

Is it time to increase the cost of tobacco licences after 10 years of stagnation?

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Abstract

Objective: Reducing tobacco licences is one potential lever to reduce tobacco-related harms. A 15-fold increase in annual tobacco retailer licence fees in 2007 led to a 24% decline in the number of licences in 2009. This study investigates the changes in tobacco licences over a subsequent decade in the absence of real fee increases.

Methods: The South Australian (SA) government tobacco licencing system databases for 2009 and 2020 were audited, measuring changes in the number and distribution of tobacco and vending machine licences by outlet type, disadvantage, and remoteness.

Results: The number of tobacco licences declined by 33.1% overall. Large reductions were observed in food service venues (65.2%) and hotel/motels (37.2%). In 2020, most licences were in service stations (25.1%), hotel/motels (22.9%), and supermarkets (22.2%). Despite proportional reductions across all disadvantage quintiles, the most disadvantaged areas continued to have the largest number of tobacco licensees. Vending machines declined by 63.6% and remained concentrated in hotels/motels (91.4%).

Conclusions: Since a 15-fold licence fee increase in 2007 effectively reduced tobacco retailers from 2007-2009, the decline since has been incremental.

Implications for public health: Increasing tobacco licence fees is a straightforward and effective measure to reduce tobacco availability and should be re-prioritised.

Key words: tobacco control, tobacco retailers, licence fees, vending machines, South Australia

Background

Tobacco remains the leading cause of preventable death and disease.¹ Despite policy goals of reducing accessibility, limits on the number of stores selling tobacco have never been introduced in Australia, and tobacco products are readily available. Access to tobacco outlets contributes to increased smoking behaviour.² Additionally, smoking cessation efforts are hindered by living near tobacco outlets,³ and unplanned purchases can be prompted by being at store counters that sell cigarettes.⁴

There is growing demand for governments to increase their focus on tobacco retail supply.⁵ Currently, tobacco retailer licencing systems in Australia vary by region. Licencing schemes, which have annual fees (from \$254 [WA] to \$1219 [TAS]) that cannot exceed full-cost recovery and require approval to sell tobacco, operate in all Australian jurisdictions except for Victoria (VIC),

Queensland (QLD), and New South Wales (NSW). In March 2019, the South Australian (SA) licencing scheme was expanded to also cover e-cigarettes.

In January 2007, the SA Government increased the cost of retail tobacco licences 15-fold (from \$12.90 to \$200 annually). Our previous study reported a 23.7% decrease in tobacco licences in 2009, associated with that fee increase.⁶ In the decade since, the annual tobacco licence fee has gradually increased with indexation, reaching \$303 in 2020. It is important to revisit the retail tobacco licencing landscape in SA to evaluate the long-term effects of a relatively stable licence fee following the exit of numerous retailers from the market after the one-off price increase. This study investigates the number of SA tobacco licences in 2020 compared to 2009, the distribution of licences by retailer outlet type and location characteristics (level of disadvantage, remoteness), and whether the licence permits a tobacco vending machine.

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Methods

The 2009 and 2020 SA government tobacco licencing system databases were audited. Licensee records contained a licence number, trading name, address, postcode, outlet type, and vending machine status. Duplicates were removed. Outlet types included: 'food service' (restaurants, cafés, delicatessens, kiosks, convenience, takeaway), 'goods/service retail' (department, hardware, news agencies, hairdressers), 'liquor store/cellar', 'tobacconist/vape store', 'hotel/motel', 'service station', 'supermarket', and 'other' (nightclubs, wine bars, social/sporting venues, caravan parks, entertainment venues, workplaces). Postcodes were used to classify levels of disadvantage using the 2016 Socio-Economic Indexes for Areas (SEIFA) and remoteness using the Australian Statistical Geography Standard Remoteness Structure. χ^2 were used to compare 2009 and 2020 statistically and the distribution of tobacco licences and vending machine operators based on outlet type, disadvantage quintile, and remoteness.

