

31 July 2018

THE TOBACCO BILL IN ITS CURRENT FORM

Impact on a retailer selling tobacco and/or tobacco products

1. **Clause 3** - Ban on display of tobacco products in retail outlets

For the retailer this will mean that you cannot display the cigarettes behind the cigarette counters. The cigarettes will have to be hidden out of sight under the counter or in a cupboard out of sight of the consumer. The consumer will have to come to the counter and request the brand that they require. This implies that once the bill is enacted all cigarettes kiosks in its current form will have to be broken down and plain stands erected with absolutely no branding. This will lead to further costs for the retailer as this area will now have to be revamped.

2. **Clause 4** - Enforcement of Plain packaging tobacco products

On the face of it this does not appear to be an issue for the retailers as they merely sell the cigarette products and don't design the packaging. However, the consequences of this to the retailer is that now due to the ban on displaying of products as outlined in Point 1, all cigarettes will have to be stored out of site. Can you imagine the task of the person manning the kiosk now who opens that cupboard to find all the packs look the same with only a small line at the bottom stating what brand it is? The already long lines will be further extended now that the person at the Point of sale cannot identify the brand easily. You may even have to employ more staff to man these POS counters.

3. The further unintended consequence for the retailer regarding plain packaging as in **Clause 4** above is that the retailer will find it difficult to identify whether they are selling legal or illegal tobacco products. Illicit trade is a problem that is crippling the tobacco industry with now close to 40% of the tobacco trade being illicit, causing a loss of over R7 billion to SARS every year. There is a serious reputational risk as well that needs to be considered by retailers should they be found to be selling illegal goods.

4. **Clause 3 (6)** - Ban on vending of tobacco products

Some retailers have vending machines selling tobacco products at their stores and this will no longer be permitted.

5. **Clause 3(4) (f)** – Ban on offering financial or other incentive or reward to a retailer. This is probably one of the most encroaching provisions of the bill as government is now trying to regulate contractual

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business agreements between retailers and manufacturers. Incentives for example are part of legal business practices and is now being criminalized.

6. **Clause 3 (4)** - Ban on sponsorships

Retailers will no longer be able to accept sponsorship or partner with any tobacco manufacture going forward on sponsoring any events or running any competitions.

7. **Clause 11** - The final element of the bill is that there are extremely harsh penalties should the provisions of the bill be breached. Fines and/or imprisonment of up to 3 to 5 years will be imposed on those found in breach.