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4<sup>th</sup> October 2018

Dear Mr. Stonehouse,

TSG Submission RE: Select Committee on Personal Choice and Community Safety

TSG Franchise Management Pty Ltd ("TSG") has been in business for over 25 years & operates Australia's largest network of Tobacconist Franchisees, with over 450 retail tobacconists spread throughout Australia.

Our submission focuses on the benefits for Australian companies to compete in a fast-growing market instead of being disadvantaged.

The growth of the e-cigarette market in Australia is undisputed and well-illustrated in the latest National Drug Strategy Household Survey 2016 Data Tables with an estimated volume of nearly 60 million AUD by end of 2018. Sadly, the legal framework for the sale of e-cigarettes remains unclear and restricted.

According to the above-mentioned survey there are 37% in the group of 25 - 39 year old smokers that have tried or experimented with e-cigarettes. Their motivation being primarily perceived benefits and cost savings. Anticipating future planned excise tax hikes on tobacco this trend will only increase pushing more smokers to seek alternatives. It is our view in this context that only through Government recognition of the potential for e-cigarettes to play a positive role for existing smokers can balanced and improving health outcome be achieved without disadvantaging small businesses serving their customers a legal product.

Currently 2/3 of the e-cigarette market is operating online probably mainly due to the availability of liquid nicotine in contrast to retail transactions over the counter. Australian retailers are disadvantaged in comparison to non-Australian based companies who have no limitations on products they can sell to Australia including liquid nicotine. As it is not feasible to inspect each parcel entering the country there is a strong need to liberalise Australian regulations for Australian retailers to be able to compete.

Further the current regulatory framework is promoting a black market in which opportunistic short-term operators import and improperly bottle liquid nicotine for sale under the counter. Law abiding businesses cannot participate in the market leading to potential safety issues with products being sold under the counter endangering the reputation of the whole category of e-cigarettes.

The benefits of a legalised and liberalised market in Australia for e-cigarettes are plentiful:

- Economic benefits are for example an increase in Australian company tax income (incl. GST receipts) as well as increased local employment benefits plus personal income tax receipts.
- There are population health benefits of conversion to less harmful alternatives. The European Union conducted a survey on the attitude of Europeans towards the tobacco and electronic cigarettes and one of the outcomes was that 61% of respondents who use e-cigarettes said that they have started using e-cigarettes in order to reduce their tobacco intake or to quit smoking. 31% stated that they started the use of electronic cigarettes as they see it as a healthier option than traditional combustible cigarettes.<sup>1</sup>
- Alternatives to cigarettes may, if widely available, act as a deterrent to continued purchase of cigarettes while benefitting retail industry as consumer goods. "It is important that regulation does not stifle the development of e-cigarettes nor make accessing these products more difficult for smokers."<sup>2</sup>

We make this submission in support of a legalised and liberalised market in Australia. In our view, the assertions and factual data submitted by the Applicants in support of the Application are indisputable.

Thank you for your consideration of our submission.

Yours faithfully

Kerry Browne

Head of Sales

TSG Franchise Management Pty Ltd

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<sup>1</sup> Report available online -

<http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/SPECIAL/surveyKy/2146>

<sup>2</sup> Cancer Research UK, Briefing on Electronic Cigarettes, July 2015.