

Paper by the Swedish National Association for Convenience Stores and Fast Food

The Swedish Model

Saving lives without killing retailers



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The retail sector plays a central function in society by providing people access to basic essentials. It has historically been an attractive sector to regulate in order to control or redistribute goods between people. There are many examples of regulations targeting this sector. The objectives have been different but the results have been the same – tougher conditions for the retailers and shops closing down.

In our part of the world focus has switched from redistributing goods to attempts to control people's consumer behavior in the name of public health. Sugar taxes, display bans and plain packaging for tobacco products are just a few examples of recent regulations being adopted by different countries.

The Swedish Parliament has on several occasions voted no to proposals on sugar taxes, display ban and plain packaging. Despite this - Sweden has among the best results in the world when it comes to public health.

Regulation is not always the answer to problems. We hope that the Swedish example can serve as an inspiration for a healthy society without excessive regulation and bankrupt retailers.

Bengt Hedlund

CEO

Swedish National Association for Convenience Stores and Fast Food

The role of convenience stores in Sweden and in the EU

Convenience stores in Sweden are a diverse sector. The definition includes kiosks, convenience stores, gaming shops, tobacco shops, confectionary shops, fruit shops and service stations. What they have in common is that they have a basic selection of tobacco, beverages, confectionery and magazines. This sector consists of around 6 000 shops and petrol stations and is a major employer of young people.

Convenience stores are a unique store category and cannot be compared with larger food stores or supermarkets. Convenience stores offer a service that the larger stores often don't and many rural areas around Sweden are dependent on the smaller stores for everyday small purchases.

Today around 150 000 people in Sweden have to drive as much as 10-20 minute to the nearest store. It's not hard to imagine how their lives would become more complicated if the nearest store would close down.

A report by the Swedish Agency for Growth Policy Analysis¹ shows that as much as 60 - 100 stores were closed down in rural areas yearly 10 years ago. By targeted efforts the number is now down to 20. There are clear political ambitions to preserve rural areas and ensure that there is a standard range of service available. This is also one of the reasons why measures such as display ban for tobacco sales have not been implemented. As with past regulations – e.g. the Petrol Act from 2006, which requires stations to offer renewable fuel and led to 600² stations closing down - this would also have a negative impact on retailers. As a result the service level in rural areas would decrease even more.

In the EU there are closer to 1 million ³ retailers and wholesalers selling tobacco. Together they employ around 300 000 people. Many of these countries are facing the same challenges as Sweden with both unemployment and service level in rural areas going down. The convenience sector is an important player to address both these issues in the entire EU.

¹ http://www.tillvaxtanalys.se/sv/publikationer/working_paper-pm/article0011.html

² <http://www.dn.se/nyheter/sverige/pumplagen-sallan-orsak-till-mackdod>

³ *NOMISMA report of June 2012: The European tobacco sector an analysis of the socio-economic footprint.*

How excessive tobacco regulation harms retailers

Regulation is a major threat against the convenience sector. We see that the latest trends in tobacco regulation have serious negative effects on retailers, without generating any positive public health results. That is why we and our counterparts in different EU-countries have been critical of measures such as the display ban for tobacco products. In 2010 we issued an analysis⁴ on the display ban and how it has affected retailers in the countries where the ban has been introduced.

Our analysis showed that in none of the countries where display ban has been introduced, has there been any significant reduction of smoking. However, this has impacted trade negatively in terms of high investment costs and shops closing down as a result. In Canada the display ban coincided with a record number of store closures. On Iceland 30 percent of the smaller shops closed down after the display ban.

Our report also showed that the retailers in countries where the ban had been introduced suffered consumer losses due to an increase in illegal sales. For smaller retailers with small margins, it is often impossible to compete with the illegal tobacco, which is both cheaper and provides greater sales margins than taxed tobacco.

In the ongoing review of the Tobacco Products Directive (2001/37/EC) there are several proposed measures that we believe will harm retailers, without having any positive effects on public health. Display ban is one of them but also harmonized packaging and bans on certain ingredients.

There is no evidence that neutral or harmonized packaging would reduce consumption. In contrast, neutral packages are easier to copy which could lead to an increase of illegal trade. A report from Morgan Stanley⁵ also warns of the risk that neutral packages would lead to price compression and consumers choosing cheaper cigarettes. Ultimately this is likely to make consumers buy untaxed contraband tobacco.

Most likely an ingredients ban would have the same effects. By banning products that have a high demand you also open up for new business opportunities for organized crime. Cigarettes with menthol flavoring are a good example. In Sweden these products have been sold for many years and were even at some point produced by the Swedish Government Tobacco Monopoly⁶. Demand for a product that's been around for over 50 years will not disappear by a ban. The consumer will simply shop illegal products.

⁴http://www.svenskservicehandel.se/images/2011/20101122_Konsekvensanalysexponeringsforbudsep2010.pdf

⁵ Morgan Stanley Research Europe, *Tobacco: Pricing Remains the Key Driver of Profit Pool Growth*, 16 July 2010, p. 13.

