed establishment. You have things like your supermarkets for example, where in Tasmania at least, contrary to the rest of the mainland, you cannot have a bottle shop within a supermarket - although I must say supermarket-owned ones are suspiciously close in a lot of areas - but there is that separation of what is a recognised harmful product from general foodstuff.

Mr GREGSON - There is a licence requirement to retail tobacco in Tasmania. That is correct.

Mr MULDER - I am talking about the special separate premises.

Mr GREGSON - Could you license to have tobacco products sold only in a tobacco retailing store? You could, but my question is, what difference would that make? It would obviously affect a great range of small businesses that you see here today - anything from convenience stores to petrol stations would suffer the same sort of consequences they have spoken about today, under that regime.

You ask, would it be possible to - I think your words were - ban internet sales under such a licensing regime? Given the nature of the Australian Constitution, you could not affect the transaction that took place in another jurisdiction, which then decrees that the retail transaction took place in that jurisdiction and after that it was merely a matter of carriage through postal or other services.

Mr MULDER - Can you buy alcohol online?

Mr GREGSON - Yes, you most certainly can.

Mr MULDER - I would not know, I am not a consumer.

Mr GREGSON - I can assure you there are some fine Tasmanian vintages that sell online.

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Mr MULDER - That covered my questions and I look forward to if Andrew could check out some figures on the amounts sold and what the extrapolation of the trend is.

Mr DEAN - I have a couple of questions; I am not quite sure who should answer them. Why would online purchase of cigarettes develop when these youths born after 2000 would still be able to buy from retailers? They will still be able to buy from the retailers. Why does and why will an online business develop?

Mrs TAYLOR - They will not be able to buy from retailers.

Mr GREGSON - I think you have confused the entire table, with respect, from our understanding.

Mr DEAN - No, they can't but they can buy through another party. The retailers cannot sell to a person born after 2000 but they can lawfully and legally get the product through other people. Those other people cannot sell to them, but they can legally get the product from your store. I am wanting to know why -

Mr SLATER - If the parent or somebody decides to buy it for them - anyone can do it. I am talking about groups of younger people who probably do not want their parents to know. It is quite easy to set up an online buying, tick the box -

CHAIR - That is happening now.

Mr SLATER - Yes, it is, but it will have a bigger potential then for them to go online.

CHAIR - If they are 18 or over why would they want to cover that from their parents?

Mr GREGSON - If I may, you have just noticed that retail restrictions are potentially not working in respect of underage purchasing, neatly defeating the concept of the bill that you are proposing, that retail restrictions do not work.

CHAIR - Two other questions. Andrew might be able to answer this question. The number of retailers in this state that are licensed to sell tobacco products - I think the figure of 3 000 was mentioned. I put this to you - I think it is less than 800 that are licensed in this state to sell tobacco products. Do you have figures on that?

Mr GREGSON - No, I do not. The licences are issued by the Government, so advisers would be able to advise you of that. To go back to addressing the first question you asked, it will still be legal to supply tobacco to people born after the year 2000. It is quite a remarkable suggestion to say that people would be prepared to supply tobacco in the absence of a financial transaction. This is one of the more expensive retail goods available.

CHAIR - Can you run that by me again?

Mr GREGSON - You suggested that tobacco could still be supplied to somebody born after the year 2000 as long as it was not sold to them, hence no financial transaction for the provision of one of the more expensive retail goods.

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CHAIR - I didn't suggest that. They can provide the money to their father or mother to purchase the cigarettes from the retailer. The retailer is able to sell to the person born before 2000 legally. The only thing is the person cannot get those cigarettes and sell to their sibling or somebody born after the year 2000.

Mr GREGSON - I understand under the current legislation if we knowingly sell to an adult a packet of cigarettes knowing they are going to pass it to an underage person we are breaking the law. Correct? In the new legislation will the same thing apply if we knowingly sell to a parent?

