

**EDUCATION AND HEALTH STANDING COMMITTEE**

**INQUIRY INTO THE TOBACCO PRODUCTS CONTROL AMENDMENT  
BILL 2008**

**TRANSCRIPT OF EVIDENCE TAKEN  
AT PERTH  
MONDAY, 16 FEBRUARY 2009**

**SESSION FIVE**

**Members**

**Dr J.M. Woollard (Chairman)**

**Mr P. Abetz**

**Mr I.C. Blayney**

**Mr J.A. McGinty**

**Mr P.B. Watson**

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**Hearing commenced at 2.45 pm****SAMIA, MS NATHALIE****Group Manager, Government Relations, Woolworths Ltd,  
examined:****BRINDLE, MR GREG****Supermarket Operator, IGA Canning Bridge,  
examined:**

**The CHAIRMAN:** Good afternoon. On behalf of the Education and Health Standing Committee, I would like to thank you for your interest. The purpose of this hearing is to assist the committee to gather evidence for its inquiry into the Tobacco Products Control Amendment Bill 2008. You have been provided with a copy of the committee's specific terms of reference. At this stage I would like to introduce myself and the other members of the committee present today. I am Janet Woollard; next to me is Mr Ian Blayney and Mr Peter Watson. Hon Jim McGinty will be a few minutes late; he will be with us shortly and he sends his apologies. The Education and Health Standing Committee is committee of the Legislative Assembly of the Parliament of Western Australia. This hearing is a formal proceeding of the Parliament and therefore commands the same respect given to proceedings in the house itself. Even though the committee is not asking witnesses to provide evidence on oath or affirmation, it is important that you understand that any deliberate misleading of the committee may be regarded as a contempt of Parliament. This is a public hearing, and Hansard will be making a transcript of the proceedings for the public record. If you refer to any document or documents during your evidence, it would assist Hansard if you would provide the full title for the record. Before we proceed to your presentation and the questions we have you for you today, I need to ask you a series of questions. Have you completed the "Details of Witness" form?

**The Witnesses:** Yes.

**The CHAIRMAN:** Do you understand the notes at the bottom of the form about giving evidence to a parliamentary committee?

**The Witnesses:** Yes.

**The CHAIRMAN:** Did you receive and read the information for witnesses briefing sheet provided with the "Details of Witness" form today?

**The Witnesses:** Yes.

**The CHAIRMAN:** Do you have any questions in relation to being a witness at today's hearing?

**The Witnesses:** No.

**The CHAIRMAN:** We might let Nathalie commence first. Thank you for your submission.

**Ms Samia:** Sure. Hopefully the committee received the submission we sent through. This is just an overarching presentation.

Thank you, Madam Chair, for the opportunity to appear today at what I understand has been a thorough public hearing and inquiry process. My name is Nathalie Samia; I am Group Manager, Government Relations at Woolworths Ltd, and I am representing the organisation today. Woolworths Ltd is one of the largest employers in Australia. Here in Western Australia, Woolworths employs approximately 15 000 people, and operates over 200 outlets that retail tobacco products, including Woolworths supermarkets, Big W stores, petrol stations and liquor stores. As a leading employer, we are committed to preventive health measures that will assist the everyday

lives of our employees and the broader community. Internally, we offer quit smoking programs and health programs to support our staff. As a leading retailer in Australia, we recognise the role we can play in limiting access to, and visibility of, harmful tobacco products. Woolworths supports the efforts of the Western Australian government to reduce the take-up rate of smoking in Australia. We also believe that good health outcomes should be universal, as should the regulations to prevent tobacco-related harm. As a national retailer, we are continually challenged by the varying and inconsistent regulations between the states and territories. We recognise however that this challenge is one that is shared with many others. At the state level, Woolworths believes that consistent tough retail regulations that apply to all retailers of tobacco, from the convenience store to the larger supermarkets, will deliver the best health outcomes for the people of WA. We take our responsibility for doing the right thing for the community very seriously. It is our view that consumers should receive the same tough message regardless of where they purchase tobacco. We encourage the Western Australian government to initiate discussions with its state and territory counterparts to create a national regulatory framework that will achieve the best outcomes for Australians. Thank you.

