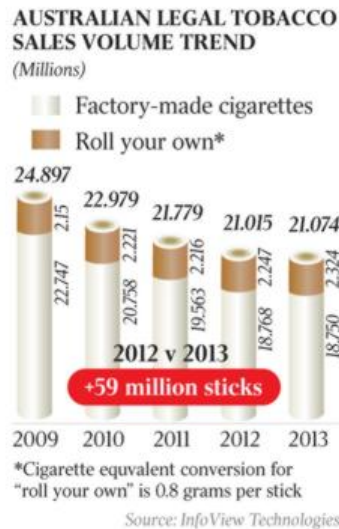


THE AUSTRALIAN

Labor's plain packaging fails as cigarette sales rise

CHRISTIAN KERR THE AUSTRALIAN JUNE 06, 2014 12:00AM



Dunja Zivkovic, 21, and Gertrude Sios, 32, together spend more than \$400 a week on cigarettes. Picture: Lyndon Mechielsen Source: News Corp Australia

LABOR'S nanny state push to kill off the country's addiction to cigarettes with plain packaging has backfired, with new sales figures showing tobacco consumption growing during the first full year of the new laws.

Eighteen months after the previous government's laws came into force, new data, obtained by The Australian, shows that tobacco sales volumes increased by 59 million "sticks", or individual cigarettes or their roll-your-own equivalents last year.

The 0.3 per cent increase, though modest, goes against a 15.6 per cent slide in tobacco sales over the previous four years — and undermines claims by then health minister Nicola Roxon that Australia would introduce the "world's toughest anti-smoking laws".

Plain packaging laws, which came into force in December 2012, have instead boosted demand for cheaper cigarettes, with reports of a more than 50 per cent rise in the market for lower cost cigarettes.

The research by industry monitor InfoView, which shows a rise in the market share of cheaper cigarettes from 32 per cent to 37 per cent last year, is backed up by retailers, consumer marketers and the industry, with cigarette maker Philip Morris saying its information showed no drop in demand.

Australasian Association of Convenience Stores chief executive Jeff Rogut said sales by his members grew by \$120 million or 5.4 per cent last year. "Talking to members, one of the most

common refrains they get from people coming into stores is, 'What are your cheapest smokes?'" he said.

The federal budget forecasts tobacco excise to continue rising from \$7.85 billion in 2013-14 to \$10.98bn in 2017-18, with excise increases scheduled for the next three Septembers.

Mr Rogut said with the move to lower priced products. "people are coming back more often".

Several submissions to a federal parliamentary inquiry into plain packaging three years ago warned the move would have unintended health consequences or have little or no benefits.

In the wake of the introduction of plain packaging, and the hike in the tobacco excise, 21-year-old Brisbane finance worker Dunja Zivkovic said she has switched to a cheaper brand and smokes more. She said none of her friends had quit in the wake of the policy change.

Both Ms Zivkovic and her friend and fellow smoker, 32-year-old Gertrude Sios, insist plain packaging does not work as a deterrent.

"If someone is addicted to smoking, they'll spend their last \$12 on smokes, not food," Ms Zivkovic said. Geoffrey Smith, the general manager of consumer products at Roy Morgan Research, said plain packaging was "not having much impact". "It's causing a shift towards lower priced product rather than 'I'm stopping smoking'," he said.

Neither Ms Roxon nor Tanya Plibersek, who presided over the plain packaging policy, would comment on the industry figures.

Opposition health spokeswoman Catherine King said she would rely on data from the Australian Bureau of Statistics instead of the industry.

"Smoking kills 15,000 people annually with social and economic costs estimated (at) \$31.5 billion each year," she said. "The latest ABS data shows smoking rates have been continuing to decline."

But data released in recent weeks by the NSW and South Australian governments show smoking on the rise.

Last year's NSW population health survey, released last month, showed 16.4 per cent of all adults in the state smoke, up from 14.7 per cent in 2011, while in South Australia rates were up from 16.7 per cent to 19.4 per cent over the past year.

The signs of increased smoking echo another Labor intervention into health policy — the 70 per cent tax hike on ready-mixed spirits or alcopops announced in 2008.

Nielsen research found that while alcopop consumption dropped by 30 per cent, there was an overall net decline in alcohol consumption of just 0.2 per cent.

The 2011 parliamentary inquiry into plain packaging found there were concerns that plain packaging would "force manufacturers to compete on price, rather than brand, with the unintended consequence of reducing the price of tobacco products".

British American Tobacco Australia spokesman Scott McIntyre said despite plain packaging, industry sales volumes had increased and the number of people quitting had dropped.

"From 2008 to 2012 smoking incidence, or the number of people smoking, was declining at an average rate of 3.3 per cent a year," he said, pointing to Roy Morgan data.

“Since plain packaging was introduced, that decline rate slowed to 1.4 per cent.”

Sydney convenience store employee Harry Nguyen, 29, backed up the industry assertions.

“Because the government has made cigarettes so expensive, people just go for the cheapest ones,” Mr Nguyen said.

Additional reporting: Sarah Elks, Mitchell Nadin, Rosie Lewis

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