CHAIR - No.

Mr GREGSON - So we are going to change the rules?

CHAIR - No, the new legislation is clear and it was done this way because we don't want to demonise families, we don't want to demonise parents or anybody else who goes to a store and buys cigarettes on behalf of the person born after 2000. It was specifically done that way because we do not want to criminalise them. That is why it is necessary to fully understand.

Mr MULDER - To clarify it, if this bill were to become law we would have two sets of rules about supplying to intermediaries. One would be if the person buying was supplying to someone born after the year 2000, it would not be illegal, but if someone was to supply to someone born before the year 2000, it would. In other words, that particular thing would eventually go out, so that would still be illegal to supply to someone under 18, but it would not be illegal to supply to cigarettes to someone born after the year 2000?

Mr SLATER - That's right.

Mr GREGSON - It is the identification process.

CHAIR - I think Sally made some comment about 'as dangerous as cigarettes, no other legal substance'. My question is what other legal substance is currently available that is more dangerous than cigarettes?

Mr WOOLLEY - There are a lot of other bad things in society that can be targeted as well. This is focused on one part of society.

The other thing about the online sales that we are talking about, we have Tatts online, that is really biting into our business with Tatts. If I were born after the year 2000, went into a shop and could not buy cigarettes, the first thing I would be doing is buy them online. I would not ask my mum or dad to go and buy them, or my sisters or anything like that. They have never bought them for me or anything like that, I would go straight online.

CHAIR - If they ask their mum and dad they can get them immediately, whereas online they have to wait.

Ms WOOLLEY - Yes.

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Ms FORREST - Andrew, you were talking about mail order and large volumes being intercepted by Australia Post. What happens with that product? If they intercept it, aren't they then seized, or what happens at that point?

Mr GREGSON - My understanding is that they would be seized on the basis of excise not being paid, and that the nominated recipient would receive a notice asking them to remit the excise to the Commonwealth Government. My point in raising that was that -

Ms FORREST - So would they then be delivered to the recipient with a bill, basically?

Mr GREGSON - If the excise were paid, my understanding is, yes. My point in raising that was to show that postal channels are currently being used as a distribution methodology for tobacco products.

Ms FORREST - I was wondering whether they actually get through or they get stopped at the border. But they get delivered with a bill.

Mr GREGSON - The ones that the minister was referring us to were those that had been stopped at the border, which is not every parcel, but they were on the basis of an excise demand then being sent to the recipient.

Ms FORREST - It would be interesting to know how much they actually collect in that. I am sure you would not know that.

Mr GREGSON - I suspect that Customs report that.

Ms FORREST - They probably do. Do you agree that, or you support the research and acknowledge the research has said that smoking is really harmful for your health? That is the first question, I want to ask one after that.

Mr GREGSON - Globally, yes, Imperial does recognise that smoking has health implications.

Ms FORREST - Then do you also agree that the best way to reduce the harm to human health in this area - there are a lot of areas we could talk about and we are focusing on one at the moment - is to stop people starting to take up the habit?

Mr GREGSON - As I said, we support sensible and practical regulation, and we sell our products to adult consumers who are demanding that product. It is not our business to tell adult consumers what they should demand and what they should not.

Ms FORREST - If we were then to try to discourage people from taking it up - you claim that you do not do any research into under-age smokers or promote smoking to under-age clients, that is a moot point in the minds of many - what do you believe we could do to avoid the uptake of cigarettes?

Mr GREGSON - As I said, we believe that the use of tobacco products is an adult choice, and if adults choose to use that product, then we sincerely hope that they choose to use our brands. That is the answer that I am going to continue to give because we sell a legal product to adult consumers who are making a choice to consume that product.

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Ms FORREST - In spite of the fact that you acknowledge that it does cause significant harm to health.

Mr GREGSON - And it is our understanding that most adult consumers would be aware of that and choose to exercise their free will to enjoy tobacco products.