[2.50 pm]

**Mr Brindle:** Firstly, if I might just say, my comments are very much related to my personal businesses and in no way do they reflect the opinion of Metcash or IGAD as distributors of cigarettes that we sell in our supermarkets. I would like to say that I own the Canning Bridge IGA in Applecross, along with the Rottneest general store, the Geordie Bay store and the surf shop over at Rottneest. They are my current retail shops, along with Liquor Barons, Applecross, which is connected to the IGA. For the past 25 years I have had a variety of retail stores, both at supermarket and liquor store level, and during that stage have sold cigarettes in all of those outlets. Another business of ours, which I think might be of interest to the committee, is that in November of last year we took an old IGA store in Applecross, we refurbished it and we set it up as a specialty supermarket. Along with a whole range of initiatives in that store, one of the initiatives was that we would not sell cigarettes. The other topical one is that we do not use plastic bags; we use only paper bags. Those are two interesting initiatives. Along with that, we have given the shop quite a green feel and it is quite organic, we have taken a more responsible position environmentally and we have a lot of community activities happening. We have tried to put a different twist on retailing with a view to perhaps trying to get a competitive edge over the Woolworths of this world.

The two things that have been of most interest to the consumer have been the decision not to sell cigarettes and the decision not to use plastic bags. It is fair to say that as a retailer we were really looking for some commercial benefit out of this. It was not just about saying that we are not going to sell cigarettes because we think it is a good thing to do, albeit we do think it is a good thing not to sell cigarettes. We were really trying to put a commercial bent on it. We were hoping that the sales that we would sacrifice and lose as a consequence of the decision not to sell cigarettes would be offset by the good will that we would generate as a result of not selling cigarettes. We are kind of hoping that people in the community, along with all the other things we are doing, are going to say, "These guys are actually pretty responsible citizens, and the decision not to sell cigarettes and not to use plastic bags are a good reason for me to support them as opposed to supporting some other retail operation." I think that is something worth considering. I certainly wonder whether there are opportunities to expand that concept, because it is all well and good for us to introduce the initiative but it would be useful if we had support in promoting it. The plastic bag thing is quite easy, because whenever you walk into the supermarket you get a really flash little paper bag, which is just a whole lot better alternative than plastic, so it is very obvious. The cigarette thing is not so obvious, because they are just not there. I wonder about the opportunities for us if there is an opportunity to encourage retailers to not sell cigarettes in return for some other form of incentive or whether there is some opportunity to market the fact that there are people out there who are making a conscious decision not to sell cigarettes.

**Mr J.A. McGINTY:** When did you do it and what has been the response for your business?

**Mr Brindle:** We opened the refurbished supermarket in November, and the public response has been very good, albeit the response to the paper bag thing has been stronger than it has been to the cigarettes, but certainly whenever it comes to people's attention that we are not selling cigarettes, there is a general sense that it is a pretty damn good thing to be doing. That works quite well. It is just a question of whether there are opportunities to expand and develop that and could there be some other form of, as I said, incentive or alliance formed for groups that actually actively want to stand up and say, "We don't sell cigarettes."

**Mr J.A. McGINTY:** Can you quantify it in terms of profit or detriment or not?

**Mr Brindle:** I actually cannot, but I would say this: the decision to sell cigarettes or not sell cigarettes does depend I think a lot on the demographic that you operate under. This particular supermarket is in Applecross.

**Mr J.A. McGINTY:** It is also on Canning Highway.

**Mr Brindle:** No. Interestingly enough, that is actually the IGA. The IGA is on Canning Highway. This store that we have refurbished is in the heart of Applecross and it is now called the Good Grocer, so it is a separate store. We have taken the IGA banner down and we are operating as a specialty supermarket under our own brand, which is called the Good Grocer. Certainly, under the old format when it was an IGA, cigarette sales were about four per cent of our sales. What we are really hoping is that the net benefit for us would be some improvement on that; so we will lose four per cent of the sales and ask how we can generate additional sales. We are comfortable that we are on the right track and we think it is a positive initiative. We can do it because it is not under the IGA banner.

