

## Written evidence submitted by Hunters & Frankau Limited (TVB22)

### Introduction

Hunters & Frankau Ltd (H&F) is a medium-sized business founded in 1790 and which currently employs 60 people. We are the UK's main importer and distributor of hand-made cigars from Cuba and other countries in the Caribbean and Central America. We supply over 1,500 businesses and we do not distribute any tobacco products other than cigars.

The proposed Tobacco and Vapes Bill is of grave concern to the future of our business and the many customers including the specialist retailer network we supply.

At no point has any evidence been presented that suggests this legislation is appropriate for the category of product we represent.

We believe this law will have very significant unintended consequences and that these should be considered appropriately before proceeding with the legislation as proposed.

### *Executive Summary*

- A. Cigars and OTP's ('other tobacco products' such as pipe tobacco and snuff) are fundamentally different from cigarettes and hand-rolling tobacco regarding their role in youth smoking and smoking initiation and should be regulated as such.*
- B. No consideration has been taken regarding the impact a ban on cigars and OTPs would have on small and medium sized UK businesses including importers, distributors, specialist tobacconist retailers and the hospitality industry.*
- C. There is a concerning lack of evidence to support the need for a phased generational ban for cigars and other OTP's. This is demonstrated in the Impact Assessment published in March 2024 which references cigars only once in 164 pages.*

### **A. Cigars and other tobacco products (OTPs such as pipe tobacco and snuff) are fundamentally different from cigarettes and hand-rolling tobacco regarding their role in youth smoking and smoking initiation and should be regulated as such.**

1. As a category of products that are distinct from cigarettes and hand-rolling tobacco in terms of their market structure, distribution networks, consumers, patterns of use and addictive potential, OTPs (i.e. (cigars, cigarillos, pipe tobacco and snuff) do not contribute to youth smoking initiation and tobacco addiction:
  - a. OTPs (i.e. cigars, cigarillos, pipe tobacco and snuff) accounted for a mere 1.2% share of the UK tobacco market as of 2022 vs. 97.8% for cigarettes and hand-rolling tobacco.
  - b. OTP use is well below the government's smokefree target of <5% incidence.
  - c. OTP use is so insignificant that neither DHSC nor the Office for National Statistics tracks the incidence of OPT use. In the recent DHSC (OHID)

Consultation on mandating quit information messages inside tobacco packs, the DHSC makes a statement confirming that “it has not been possible to estimate the costs and benefits associated with these more niche forms of tobacco due to limited data available on the prevalence and consumption of these products”.

- d. OTP volumes are declining and can be expected to continue to decline – past five years 27.2% for traditional cigars and cigarillos and 34.8% for pipe tobacco.
2. According to the most recent survey findings:
  - a. 90% of cigars users are over 25 years old, 78% are over 35 years old.
  - b. 97% of pipe tobacco users are over 25 years old, 94% are over 35 years old.
  - c. This compares to 83% of cigarette smokers who start smoking in their teens.
3. OTPs consumption patterns tend to be one of occasional rather than daily use.
4. None of the studies cited in support of the generational sales ban, nor the government’s impact assessment, include evidence that OTPs are used by minors or play a role in smoking initiation.
5. There are no alternative products to cigars such as vapes for cigarette smokers.
6. Cigar smokers consume for pleasure, have no desire to ‘quit’, and cannot be characterised as nicotine addicted as is the case with cigarette smokers.

**B. No consideration has been taken regarding the impact a ban on cigars and OTPs would have on small and medium sized UK businesses including importers, distributors, specialist tobacconist retailers and the hospitality industry.**

1. In its 164 pages, the Impact Assessment (IA) published in March 2024 never mentions the word importer or distributor and has not considered the impact on these businesses.
2. UK manufacturers, importers and distributors of OTPs are mostly SME’s and micro-businesses which employ less than 50 people and rely primarily on the UK market for their revenue.

