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## Making a killing out of tobacco crackdown

By Neil Hume in Sydney



When Australia's high court this year rejected a challenge to the world's first plain packaging law for cigarettes it was described as the biggest defeat for the global tobacco industry in 40 years.

But for one Sydney company the measure is a boon. BPM Innovations makes boxes, or plastic skins, for cigarette packs that hide the graphic images, including a gangrenous foot and a skeletal man dying of cancer, that the law says must cover three quarters of the front of Australian cigarette packs.

"Since we launched the boxes in September, we've sold 24,000," says Dean Osmond, managing director.

"There's another 20,000 being air freighted from China at the moment. They will sell out before Christmas."

He adds: "We've just opened the moulds for four different shapes and five new designs. They will ship before the Chinese New Year [in mid-February]. We've got about 70,000 coming."

The popularity of the cases, which include attractive designs and retail for about A\$4 (US\$4.12), raises questions about the effectiveness of the law, which is being watched closely by governments in Norway, Uruguay, New Zealand, South Africa and across the EU.

Since the new packs started arriving in stores in October, Mr Osmond says demand for the cases has gone "ballistic".

From Saturday, any retailer in Australia selling old branded cigarette packs will face fines of up to A\$1.1m.

Plain packaging is one of several measures Australia's Labor government has introduced to reduce smoking. They include a 25 per cent increase in tobacco excise duty and a reduction in the duty-free tobacco concession for travellers.

The government estimates that smoking kills 15,000 Australians a year and tobacco-related diseases cost the economy and society A\$31.5bn annually. It says branding and packaging design can mislead consumers about the harms of smoking and make it more attractive.

Australia's A\$10bn a year tobacco industry disagrees and has launched an international arbitration claim against the new law under an Australia-Hong Kong bilateral trade treaty. Honduras and Ukraine have also begun a process against the law at the World Trade Organisation. The Australian Tax Office estimates up to 540m sticks – in previously sealed packets – will need to be destroyed as a result of the legislation.

"The government's own excise revenue projections remain steady, which is at odds with the claim that these measures are expected to stop people from smoking," says Imperial Tobacco Australia, adding "ITA has not seen a volume decline."

For most retailers the new law is a source of frustration. Gerard Munday, chairman of the Victorian Association for Newsagents, says plain packaging has created a lot of extra work for shop owners.

He estimates it takes his customers five to six times to check stock because of "where the branding and name of the product" has been placed. Trademarks are not permitted on the new generic packs and all brand names have to be printed in a uniform font on a drab greenish brown background.

At the City Convenience store on Park Street in Sydney, shop worker Kumal says it is taking longer to serve customers because they are demanding packs with less graphic images.

"This one is popular," he says, pointing to a picture of a smoker stubbing out a cigarette.

But for Norman Stein, the owner of Bogart's House of Fine Cigars in Sydney, plain packaging is more than inconvenience. He fears it could damage his business.

He is surprised that cigars, which he says are a “non-addictive, organic product”, are covered by the legislation and upset that ornate tubes and wooden boxes are being replaced with generic labelling and packaging.

“People are going to feel uncomfortable giving these as a gift,” he says, thrusting a grey metal tube that carries a large warning across the counter. “I guess the connoisseur will put up with [it] . . . but it’s going to kill the wedding and birthday market.”

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