**Mr I.C. BLAYNEY:** Have you got a big sign up there that says, "Sorry, we don't sell cigarettes"?

**Mr Brindle:** Yes, we have. It is not a big sign, but we certainly have a sign. We have all sorts of mission statements around the place, talking about the responsible position we are taking on a range of issues. Certainly, our advertising talks about "yes, we do this; yes, we do this; and no, we don't sell cigarettes and we don't use plastic bags".

**Mr I.C. BLAYNEY:** If you are a non-smoker and you walk in there, you would not know.

**Mr Brindle:** You would not see it. It is not in your consideration.

**Mr P.B. WATSON:** I do not know. I am a non-smoker. I think it would be a good thing.

**Mr Brindle:** I think it is a good thing, but I am just saying that we might need some assistance in raising awareness about it.

**Mr I.C. BLAYNEY:** You might go in there and not realise they do not sell cigarettes, because you are not going in there to buy them.

**Mr P.B. WATSON:** What size are the paper bags? Do they cost a lot? Do you provide them for free?

**Mr Brindle:** We actually provide them for free, but it is a pretty serious expense. Again, you have to think about the benefit and what sort of residual benefit there is to it and what alternative business you are generating as a result of making that decision, but to put it into real terms, the standard plastic bag that you get in a supermarket costs somewhere in the order of 1c to 1.3c and these paper bags, which are a little bit bigger in size and well-structured with a gusset, are 18c, so it is a significant difference. As part of our whole approach we are talking about recycling and encouraging people to use these bags. We have a non-woven alternative product for people to use on a recycle basis. That has been quite effective in minimising the use of bags overall. Of course, part of our policy is that we are trying to reduce packaging at every level, not that we are talking about packaging today. I think what we are doing at the Good Grocer is of interest. In the IGA

supermarket we are compelled to a large degree by IGA's policy on these matters and, of course, IGA still have a promotion program for cigarettes. Under the terms of our franchise we are compelled to tie up to the promotional program, so it would be quite difficult for us to eliminate cigarettes within the IGA franchise at this stage. With that having been said, we just continue to work within the existing rules. We have seen some considerable reduction in sales of cigarettes over the past five years. I suspect a large round of initiatives in '06 probably played a part in that.

**Mr P.B. WATSON:** You talk about the marketing. In Woolworths or Coles as soon as you walk in you can see cigarettes at the front. Is it the same with IGA? I know that in the one at Albany they are at the side, but in Woolworths and Coles they are dead set centre.

**Mr Brindle:** IGA stores by definition are franchised and independently owned, and it is at the discretion of the owner. In our case the cigarettes are across to one side and not particularly obvious, but that is our business. We talk about cigarettes sales as a percentage of our total sales. Interestingly enough, at Rottnest we had a fairly large profile of cigarettes. You are a keen Rottnest man and you would remember the general store.

**Mr J.A. McGINTY:** It is in my electorate. Thank you.

**Mr Brindle:** You would know that at the central kiosk cigarettes were quite dominant in our display. Five years ago cigarette sales represented eight per cent of our sales within that store and today they represent five per cent of sales in that store, so it is a significant reduction in eight years. I would suspect that a large proportion of that has to do with the fact that we have not got that large central display of cigarettes and they are now under the counter. You would have to think that has had some effect.

**The CHAIRMAN:** The ban on the space available for the advertising has had an effect.

**Mr Brindle:** I believe so. I am sure that generally people are smoking less. I pulled some figures from between our last financial year and five years ago. We have seen a significant reduction in the sales of cigarettes as a percentage of our total sales over that five-year period in the order of 30-odd per cent, so it is quite significant.

[3.00 pm]

**The CHAIRMAN:** It would appear to me, Nathalie, from your submission, that provided there is a level playing field on banning advertising of cigarettes at the point of sale, you are supportive of this bill.

**Ms Samia:** I think that is pretty consistent with what we have been saying to various state governments. Obviously, there has been quite a lot of movement in the past few years around this issue. As I said at the outset, our view is that there is obviously a public policy position here. We all have a piece in this and, so long as it is a shared responsibility, that is something we can do. I am not saying there will not be a significant cost. The cost is not just the reconfiguration, but also the labour costs of getting to all our different stores to change them. At the moment, except for that square metre, we have these flaps that you have probably seen.

