

INQUIRY INTO ILLEGAL TOBACCO TRADE

Name: Name suppressed

Date Received: 29 May 2025

Partially
Confidential

Submission to the Parliamentary Inquiry into the Illegal Tobacco Trade

29 May 2025

Introduction

I am writing to submit feedback to the Parliamentary Inquiry into the Illegal Tobacco Trade on behalf of [redacted]. As a supermarket which services a small local community, we have experienced a severe impact from both the rise of illegal tobacco products and the subsequent regulatory changes designed to bring about greater compliance.

Over the past year, our sales have decreased by over 60%, a direct result of increasing illegal trade in tobacco products and the complex regulatory environment. This submission highlights the challenges faced by businesses like ours, particularly the burden of transitioning to new compliant products and the significant resource allocation required to manage these changes.

Key Issues:

1. Impact of the Illegal Tobacco Trade:

The growth of the illegal tobacco market has had a devastating effect on legitimate businesses. Our sales figures have plummeted by over 60%, as consumers turn to cheaper, non-compliant products that evade taxation and regulation. These illegal products not only undercut our prices but also create a public health risk due to their lack of regulation. Despite our best efforts to compete with legal, regulated products, the illegal market is difficult to combat due to its untaxed nature and accessibility in informal sales channels.

2. Burden of Transitioning to Compliant Products:

In response to tightening regulations, we have invested significant resources to ensure our products meet all new compliance standards. This has involved not just financial investment but also considerable time and human resources. Our staff spends hours each week managing the administrative and logistical requirements of transitioning to new product lines, which includes rebranding, changing packaging, updating inventory systems, and ensuring ongoing compliance. This has placed a strain on our operations, particularly for small and medium-sized businesses that do not have the same scale as larger corporations.

3. Regulatory Complexity and Cost of Compliance:

While we fully support the need for consumer protection, public health initiatives, and regulations that ensure tobacco products are sold responsibly, the current compliance framework is overly complex and resource-intensive. The frequent changes to regulations make it difficult for businesses to stay ahead, and the costs associated with meeting compliance requirements (such as packaging changes, ingredient disclosures, and health warnings) are substantial. The administrative burden of tracking these changes, particularly when they are introduced without sufficient lead time, has been overwhelming.

4. Loss of Revenue and Impact on Employment:

With the significant decline in sales and the added costs of complying with new regulations, our business has been forced to sell existing legal tobacco below cost so as

to not be stuck with redundant stock. With tobacco previously being 20% of our turnover, we have seen challenges with managing cashflow during the steep sales decrease, whilst needing to invest in capital intensive initiatives to off-set revenue loss.

5. The Need for a More Balanced Approach:

We urge the government to adopt a more balanced approach that considers the long-term sustainability of businesses while tackling the illegal tobacco trade. This includes:

- Greater enforcement of laws against the illegal tobacco trade, including stricter penalties and more effective action against illegal retailers.
- Simplifying compliance procedures to reduce the burden on businesses, particularly SMEs, while maintaining public health protections.
- Providing clearer guidance on future regulatory changes to help businesses plan and manage transitions more effectively.
- Increasing public awareness campaigns about the dangers of illegal tobacco products and the importance of purchasing from legal, regulated sources.

Conclusion

The illegal tobacco trade poses a serious threat to both public health and the viability of legitimate businesses. While we understand the need for regulation to protect consumers, the current framework disproportionately impacts small businesses and has led to a significant decline in sales and jobs. We hope this inquiry will lead to actionable steps that address the root causes of the illegal market while supporting businesses that are committed to compliance and public health.

We appreciate the opportunity to submit this feedback and look forward to the committee's findings.

Sincerely,