Mr SLATER - It is supposed to be a free country - excuse me butting in there - but we are not a free country, we are becoming a little Russia. There are regulations, you cannot do this, you cannot do this. Go ban alcohol.

Ms FORREST - They smoke in Russia, quite a bit.

Mr SLATER - Listen, the point is here, if the Government is so concerned about our health, ban the whole bloody thing and lose \$8 billion a year, but the Government will not do that. Where are you going to get \$8 billion from?

Ms FORREST - That is the question I am getting to.

CHAIR - We will continue on, we need to keep to time, it is a quarter to one.

Ms FORREST - Sally was just making a comment, we have to listen to her comment.

Ms WOOLLEY - Can you tell me how many parents or people have been charged with supplying cigarettes to under-age people, apart from retailers? We get targeted by the Health department.

CHAIR - I can answer the question for you: zero.

Ms WOOLLEY - Why? There is an under-age problem and we do not sell them to them. It is illegal for an under-age person to smoke now. Who is supplying them? Somebody is supplying them, so why aren't they being charged if it is so bad?

CHAIR - None of them are charged. We need to move on.

Mr ARMSTRONG - I don't know whether you can answer this, but this will not take effect until 2018, is there any research being done to see what percentage of people turn 18 at that time, and what percentage of people - I would imagine it would be about the same percentage each year - how long would it take to impact on businesses with that age group?

Mr GREGSON - I suspect Ms Barnes is about to give you the answer and it was a point made earlier. Yes, there will be a limited initial effect on cash flow but the asset value for small businesses will devalue immediately.

CHAIR - The statistics show that there are about 700 Tasmanians in the current population turning 18 in any one year. It averages about two a day.

Mr ARMSTRONG - Are there any stats on what percentage smoke?

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CHAIR - Yes, currently the number smoking is about 700. The figure I just gave you is wrong - there are more people turning 18 every year, and about 700 a year, I am told, will probably smoke.

Ms WOOLLEY - What was that percentage of the population turning 18?

Mr DEYTON - I cannot see the relevance in that. Those people turning 18 have probably been smoking for the last five years anyway. That really has nothing to do with it.

CHAIR - We will go to Leonie.

Mrs HISCUTT - Just a quick clarification. If I am the mother of a smoke-free generation person and I go into Ted's shop and buy a carton for Christmas because my child is now 25 and a smoker, is Ted in breach of the legislation? It says that a person who is the holder of a tobacco seller's licence must not permit the sale, loan, gift or supply of any tobacco to a member of the smoke-free generation. He is allowing a gift.

CHAIR - You can go in and buy cigarettes.

Mrs HISCUTT - He is still allowed to sell them to me?

CHAIR - The bill is written in such a way that it exempts those persons born after 2000 in that situation, but you cannot now supply to somebody under 18. If you supply to somebody under 18 you are committing an offence at law but in this situation, parents and anybody born before 2000, does not commit an offence if they supply to somebody who is over 18 years of age.

Mrs HISCUTT - I am not a lawyer but it says "must not permit a sale" and he has just permitted a sale.

Mr SLATER - If I knowingly do that, it is illegal.

Mrs HISCUTT - I am not satisfied with that.

Mr VALENTINE - Is Imperial Tobacco involved in setting up retailers or is that something individuals do without your assistance? How many per year would be set up, do you think? In Tasmania?

Mr GREGSON - I am not sure I can answer that. 'Do we provide support?' is quite a broad question. We enter into trading terms, generally with groups.

Mr VALENTINE - It is a normal retail/wholesale relationship?

Mr GREGSON - Do we specifically assist with bricks and mortar? To the best of my knowledge, information and belief, no. If that answer is incorrect I will get back to you as soon as I can. I will check, but I do not believe so.

Mr VALENTINE - How many stores would be set up in Tasmania?

Mr GREGSON - How many stores would be established? I do not know the answer.