**Mr J.A. McGINTY:** I was going to ask you what a flipper was.

**Ms Samia:** That is technical!

**The CHAIRMAN:** Did you bring any photos?

**Ms Samia:** I actually do not have any with me, but you can pop in and have a look. In our petrol outlets we have the rollers that you have probably seen, but in our other stores we have spaces about five cigarette packets wide. They are like a flap that you just lift up and take the cigarette packet out of. Instead of lifting up and exposing all of the packets, it is just a small area. You lift it up and it flips back down again. We have that around at the moment, so if you go into one of our stores you will see them. I would welcome you to come into one of our stores and have a look. We could actually roll that out to cover the whole space, but obviously we would need a bit of time.

**Mr P.B. WATSON:** Does that face the counter? The ones you have in Tasmania face the other way, don't they?

**The CHAIRMAN:** Yes.

**Mr P.B. WATSON:** You have a kind of blank thing there, and you take the cigarettes out from behind.

**The CHAIRMAN:** They have a drawer system, and they have the cupboards at the top, whereby the community can just see a cupboard, which opens from the other side.

**Ms Samia:** As you know, a lot of our retail outlets have a service counter, or somewhere, where you can buy telecommunications things like mobile recharges and a whole bunch of other things as well as cigarettes. To be perfectly frank, the fastest and cheapest way we could deliver this outcome would be just to extend those flaps along from where we have them to take in that one square metre that is currently exposed. If we had to reconfigure it to move the cigarettes underneath the counter, that would involve a considerable amount of money and time, and I am not sure whether you would necessarily get a significantly improved outcome from a public health perspective. Potentially, it will take longer as well.

**The CHAIRMAN:** I believe that, in the smaller grocers, the advertising and the stands are actually paid for by the tobacco companies themselves. Is that the same with Woolworths, or do they not offer you the same incentives that they offer the small operators?

**Ms Samia:** In terms of advertising?

**The CHAIRMAN:** In terms of the stands that they provide for the cigarettes.

**Ms Samia:** I could not tell you categorically on everything, but I am pretty sure that most of the stuff that we would have would be part of our own system, but I can find out for sure. I guess the thing is that if we were going to move towards covering up the cigarettes, the advertising would be covered up anyway, except for when the flap is lifted up for that moment.

**Mr J.A. McGINTY:** In other words, are you saying that the tobacco companies would not be interested in paying to cover something up?

**Ms Samia:** No, I do not think they would.

**Mr J.A. McGINTY:** I think that is most of the answer to the chair's question.

**The CHAIRMAN:** The question was also about whether the tobacco companies have in the past paid both the bigger stores and the smaller grocers for the point-of-sale stands or whatever, for the cigarettes.

**Ms Samia:** I think the actual stands themselves are very much configured within our stores. Because we have to do it with so many different locations, often we do a lot of the fit-outs and things ourselves.

**The CHAIRMAN:** So you have had no subsidies from the tobacco companies?

**Ms Samia:** As I said earlier, I could not tell you categorically, but I could find out for you; it is not a problem.

**The CHAIRMAN:** That would be very useful.

**Mr Brindle:** The cigarette companies were cooperative when we reduced the display cabinets down to one square metre; they were certainly happy to cooperate in that regard. Your point is a valid one. My suspicion is that at the end of the day, they probably would be prepared to help. Similarly, I would imagine that Woolworths may have its own corporate image that it wants to create there, and may not want the assistance of the cigarette companies, but I would be very surprised if the cigarette companies were not offering Woolworths all sorts of incentives in all sorts of ways. I am sure that if you took it with one hand, you would get it from the other somewhere.

From an independent's perspective, we would not have too big a problem with your initiative in this proposed amendment, provided that it was very clearly understood that the level playing field would be maintained, whether that be done on a national or state basis. I guess from our micro-climate and a state perspective, we would just be very conscious that it had to be applied equally and evenly, because we certainly would not want to see any further shift in market share across to the Coles and Woolworths of this world. With that proviso, I cannot see any problem. It is no great imposition to IGA-type retailers in introducing your amendment.

**Mr I.C. BLAYNEY:** You are based in New South Wales are you not?

**Ms Samia:** That is where our head office is. I am based at our head office.

**Mr I.C. BLAYNEY:** Somewhere in the stuff that we were reading there is some information about specialist tobacco retailers that have their own shops that you cannot see into when you walk past—that sort of thing.

