



POLICY BRIEF: TOBACCO CONTROL

Large retailers' pricing practices are diluting the effectiveness of tobacco tax policy in Australia

Bayly, M, Scollo, M, Wakefield, M. Evidence of cushioning of tobacco tax increases in large retailers in Australia. *Tobacco Control*. 2021. doi: 10.1136/tobaccocontrol-2020-056385.

Scollo, M. Supermarket pricing practices may be blunting health benefits of tobacco tax increases in Australia. 2021. The Australian Prevention Partnership Centre, Cancer Council Victoria and Cancer Council Australia.

The issue

- In countries such as the UK, there is evidence that the tobacco industry minimises the impact of tobacco taxation by gradually increasing prices of tobacco products over several months.ⁱ This practice is known as 'cushioning'.
- 'Cushioning' can mean that fewer consumers are deterred from quitting or cutting down on their consumption of tobacco products, which reduces the impact and effectiveness of tobacco taxation and price increases.
- Through our research, we found evidence of similar 'cushioning' practices among Australian retailers that are diluting the effectiveness of tobacco tax policy in Australia.

Background

- Tobacco use in Australia has a significant health burden and economic cost: it causes the deaths of over 20,000 Australians per year, and AUD \$137 billion in economic costs to governments, businesses and communities^{ii,iii}
- A large body of Australian and international evidence demonstrates that taxation is the most effective and cost-effective tobacco control measure for governments to implement^{iv,v,vi}
- Large price rises have a greater effect on reducing consumption than smaller and more gradual increases^{vii}
- Australia indexes its taxation (excise) on tobacco products bi-annually in March and September, in line with increases in Average Weekly Earnings. Since 2013, Australia has also applied an additional annual 12.5% increase in excise duty to tobacco.^{viii}



- Tobacco tax increases have been the most important factor driving reductions in smoking in Australia.^{ix,x} Tobacco taxation saves lives and generates substantial revenue for spending on health services and programs.

Policy

recommendations

Australian Government
Amend federal legislation to require:

- Wholesalers to limit sales from January to February and July to August so they do not exceed sales in earlier months, which will prevent retailers from stockpiling products purchased before the tax increase
- Retailers to increase prices of tobacco products only twice annually, within a time-limited period immediately after the bi-annual excise increase between March and September each year
- Wholesalers to provide government with detailed information on products, prices and retail sales.

State and territory governments

- Make adherence to each of these laws a condition of acquiring and keeping a license for wholesale or retail tobacco.

Our research

- Over a three-year period, we conducted monthly checks of the advertised prices of tobacco products across two stores of Australia's largest supermarket chains.
- Published in the international journal *Tobacco Control*, our research found evidence of Australia's largest supermarkets engaging in practices that 'cushioned' the impact of tobacco tax increases for consumers.
- Although large tax increases came into force on 1st September of each year, the supermarket prices of many factory-made cigarettes and roll-your-own tobacco products increased in October as well as in September, spreading the impact of the tax increases over two months. Indexation of tobacco taxes on the 1st March each year for many products similarly was passed on gradually over the following two months.

Implications of this research

- Practices such as 'cushioning' are undermining Australia's robust tobacco control policies.
- Federal, state and territory governments need to take swift, decisive action to prevent this practice. Such action would reduce smoking and reduce the significant health burden and economic costs of tobacco-induced deaths and diseases.



Interested in finding out more? Contact Michelle Scollo at: Michelle.Scollo@cancervic.org.au or contact The Prevention Centre: preventioncentre@saxinstitute.org.au.

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preventioncentre.org.au

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^{vi} National Cancer Institute. A Socioecological Approach to Addressing Tobacco-Related Health Disparities. Bethesda, US: Division of Cancer Control and Population Sciences, National Cancer Institute; 2017, Monograph 22.

^{vii} Tauras JA, Pesko MF, Huang J, Chaloupka FJ, Farrelly MC. The effect of cigarette prices on cigarette sales: exploring heterogeneity in price elasticities at high and low prices. Cambridge, US: National Bureau of Economic Research; 2016, Working Paper 22251.

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