Results

The number of tobacco licences decreased from 2,707 in 2009 to 1,810 in 2020 (-33.1%) (see Table 1). The distribution of licences by outlet type changed significantly from 2009 to 2020. Food service and hotel/motel outlets, which held 50% of all licences in 2009, had the largest reductions (-459 and -246, respectively). By 2020, service stations had become the most common outlet type, increasing by 52 licences. The absolute number of licences in supermarkets was relatively stable (-18), but in 2020 it comprised 22% of all licences, up

from 16% in 2009. Among the less common outlet types, there were increases in tobacconist/vaping store licences (+28) but decreases in liquor stores (-59) and goods/service retail (-74).

Licence numbers decreased across all areas, and the greatest percentage reduction was observed in the central business district (CBD) (-52.8%). Reductions in absolute numbers of licences occurred across all disadvantage quintiles; like in 2009, licences in 2020 were highly skewed towards the most disadvantaged areas.

The number of vending machine operators declined from 544 in 2009 to 198 in 2020 (-63.6%). Significant changes in outlet distribution were also observed. Food service venues and tobacconists ceased operating vending machines entirely. While hotel/motels and other venues more than halved their numbers, the majority of remaining vending machines were in hotels/motels (91.4%).

Discussion

While a significant fee increase in 2007 led to a dramatic drop in licence holding (23.7% over two years),⁶ the difference between 2009 and 2020 was 33%, suggesting only incremental changes following indexation-only price increases. Further analysis of trends was not possible due to the limitations of the live database, which underwent a major upgrade in 2013 and is often updated retrospectively.

Previous studies have found that some retailers report that annual fees contribute to their decision to stop selling tobacco products.^{7,8} Although gradual price increments due to annual indexation may discourage some retailers, large fee increases are more likely to prompt retailers to re-evaluate the sale of tobacco.

Table 1: Characteristics of retailer tobacco licences and vending machine operators, 2009 and 2020.

	Tobacco licences				Vending machine operators			
	2009	2020	Change since 2009 (+/-)	χ^2	2009	2020	Change since 2009 (+/-)	χ^2
	n (%)	n (%)	n (%)	p value ^a	n (%)	n (%)	n (%)	p value
<i>Outlet type</i>				<0.001				0.001
Service station	402 (14.9)	454 (25.1)	52 (12.9)	*	-	-	-	
Hotel/Motel	661 (24.4)	415 (22.9)	-246 (-37.2)		440 (80.9)	181 (91.4)	-259 (-58.9)	*
Supermarket	419 (15.5)	401 (22.2)	-18 (-4.3)	*	-	-	-	-
Food service	704 (26.0)	245 (13.5)	-459 (-65.2)	*	19 (3.5)	0 (0.0)	-19 (-100.0)	*
Liquor store/cellar	141 (5.2)	82 (4.5)	-59 (-41.8)		6 (1.1)	1 (0.5)	-5 (-83.3)	NA
Tobacconist/Vaping store	68 (2.5)	96 (5.3)	28 (41.2)	*	1 (0.2)	0 (0.0)	-1 (-100.0)	NA
Goods/Service retail	94 (3.5)	20 (1.1)	-74 (-78.7)	*	-	-	-	-
Other	218 (8.1)	97 (5.4)	-121 (-55.5)	*	78 (14.3)	16 (8.1)	-62 (-79.5)	*
<i>Disadvantage quintile</i>				0.464				0.995
1 (most disadvantaged)	959 (35.5)	681 (37.8)	-278 (-29.0)		178 (32.8)	66 (33.3)	-112 (-62.9)	
2	543 (20.1)	349 (19.4)	-194 (-35.7)		100 (18.4)	38 (19.2)	-62 (-62.0)	
3	727 (26.9)	450 (25.0)	-277 (-38.1)		174 (32.0)	60 (30.3)	-114 (-65.5)	
4	385 (14.3)	260 (14.4)	-125 (-32.5)		80 (14.7)	30 (15.2)	-50 (-62.5)	
5 (least disadvantaged)	84 (3.1)	60 (3.3)	-24 (-28.6)		11 (2.0)	4 (2.0)	-7 (-63.6)	
<i>Remoteness</i>				0.002				<0.001
CBD	252 (9.3)	119 (6.6)	-133 (-52.8)	*	85 (15.6)	17 (8.6)	-68 (-80.0)	*
Metropolitan	1329 (49.1)	965 (53.3)	-368 (-27.7)	*	243 (44.7)	117 (59.1)	-126 (-51.9)	*
Inner & outer regional	898 (33.2)	574 (31.7)	-321 (-35.7)		192 (35.3)	63 (31.8)	-129 (-67.2)	
Remote & very remote	228 (8.4)	151 (8.3)	-77 (-33.8)		24 (4.4)	1 (0.5)	-23 (-95.8)	*
Total	2707 (100)	1810 (100)	-897 (-33.1)		544 (100)	198 (100)	-346 (-63.6)	