**Ms Samia:** The tobacconists, yes.

**Mr I.C. BLAYNEY:** Are there quite a few of those in New South Wales?

**Ms Samia:** There are a few, yes.

**Mr I.C. BLAYNEY:** What is your feeling about them? Only adults who smoke would want to go into those places. Do you think that they should be in the same position with the flippers and all the rest as you are, or can you accept that since only adults can go in there, you would have no objection if they could have advertising stuff on their walls?

**Ms Samia:** Clearly, that is a matter for the government to decide, and obviously your inquiry is looking at that. Our general principle has always been that if we as a community with shared responsibilities see this as a public health issue, then the format in which it is delivered should not matter. I am absolutely mindful of the fact that the implications for different companies of different formats could potentially be significant. When you see a transformation of different industries, that is a natural process that happens whenever you have public policy that is entering into these kinds of the areas. It is obviously a matter for you, but I guess our general principle is that we should look at what the health outcome is.

**Mr J.A. McGINTY:** I agree with your analysis there. We currently allow an exemption to tobacconist stores. I think there are only eight of them in Western Australia.

**Mr P.B. WATSON:** There are 80 Australia wide.

**The CHAIRMAN:** Yes, but there are eight or 10 in Western Australia.

**Mr J.A. McGINTY:** There are a very small number. I am just wondering what the public policy should be, because the only reason you would go into a tobacconists store is to buy tobacco products. If that is the case, I am struggling a little bit to understand why you should not be able to display them, whereas in a supermarket a completely different range of opportunistic purchase issues and things of that nature, along with exposure to children, arise. Do you have a view on that? I understand that you want the same rules to apply to everyone.

**Ms Samia:** Whenever you look at matters of public policy like this, it is about striking the right balance. I understand that; I think you have to be practical about that, in terms of transforming industries, but there are other things that we do pretty well as a national retailer. Because of our size and our corporate programs, we can do some pretty great training programs. In a retail environment, whether you are large or small, turnover is a really big deal. It is a challenge that we all face—the compliance challenges and the constant retraining. I think that sometimes some of the smaller retailers would find that challenging as well. That is the other thing you might want to think about as part of your deliberations.

[3.10 pm]

**Mr J.A. McGINTY:** If I can put it this way: from a Woolworth's perspective, can you explain the argument against tobacconists displaying their products inside their shop?

**Ms Samia:** I have heard that the New South Wales Cancer Council is concerned about those high-risk people—I am not sure of the correct technical term—who make last-minute impulse decisions to buy cigarettes. Those people tend to go into the smaller retail formats and possibly the tobacconists more than they tend to go into an IGA or a larger format supermarket. I can provide you with details of some of the studies that have been done. Those identified as at-risk include people under the age of 18 who know that if they come into a Woolworths or large format store they will likely be confronted with a rigorous purchase process. People generally do not come into our store to buy only cigarettes—they will buy other things also; that is, they shop and buy their cigarettes as part of the total mix.

**Mr J.A. McGINTY:** Yes, okay.

**The CHAIRMAN:** Under the current legislation, section 23(1) "Defences in relation to certain display requirements" states that —

*50% retailer* means a person who conducts a business selling tobacco products by way of retail sale if —

...

- (b) 50% or more of the average gross turnover of the business for the financial year 2004 to 2005 was derived from the sale of tobacco products;

In some areas the 50 per cent retailer is competing against other supermarkets in the area that sell tobacco. We know that if we close one door, the tobacco companies will look to see where they can slip in next. Although we only have eight suppliers in WA at the moment, what is to stop that number from increasing overnight if we allow that loophole in the legislation? I would be reluctant to give them that loophole.

**Mr Brindle:** I do not think a specialist tobacconist supplier is a problem—provided the cigarettes are not visible from outside the shop—because it is a destination venue; that is, one that is not likely to influence purchasing. Spending is discretionary in that someone has deliberately gone there to buy cigarettes. I think it is probably reasonable for that retailer to expect to be able to display those wares. My concern—as alluded to by Janet—is that although there may be 10 suppliers in Perth at the moment, you would not want a situation in which there was 100 suppliers in two years.