⁶ <http://www.tobakshistoria.com/ArkivFabriker.php?FabrikID=72>

Successful public health without unhealthy regulations

In the Swedish Parliament, the Minister for Health recently received a question⁷ from MP Lennart Axelsson regarding why Sweden is not adopting measures such as display ban and plain packaging for tobacco products to improve public health.

In her reply⁸, Minister for Health Maria Larsson highlights statistics that show on Sweden's successful public health results and also states the following:

“Lennart Axelsson (MP) compares Sweden with other countries that have adopted measures as display ban, neutral packaging, pictorial health warnings and zero visions. In this context it should be noted that Finland, although they have adopted a zero vision for tobacco and a display ban for tobacco sales, has a higher proportion of adolescents who smoke than Sweden.”

The Swedish minister has a clear point. In the latest report⁹ from The European School Project on alcohol and Other Drugs, ESPAD, 54% of the students responded that they had smoked cigarettes at least once and 28% that they had used cigarettes during the past 30 days.

In Sweden only 21 % of the students responded that they have smoked cigarettes for the past 30 days. Only 7 countries score lower results and among them you also find countries that have less restricted tobacco regulations e.g. Albania, Bosnia and Serbia. A large majority of these 7 countries have not introduced a display ban on tobacco. This clearly shows that there is no correlation between a display ban and smoking incidence among youth. Finland is one such example. Despite introduction of display ban and zero visions for tobacco use, they score among the highest in the survey, and in contrast to Sweden the smoking among students is increasing.

The report also states that *“In countries where more students smoke, students are also more likely to report that cigarettes are easily obtainable”*. Improving supervision and ensuring that current legislation is upheld should therefore be a key priority for anyone with interest of decreasing youth smoking.

Also when it comes to smoking in general Sweden scores among the lowest in the EU. According to the latest Eurobarometer¹⁰ on attitudes of Europeans towards tobacco, smoking prevalence in Sweden is 13 percent compared to the EU average of 29 percent. According to the latest results from the Swedish National Public Health Institute¹¹, 11 % of the Swedish populations are daily

⁷ http://www.riksdagen.se/sv/Dokument-Lagar/Fragor-och-anmalningar/Fragor-for-skriftliga-svar/tgarder-mot-rokning-bland-ung_GZ11617/

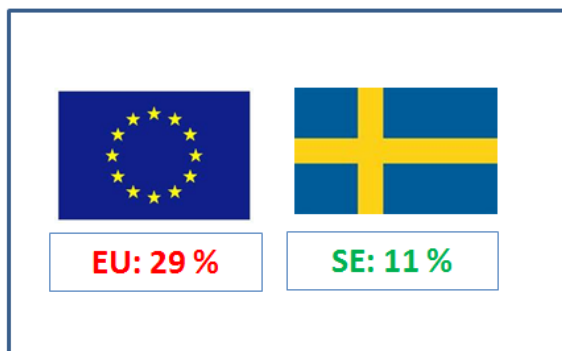
⁸ http://www.riksdagen.se/sv/Dokument-Lagar/Fragor-och-anmalningar/Svar-pa-skriftliga-fragor/tgarder-mot-rokning-bland-ung_GZ12617/

⁹ http://www.espad.org/Uploads/ESPAD_reports/2011/The_2011_ESPAD_Report_SUMMARY.pdf

¹⁰ *Special Eurobarometer Report 385*

¹¹ <http://www.fhi.se/Statistik-uppfoljning/Nationella-folkhalsoenkaten/Levnadsvanor/Tobaksvanor/>

smokers. The results from the Eurobarometer show that there is no correlation between lower smoking incidence and radical regulations.



Snus is of course one factor to why smoking rates in Sweden are low. But Sweden also has a results-oriented public health policy. Many efforts have been made in order to decrease smoking and the priority has been to ensure that minors do not pick up smoking. In the Parliament, the Minister of Health presented¹² the following key priorities and projects:

- Limit access to tobacco for minors by introducing a stricter legislation on supervision and additional funding to the county's earmarked to the functioning of supervision of tobacco retailers.
- Improve age controls at retail by investigating how test purchases can be used to enforce the 18-year limit.
- National strategy to enforce smoke-free environments on school playgrounds.
- National program for training on alcohol, drugs, doping and tobacco in order to support the schools' teaching in this area.

¹² http://www.riksdagen.se/sv/Dokument-Lagar/Fragor-och-anmalningar/Svar-pa-skriftliga-fragor/tgarder-mot-rokning-bland-ung_GZ12617/

Conclusion

Smoking is a very dangerous habit and decreasing the number of smokers is of course a legitimate cause. However, excessive regulation can many times not only fail to meet its objective. It can also be counterproductive and increase availability by e.g. gaining the illegal market.

There are many examples of countries where public health goals have been met without retailers going out of business. The Swedish example speaks for itself and can hopefully be used as guidance for regulators when looking into tobacco policy.

Bengt Hedlund

CEO

Swedish National Association for Convenience Stores and Fast Food