NA=not applicable due to small cell counts.

^a χ^2 of association between year and 1) Outlet type; 2) Disadvantage quintile; and 3) Remoteness. Statistically significant (<0.05) differences between years for each subgroup are denoted with an * based on the adjusted standardised residual for each cell within the overall χ^2 result.

It is important to note that decisions to stop selling tobacco are also influenced by other factors including low profits and changing business conditions.⁷⁻⁹ The decline in licences observed in SA may also reflect other motivators for stopping selling tobacco such as declining smoking prevalence and demand for tobacco. The introduction of smoke-free outdoor dining areas in July 2016 also likely contributed to decreased interest from food services, while the requirement to hold a licence to sell e-cigarettes likely increased interest from vape retailers.

Tobacco licences declined most prominently among food service venues and hotels/motels. These reductions were comparable to other studies that found these types of outlets, particularly liquor licenced premises, more commonly stopped selling tobacco.^{8,9} While the number of tobacco licences and vending machines operated by hotels and motels decreased considerably over the study period, these outlets still constituted almost a quarter of all tobacco retailers in 2020. Hotels and motels hosted 91% of the tobacco vending machines in the state, which may contribute to unplanned purchases by occasional smokers and those attempting to quit.¹⁰ Vending machines have been prohibited in most of Europe, as well as Singapore, Israel, and Georgia.¹¹ Prohibiting tobacco vending machines, as recently proposed in SA, is a worthwhile goal for policymakers throughout Australia.

The number of supermarkets, tobacconists/vape stores, and service stations holding licences remained relatively stable from 2009 to 2020. Tobacco purchases are most common⁴ and largest¹⁰ at supermarkets and tobacconists. The shift away from liquor-licenced outlets towards service stations and supermarkets may have implications for minors' access to tobacco.

Implications

Sharp increases in tobacco licence fees were previously effective in SA⁶ and have also been implemented recently in Tasmania, where the tobacco licence fee tripled from 2015 to 2018. Another large fee increase, closer to full-cost recovery, is a relatively straightforward measure that would likely trigger retailers to re-evaluate their decision to sell tobacco and lead to further reductions in the number of licences, especially among low-volume outlets.

Other measures would be needed to reduce the number of high-volume retailers, which are less price-sensitive⁶ and unlikely to voluntarily stop tobacco retailing.⁵ Modelling studies based on Aotearoa New Zealand retail licences indicate that multiple bold strategies are needed¹² to achieve a significant enough reduction (90-95%) in licence numbers to drive reductions in smoking and the accrual of health gains.¹³ Recent legislation in Aotearoa New Zealand¹⁴ will limit the number of tobacco retailers in 2024 to a maximum of 600, an estimated 90% reduction on the current amount.¹⁵ In the Netherlands, a stepwise prohibition on tobacco sales in all but specialist tobacco retailers has been proposed, with a world-first end to supermarket sales planned for July 2024.¹⁶ Legislative action to reduce retail outlets bypasses limitations associated with modest licence fee increases but requires political will. Although discussions around limiting the supply of tobacco have gained traction within the scope of endgame strategies in recent years, there has been little action in Australia.

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Ethical statement

Ethics approval was not required as the audit was conducted using data collected from the SA government tobacco licencing system.

Conflicts of interest

The authors have no competing interests to declare.

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