**Mr J.A. McGINTY:** I agree.

**Mr Brindle:** I am not sure how, but if you were to close down or slow down other retail outlets, you may in fact create an opportunity for more of these specialist tobacconists. Although the situation is okay at the moment, I would be fairly guarded about how I would go about protecting that position.

**Mr P.B. WATSON:** They are definitely putting a lot of cigarettes into petrol stations because they can be seen as you drive in to the station. There is no advertising, but you can see the cigarettes in the window. That is a concern.

**Mr Brindle:** Yes; I think that is a concern.

**The CHAIRMAN:** The director of ASH Australia showed us some photographs from South Australia where SmokeSmart has now taken over a lot of the garages. Anyone going in to pay for petrol is effectively walking into a tobacconist. It is that definition and I just —

**Mr Brindle:** That is a very pertinent question.

**Mr P.B. WATSON:** It is a bit like Woolworths and Coles.



**The CHAIRMAN:** I am very pleased with your responses. Mr Brindle gave us the percentages and to ensure a level playing field I am interested in any research that you may have conducted in terms of smokers and any statistics that you may have about cigarette consumption five years ago and, for example, 12 months ago? Have you seen a difference?

**Ms Samia:** I do not have any figures with me but I can find the answer from a Western Australian perspective. I can try to find out—if it would be of use—what it looks like in some of the different formats because, clearly, we have different formats. I can try to find that out and get the information back to you.

**The CHAIRMAN:** That would be very useful. The number or range of products was mentioned during the hearings last week. It is similar to a pharmacy in the way that you can buy panadol for migraine and panadol for this, that and something else. Because the tobacco companies have used advertising, they have brought out all these different packages. I just wonder whether you might have some statistics on the number of cigarettes—because we have not looked at that previously—that the different companies put out for sale —

**Ms Samia:** Do you mean in terms of the range and whether the range has increased?

**The CHAIRMAN:** Yes, in terms of the range.

**Ms Samia:** I can find out for you. I guess it is about not only whether the range has increased, but also the space we have available and what cigarettes we, the retailer, have decided to stock.

**The CHAIRMAN:** I think we have been lucky in WA. Because of the measures that were introduced in terms of the display area, we have cut back —

**Ms Samia:** Yes, sure.

**The CHAIRMAN:** This legislation specifically looks at banning smoking in cars when children are present, point-of-sale advertising and smoking in alfresco areas. However, we will possibly make some recommendations about the measures we believe need to be introduced at a federal level. On the basis of the comment made last week, it will be interesting to see if there has been an increase or decrease in range.

**Mr Brindle:** From an independent retailer's perspective, I certainly think the product range has decreased as a consequence of the one-metre-square display allowance; if only because there is a limit to how many cigarettes will fit. Certainly the days when Winfield used to produce 10 different variants from one milligram up to 10 milligrams appear to have gone. However, I am not sure whether Winfield still produces those variants or whether retailers have chosen—as I suspect we do—to rationalise the range because of the economy of space.

**The CHAIRMAN:** From what Mr Brindle says, if this is introduced across the board it will be disadvantageous to neither the smaller grocers nor the larger grocers.

**Ms Samia:** I think the key is consistency across the board. It is critical that there is no competitive advantage or disadvantage.

**Mr Brindle:** Yes, I agree. It is important that we do not allow those sales to drift off somewhere else. From an independent supermarket's perspective—I am talking about cigarette sales as a percentage of total sales—I suggest that sales vary from perhaps one per cent through to perhaps as high as 20 per cent of the total store sales. At the 20 per cent or top end, these decisions can have quite an effect on the viability and profitability of businesses. Consequently, we need to think about how the decisions impact on the retailer. Furthermore, as part of that process—particularly for the guys at the top end—there needs to be fair consideration given to how they can actually replenish and restock and do all those sorts of things. Retailers need to be able to open up the cabinet at some stage to physically restock it. At the time the cabinet is open, cigarettes would be visible to the public. We need to think about these issues from a practical perspective. Retailers cannot keep

putting cigarettes back through the flap they come out of because it will take forever. These sorts of issues need to be managed, or will certainly, I think, be seen as an imposition by some retailers.

