

From: Withheld under section 9(2)(a)
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Plain packaging of tobacco products: competition issues

- Reducing incentives to innovate: Plain packaging reduces the incentive for tobacco companies to innovate, in that changes/improvements to products cannot be signalled to the customer on the packaging at point of sale. This reduces the incentive for tobacco companies to improve their products, therefore lessening competition between competing tobacco companies.
- Increasing barriers to entry: Plain packaging will create difficulties for new entrants to break into the tobacco retail market, as newcomers will have no way to visually differentiate their product at point of sale (although newcomers may compete on price). This protects the incumbent tobacco companies, and discourages switching between products.

While these issues are worth noting, we consider that the health benefits of reducing the commercial appeal of smoking outweigh the effects on competition.

We also note that retail displays of tobacco products become illegal on 23 July this year, which will limit the effect of tobacco packaging on consumer choice at point of sale (as presumably smokers will ask for their preferred brand/type, as opposed to perusing the selection). Banning retail displays of tobacco products will lessen the competition impacts of plain packaging, as the former policy raises the competition issues listed above. Therefore, considering the suite of reforms as a whole, plain packaging will not have a significant additional impact on competition.

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