Unlike manufacturers of cigarettes and hand-rolled tobacco, these SMEs and micro-businesses are not in a position to diversify their product offerings or markets and would eventually cease operation as a result of the proposed generational ban.
3. The majority of our handmade cigars are sold through independent Specialist Tobacconists of which there are around 100 in the UK.
4. Around 70% of the revenue generated by a Specialist Tobacconist comes from the sale of handmade cigars.
5. Based on Hunters & Frankau’s trade sales in 2023, we would estimate that our UK retail customers generated close to £100m worth of retail sales from handmade cigars alone.
6. This revenue cannot be replaced with any other products (unlike cigarette sales in a newsagent).
7. Our business and those of the retailers we supply will cease to exist as a result of this legislation.

8. None of the above, nor the wider economic impact on this valuable, respected, long-standing sector of UK Economy have been considered.

**C. There is a concerning lack of evidence to support the need for a phased generational ban for cigars and other OTP's.**

1. We do not believe that the products we represent or the retail sector we serve have been adequately taken into consideration in the drafting of the legislation.
2. This is demonstrated in the Impact Assessment published in March 2024 whereby in 164 pages of Impact Assessment, the word 'cigar' is mentioned only once.
3. The IA, upon which this legislation is being advanced, relies exclusively upon data pertaining to cigarette consumption, sales, revenues, margins, use patterns, risk reduction, costs, benefits to the health system, impact on small businesses, tourism and investment in business, and takes no account of cigars or cigarillos.
4. We have submitted evidence pertaining to our sector and those we supply on numerous consultations over the last twenty years and so much of this data is readily available.
5. Consideration has been solely given to the effect this legislation will have on the cigarette and HRT sectors. As such, it fails to consider the contribution the inclusion of cigars will make to meeting the legislation's state objectives or its wider impacts.

Please see summary overleaf:

		<i>Extracts from Impact Assessment</i>	<i>Observations</i>
<i>Data Used</i>	<i>Whole report</i>	<i>All studies quoted/data based on cigarette smokers.  ONS 2022 Adult Smoking Study has been used as a source for UK based data.</i>	<i>No data has been collected by ONS on cigar or OTP consumption since 2016 due to ‘statistical insignificance’ of these products</i>
<i>Retail Impact</i>		<i>All data has been based on cigarette sales via retail outlets who offer a variety of products in outlets such as newsagents and supermarkets.</i>	<i>Retail impact likely to be significantly higher if loss of cigar sales is taken into account.  There are around 100 specialist tobacconists in the UK.  They are supplied by specialist importers and distributors.  Cigar sales account for 70% of their revenue. These businesses will close as a result of this legislation.</i>
<i>Loss of profit for Retailers</i>	<i>Sections 231 to 236</i>	<i>“We have used the average price of <b>cigarettes</b> and applied this to consumption values to estimate the loss in profit for retailers”.</i>	<i>Loss of profit resulting from decline in sales of cigars has not been assessed.</i>
<i>Increase in profits from less expenditure on tobacco</i>	<i>Section 241/242</i>	<i>“It is likely that losses estimated will at least in part be offset by increased profits on goods and services purchased in place of tobacco. Specifically for retailers, these goods will also likely carry a higher profit margin than tobacco”.</i>	<i>There are no alternative products to cigars that can be substituted  Cigar margins are around 40%, not the stated 6% for cigarettes.  Impact on cigars not assessed or quantified.</i>