**Mr I.C. BLAYNEY:** Where do you say the stores with a 20 per cent of total sales are located?

**Mr Brindle:** Generally speaking, the blue collar areas have much stronger smoking populations.

**Mr J.A. McGINTY:** Go down to the Kwinana Hub and Mirrabooka Fair.

**Mr I.C. BLAYNEY:** Don't worry, a couple of parts of Geraldton would be well up there!

**Mr Brindle:** Yes; there is considerable variation from suburb to suburb.

**Mr I.C. BLAYNEY:** There is a lot.

**Mr Brindle:** Yes. At 20 per cent, cigarettes become quite a profit centre for some of those top end guys, especially in terms of the occupied space. Cigarette sales are quite efficient because a relatively small area—that is, one metre square—is dedicated to them. Given the high unit cost of a packet of cigarettes, at \$12 or \$14, suddenly a fairly small area generates a significant portion of turnover and therefore a reasonable portion of profit.

[3.20 pm]

**Mr I.C. BLAYNEY:** The cigarette companies bring in a new brand and capture a generation with that brand, which goes through with them. As they all start dropping off, the brand drops off. They do not do that as much as they used to though, do they?

**Mr Brindle:** I would assume that is a consequence of their inability to advertise those products in the same way they used to. Those products were supported by radio, television and newspaper advertising. The tobacco companies had an opportunity to build a brand. Of course, the opportunities to brand them have gone now, which is a good thing. Your point is valid, but there is not that new generation of cigarette coming through because of the inability of the tobacco companies to build a brand.

**Mr P.B. WATSON:** You talked about the percentage of your turnover. Do cigarette sales generate a high profit?

**Mr Brindle:** No, they do not. The independents generally take a reasonably acceptable margin out of it. Probably Coles and Woolworths are more aggressive in their pricing of cigarettes. Generally speaking, independents take a reasonable margin out of it, but that would be less than the overall margin that the independent stores derive. It is probably in the order of 60 per cent of the overall margin that cigarettes generate.

**Mr I.C. BLAYNEY:** I know of two men's hairdressers in Geraldton that used to sell cigarettes. I have noticed in the past few years that cigarettes are not sold there anymore. I asked the hairdressers why they do not sell them anymore and they said it was because they got broken into too often and the cigarettes got stolen because of their relatively high value. They did not think it was worth the trouble selling them.

**Mr Brindle:** That is a very valid point. Another point is the discounting of cigarettes. As I said, Coles and Woolworths are significant discounters of cigarettes. A person could possibly pay \$10 or \$15 a carton less by buying it at an aggressively priced Coles store—I will go easy on Woolworths—as opposed to a middle-of-the-range independent store. For a hairdresser to sell cigarettes over his counter, he would need to retail them at a price that the average consumer could not relate to. The consumer would ask why he should buy a packet of cigarettes for \$15 when it could be bought for \$8 somewhere else. Certainly there are plenty of signs on retail shops saying that no cash or cigarettes are kept on the premises.

**The CHAIRMAN:** Although this is not a conflict of interest, I should point out for the record that I am one of Mr Brindle's customers, just as he is one of my constituents. Before he implemented this

trial, Mr Brindle held meetings with community members and discussed this very issue with the local community, which was very keen on implementing these measures.

**Mr Brindle:** Yes. Of course, we are talking about the decision at The Good Grocer to not sell cigarettes at all. There is an opportunity to develop that within the whole platform of trying to discourage smoking. I assume that the legislation is to reduce the access of cigarettes to those sectors of the community who are most vulnerable. The best way to do that is to not sell them. If we can come up with opportunities or reasons why retailers should not sell cigarettes because we can offer a genuine alternative for them and convince them of the ulterior benefits that would outweigh the loss of selling cigarettes, it will be in their interests.

**Mr P.B. WATSON:** There could be fewer break-ins.

**Mr Brindle:** Yes.

**The CHAIRMAN:** One of the committee members, who is not with us today, suggested last week during a hearing that we should possibly have a time frame whereby no stores would be allowed to sell cigarettes and that cigarettes would have to be purchased with a prescription from a pharmacy.

