



**13<sup>th</sup> April 2017**

**TRA response to the All Party Parliamentary Group on Illicit Trade's  
consultation on the illicit trade**

The TRA represents and campaigns on behalf of small independent retailers. Our members own a variety of small stores – convenience stores, small grocery stores, newsagents – that sell tobacco and other goods

**The scale of the problem**

Illegal tobacco is a huge problem for small retailers and appears to be getting worse. 55% of TRA retailers had noticed an increase in illicit trade in recent years in a [2018 survey](#). This reflects [HMRC's estimate](#) that the illicit trade has grown from 8% of all cigarettes consumed in the UK in 2011-12 to 15% in 2016-17.

We [estimate](#) that £3.9 bn of shop revenue was lost to the illicit trade (£3.1 bn) and cross border shopping (£800m) in 2016-17 as one in five cigarettes smoked in the UK didn't have tax paid on them. This includes £1.7bn that would be spent in small shops - an average of over £34,000 per shop.

This doesn't include the lost revenue from lower footfall caused by illegal tobacco which would increase that figure by a large amount. Because of all this, small retailers cannot invest in their shops or in their staff (we [estimate](#) there are over 12,000 fewer jobs in the sector because of untaxed tobacco).

Illegal tobacco brings crime into the communities which small retailers work so hard to serve. Last year criminals made over [£1.5 billion](#) from selling illicit tobacco. Retailers can also face violence during attempted tobacco thefts either in store or when leaving wholesale premises which can have major consequences besides loss of products or revenue. These thefts happen because the Government has made tobacco so expensive and worthwhile to steal.

**What drives the tobacco black market?**

The Illegal tobacco market is primarily driven by the Government's high tax policies as they make it more expensive for people to buy tobacco and they look to buy it on the black market for less. This is not surprising given that illegal tobacco is usually less than half the price of packs that TRA members sell in their shops.

The recent introduction of plain packaging has made this situation even worse. Now it is even cheaper for criminals to make fake tobacco meaning they can undercut legitimate retailers even more. It's also harder for the police and trading standards to spot illegal tobacco and disrupt its supply as evidenced in a recent [programme](#) on the illegal tobacco trade in Wales. It is no surprise that fake plain packaged tobacco products have been [found](#) across the UK.

The ban on small tobacco packs is also having a major impact on small retailers. The huge increase in outlay for tobacco has made customers move to the illicit market and has reduced footfall in small shops reducing spending on other items which is a key source of revenue for small retailers.

### **How the TRA combats illicit trade**

The TRA has lobbied hard for the Government to increase the punishments for those who break the law. We found in a [survey](#) that 85% of retailers thought that rising financial penalties would deter criminals, 70% thought criminals should be named and shamed and 73% thought that landlords should be encouraged to evict tenants who break the law. The TRA also supports a light touch retailer registration scheme similar to those in Scotland and Northern Ireland.

The TRA meets with retailers and other stakeholders to help share their understanding of the problems caused by the illicit trade. It provides guidance for its members on how to deal with retail crime and is working on sharing localised intelligence when tobacco thefts are known to have taken place nearby. This will help retailers avoid becoming victims themselves.

### **What more the Government needs to do to combat illicit trade**

The Government needs to stop raising taxes on tobacco which always pushes to seek cheaper tobacco including from the black market. The current duty escalator policy has been crippling for small retailers as customers go to the black market rather than our stores.

The Government should reverse the ban on small packs and introduction of plain packaging and not put in any new tobacco regulations until there has been a full review of all tobacco policy.

The government needs to introduce the tough sanctions that the TRA supported in the recent [consultation](#). These would go some way to protecting honest retailers from the organised crime groups that have benefited from the illegal tobacco trade. It should also go further and look at the role of social media as a place people buy and sell illegal tobacco.

The Government needs to properly fund the police and trading standards so they can implement the new sanctions properly.