



## **Public Health Amendment (Prevention of Sale of Smoking Products to Underage Persons Bill) 2018**

**Briefing Note:            T21 Economic Analysis by Wells Economics**

### ***Background***

At the request of the Tasmanian Government, Minderoo Foundation and SmokeFreeTasmania commissioned Wells Economic Analysis to undertake an independent analysis of the economic impact on small and medium business in Tasmania of raising the age at which tobacco products can be legally sold to 21 years (**T21**).

The intention of T21 is to increase the sale age from 18 to 21 years over a three-year period while leaving other tobacco control regulations unchanged. The increase would be phased in over a period of three years, increased the sale age by one year, each year, until reaching 21 years of age. The proposal to raise the minimum smoking age for tobacco sales to 21 years has shown to cut smoking rates in young adults, with long-lasting health benefits and reductions in tangible health care costs.

Tasmanian smoking rates are higher than smoking rates for the national population, especially for women over 18 years of age, with the Tasmanian rate of 15.7 percent being 2.5 percent higher than the national average. Likewise, for men over 18 years of age, the difference is 1.0 percent higher than the national average.

Smoking by young people in Tasmania is significantly more prevalent than the national and state rates. In 2017-18, 21.2 per cent of Tasmanian women between the ages of 18 and 24 were current smokers, almost twice the national rate of 11.5 per cent. Likewise, 23.7 per cent of Tasmanian men in the 18 to 24 age group were current smokers, compared to a rate of 20.9 per cent nationally.

Smoking imposes costs on society. For Tasmania, recent estimates of tangible costs (compared to a situation where no one smokes) amount to approximately \$600 million per annum. Likewise, the long run effect of T21 on tangible costs to Tasmania are estimated at \$72 million per annum (a 12% cost benefit), compared to the indicative long-run effect on the small and medium business sector is a reduction in constant-price gross profit of \$3-4m per annum.

### ***Key Findings***

- There were 648 licensed tobacco outlets in Tasmania in February 2020.
- Since 2016, the number of licensed tobacco outlets has fallen by more than 100 outlets.
- 47 were large supermarkets. It is estimated that these outlets – which enjoy volume discounts, lower prices, and offer online sales – account for 60 per cent of tobacco sales in Tasmania.
- 593 were small and medium businesses which account for 40 per cent of tobacco sales (this excludes 8 tobacco wholesalers and vending machines. The economic impact is assessed in terms of the effect of the T21 proposal on gross profit per store.

- In each of the first of three phase-in years, T21 legislation will exclude 18-year-old smokers who would otherwise have had access to tobacco. The minimum sales age then increases by a year until it arrives at 21 years of age. This leads to a reduction of 2 per cent in constant-price tobacco sales by small and medium business. In the fifth year, a fall of 7 per cent is forecast.
- Cuts in gross profits are unevenly distributed across different small and medium business activities. For example, in the first year, the effect of falling tobacco sales on gross profits for the average Tasmanian service station is \$830, rising to \$2650 per annum in the fifth year.
- The gross profit impact on mixed businesses and small supermarkets varies from \$1,220 in the first year, rising to approximately \$4,000 in the fifth year.
- In comparison, for the four remaining specialist tobacconists in Tasmania, the average effect is larger at \$8488 per store in the first year rising to \$27,105 per store in the fifth year.
- Details of the gross profit impact on small and medium (SME) businesses by segment is found at [Table 6.1](#). In overall terms, the estimated annual impact on SME gross profitability varies from \$450,000 in the first year, rising to approximately \$1,450,000 in the fifth year.
- An indicative long-run effect for the small and medium business sector is a cut in constant-price gross profit of \$3 to \$4 million per annum. This is much less than a conservative estimate of the long-run effect of T21 on tangible costs to Tasmania, of \$72 million in benefit per annum.

<b>Table 6.1 Simulated Impact of T21 on Small and Medium Business</b>					
Fall in annual gross profit per store					
	2021	2022	2023	2024	2025
Tobacconist	\$8,488	\$17,105	\$25,983	\$26,526	\$27,105
Mixed business	\$791	\$1,595	\$2,434	\$2,473	\$2,527
Small supermarket	\$1,220	\$2,459	\$3,736	\$3,814	\$3,897
Petrol station	\$830	\$1,672	\$2,541	\$2,594	\$2,650
Other	\$292	\$588	\$893	\$912	\$931
Total (\$m)	\$0.45m	\$0.91m	\$1.39m	\$1.41m	\$1.45m