**Mr P.B. WATSON:** That was over a 10 or 15-year period.

**Mr I.C. BLAYNEY:** I find it ironic that someone would have to go to a pharmacist to buy cigarettes!

**Mr Brindle:** Was it a pharmacist who suggested that? That is a surprise!

**Mr P.B. WATSON:** I think his son is training to be a pharmacist.

**The CHAIRMAN:** Smoking is an addiction. People with other addictions have to go to a pharmacy to get a dose of drugs.

**Mr J.A. McGINTY:** In Western Australia, about 15 per cent of people smoke.

**Mr P.B. WATSON:** At a dinner party of 12 or 15 people, quite a few people will have given up smoking. The two or three people who are smoking will be ostracised or people will ask them to smoke outside. Hopefully, if we can reduce the number of people who smoke to a low enough number, peer pressure will push a large majority of them away.

**The CHAIRMAN:** Nathalie, Greg knows that I think he is wonderful because of what he has done at the Good Grocer, and I am very pleased with that. Are you aware of the fact that when the Tasmanian Parliament decided to enact similar legislation, Coles came on board very early on in the piece before the sale of cigarettes was banned from the point of sale, and it has already put its cigarettes under the counter. I wonder whether in WA, Woolworths might like to be that trendsetter and whether you might take back to your head office the idea that you go first. I certainly would be willing to acknowledge and credit you for the work that you would do on behalf of the community. You might want to look at the fact that Coles has done that in Tasmania and at what it got from the community because of that. Maybe Woolworths could be the first to do that in WA.

**Ms Samia:** I am happy to take on board any ideas you might have. From our perspective, Woolworths likes to see itself as a leader. It tries to have best practice in terms of training and compliance and the things we do for the community. There is no question of that. However, there are obviously some cost and time implications. We will just have to balance that out. We will definitely be happy to take it on board.

**Mr Brindle:** I am prepared to say to the committee that if Woolworths is prepared to make that commitment, I will make sure that my three stores will follow suit!

**Mr I.C. BLAYNEY:** Do you think IGA will release you from your agreement?

**Mr Brindle:** That is a very good question. I suspect that the answer is possibly no.

**Mr I.C. BLAYNEY:** I suspect that, too.

**The CHAIRMAN:** If Woolworths were willing to do this, I think that certain members of Parliament could probably approach IGA and say —

**Mr Brindle:** Stepping back a moment, Mr Blayney's question was whether IGA would allow me to stop selling cigarettes, and the answer is no. However, I do not think IGA would have any control over whether I chose to put the cigarettes under the counter. I could make that decision, but I do not think I could make a decision to stop selling cigarettes.

**The CHAIRMAN:** That is what we would be after. Natalie, if you took this back to Woolworths and said, "We could be the first. Look at the publicity we could get in WA and nationally," —

**Ms Samia:** We are probably not driven by publicity so much. We have certain expectations. We have to provide our customers with their everyday needs. We also have to weigh that up with the competitive issues. Would we want to introduce something today that then just meant a whole lot of smokers bought their products from somewhere else? That is probably not the best health outcome. We will need to weigh that up. That is why the imperative is to move quickly but to move together.

**The CHAIRMAN:** We could have people standing outside the other supermarkets holding placards with the skull and crossbones.

**Mr J.A. McGINTY:** By way of conclusion, I congratulate Mr Brindle on what he has done. It is fantastic. Also, I recently attended the opening of the newest Woolworths store in Western Australia and was very impressed because I did not know the efforts that Woolworths went to in respect of providing healthy food options and things of that nature. It is very impressive to see it laid out there. Well done to both of you.

**Mr P.B. WATSON:** It is pretty hard to beat the old smoothie! Thank you very much. I have got a lot from your presentation today.

**Mr I.C. BLAYNEY:** As have I.

**The CHAIRMAN:** Would you like to say any final words?

**Ms Samia:** I will follow up some of the statistics that the committee wanted and if there is anything else, please let me know because I am happy to help.

**The CHAIRMAN:** Will you follow up going first in WA?

**Mr Brindle:** Thank you very much for the opportunity for coming along.

**The CHAIRMAN:** Thank you for giving evidence before the committee today. A transcript of this hearing will be forwarded to you for the correction of minor errors. Any such corrections must be made and the transcript returned within 10 days from the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript. Thank you.

**Hearing concluded at 3.30 pm**