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Mr VALENTINE - How many retailers? How many new retailers a year?

Mr GREGSON - Again, I am going to have to look into that. It is a question for our sales department.

Mr VALENTINE - Thanks.

CHAIR - I'm conscious of time, but Mike you have a question?

Mr GAFFNEY - Andrew, a lot of problems with the legislation have been about people under the age of 18 or thereabouts being influenced by patterns of behaviour. They have become addicted because they are still quite young. Even though they may be over the age of 18 the physiological addiction hasn't taken over. Has the tobacco industry given any thought to extending the legal age to 21 or 25? It has been suggested that a 25-year old who avoided the peer group pressure at age 17 or 18 might be less likely to take up smoking once they reached the legal age. A lot of people start smoking when they're younger, but I heard the other day that a percentage of people have their first cigarette at the age of 19, when it is legal. They wait until the legal age to try it.

If you extended it to 21 or 25, you would allow adults to choose whether they want to have a cigarette, or a drink, or buy a Tattsлото tickets, or whatever. It would be an adult choice.

Mr GREGSON - I haven't seen the research you refer to about the uptake incidence in particular age groups. We are a tobacco manufacturer. We exist to manufacture and distribute tobacco and we work within the law. At the moment the law tells the age of majority is 18. As far as I am aware, we have not considered the implications if the age of majority were changed.

Mr GAFFNEY - The age of majority - is it the same in the United States? Is it 18 or 21?

Mr GREGSON - Again, I am not entirely certain, but my understanding is that in different jurisdictions there are different ages. I can find that out for you if you like.

CHAIR - Adriana, do you have a question?

Mrs TAYLOR - Yes, and no. I am sorry, but I don't understand - who will be the enforcer of clause 67J - 'the person who is a holder of a tobacco seller's licence must not permit the sale', et cetera? I know it has been asked, but I didn't understand the answer.

CHAIR - Sorry, the -?

Mrs TAYLOR - 'A person who is a holder of a tobacco seller's licence must not permit the sale, loan, gift or supply of any tobacco product to a member of ' - I understand that, but how can you make the holder of the tobacco seller's licence responsible for that? How are they going to know? I'm sorry. I'm not taking sides here, I am just asking the question. How can you make this work?

CHAIR - The fact is the situation still remains the same as it is now. If a tobacconist knows that a person is buying cigarettes to supply them to somebody under 18 years -

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Mrs TAYLOR - This does not say if he knows.

CHAIR - They commit an offence.

Mrs TAYLOR - This does not say that he knows. If a person comes in and says, 'I am going to buy cigarettes, which I am going to give to my under age person for Christmas,' then obviously he is supposed to say, 'No, you cannot do that.' But if I just come in and buy a packet of cigarettes and give it to somebody -

Mrs ARMITAGE - It is permitted.

Mrs TAYLOR - It doesn't say. It says he must not permit the sale. It doesn't say 'knowingly.' If it said 'knowingly permit' I could understand it.

CHAIR - I have just been reminded - the question has been asked previously. It is in the existing legislation. If you go to the Health Act -

Mrs TAYLOR - It is exactly the same wording?

CHAIR - 1997, it is covered in the existing legislation.

Mrs TAYLOR - It's exactly the same wording, is it?

CHAIR - Yes.

Mr MULDER - It is the issue of intent and you cannot intend something if you didn't know it. You cannot be prosecuted.

Mrs TAYLOR - Okay. All right.

Mr MULDER - If you don't have an intent then you can't -

CHAIR - It is fairly clear. I need to get that section and I -

Mrs TAYLOR - Yes, that would be good.

CHAIR - I will distribute that section, so you are all aware of it.

If that's it we need to call a halt to this and if (inaudible) can remain behind, the Leader wishes to have a word with you. If we can clear the room. Thank you, Andrew. Thank you to all the presenters and all the people present.

Briefing concluded.