<p><i>Impact on Wholesalers</i></p>	<p>Section 252 - 255.</p>	<p><i>“The methodology for estimating lost profits for wholesalers is the same as for retailers above, with the only change being the overall profit per pack lost”.</i></p> <p><i>“Therefore, based on an estimated 4 billion fewer factory-made <b>packs of cigarettes</b> sold between 2027 and 2056, Table 23 shows the estimated total costs in lost profits to wholesalers in England and the UK (borne by all wholesalers of tobacco, and over 30 years)”.</i></p>	<p><i>Cigarette data used.</i></p> <p><i>Impact on cigars not assessed or quantified.</i></p>
<p><i>Impact on Manufacturers and Shareholders:</i></p>	<p>Section 256-260</p>	<p><i>Profit estimates for manufacturers are based on information obtained through the Standardised packaging of tobacco (SPoT) impact assessment consultation. For manufacturers this was £0.22 per pack of factory made <b>cigarettes</b>. In 2027 prices this is £0.29.</i></p>	<p><i>Cigars not considered.</i></p> <p><i>Significant data has been shared on this in previous consultations.</i></p>
<p><i>Impact on Tourism</i></p>	<p>Section 299</p>	<p><i>“The smokefree generation policy may make the UK a less attractive place to come for tourists, immigrants, and international students <b>that are smokers</b>. As we do not have evidence on the impact this policy would have on tourism and immigration, we have not been able to quantify this impact. However, for the reasons explained above, we expect this impact to be minimal”.</i></p>	<p><i>UK reputation for centre of excellence for handmade cigars.</i></p> <p><i>Attracts collectors, tourists, connoisseurs who visit UK for this purpose. Their spend on hotels, restaurants, shopping is very significant.</i></p> <p><i>Impact on tourism is significant.</i></p>
<p><i>International investment</i></p>	<p>Section 303</p>	<p><i>“As we do not have evidence on the impact this policy would have on international investment, we have not been able to quantify this impact”.</i></p>	<p><i>Cigars attract investment through hotels and restaurants who sell the product and invest significantly in their cigar offering or their clients.</i></p>

<p><i>Small and Micro Business Assessment (SaMBA)</i></p>	<p><i>Section 318, 319</i></p>	<p><i>“Although we are aware of a limited number of small and micro tobacco product manufacturers that are based in the UK, who mainly appear to produce a diverse range of specialist tobacco products, we have not been able to identify sufficient data on these businesses to estimate the loss in profit for these specific businesses as a result of the smokefree generation policy”.</i></p> <p><i>319. “With reference to the RPC’s SaMBA checklist<sup>233</sup>, the very limited data we have been able to identify does not enable us to: i) identify the number of businesses in scope of the regulation; ii) the market share of these businesses; iii) what the impact would be in these businesses - not least because we do not have data on what proportion of their sales are overseas to determine what proportion of their sales are unaffected by this policy”.</i></p>	<p><i>Significant representations were made clearly setting out the impact on these businesses and have been made in previous consultations.</i></p> <p><i>The Consultation response stated that the views of anyone connected to the tobacco industry had been disregarded.</i></p> <p><i>Manufacturers and Importers are obliged to submit this data to DHsC every year so it is readily available.</i></p> <p><i>Track and Trace requirements also means this information is readily available.</i></p>
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## Conclusion

It is our view that in light of the profile of cigar consumers and their use patterns, as well as the cumulative effect of existing measures, the present level of regulation is appropriate to ensure that adult consumers are able to make fully informed choices as whether to consume our product.

While the government’s goal of protecting young people from the harms of smoking is a laudable one, the inclusion of cigars in the measure to ban the sale of tobacco products to those born on or after January 1, 2009, will do nothing to advance this objective. The consumption of cigars, at 2% (or less) is already well below the 5% definition of ‘smokefree’ and is declining year on year.

Given the government’s commitment to evidence-based policy making, and the lack of evidence presented in support of including cigars and cigarillos, urgent reconsideration of the measure’s scope is required.

Indeed, we do therefore urge that extending any smoke-free generation measure to OTPs would be a step too far, and a devastating blow for these small businesses who are already under severe pressure.

Thank you for your careful consideration of these points and we would be happy to assist with any enquiries you may have and would welcome further discussion on any of the points raised in this document.

Jemma Freeman  
Executive Chairman,  
Hunters & Frankau Limited

*26 April 2024*