

Hunters & Frankau

EST. 1790

13 December 2024

To: scrutiny@parliament.co.uk

Written evidence submission from Hunters & Frankau Limited to the Tobacco & Vapes Public Bill Committee 'Call for Evidence' (7th January 2025)

Dear Sir or Madam,

We are submitting the below written evidence in advance of the 'Call for Evidence' taking place from the 7th to 30th January 2025 and would welcome the opportunity to give evidence in person in order to further discuss the important issues set out below.

Introduction

Hunters & Frankau Ltd (H&F) is a medium-sized business founded in 1790 and which currently employs 50 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 with cigars. We do not distribute any other tobacco products.

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

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 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. *There is concerning lack of evidence to support the need for a phased generational ban for cigars and for other tobacco products (OTPs). This is demonstrated in the Impact Assessment published in November 2024 which references cigars only three times in 294 pages and others no evidence specific to this category of products.*
- C. *There has been no impact assessment carried out in relation to the impact a ban on cigars and OTPs would have on small and medium sized UK businesses including importers, distributors, specialist tobacconist retailers and on the hospitality industry.*

HURLINGHAM BUSINESS PARK, SULIVAN ROAD, LONDON SW6 3DU TELEPHONE: 020 7471 8400 FACSIMILE: 020 7371 0374
CIGARS.CO.UK

IMPORTERS & DISTRIBUTORS OF THE FINEST CIGARS

HABANOS S.A. EXCLUSIVE DISTRIBUTORS. HUNTERS & FRANKAU LIMITED REGISTERED IN ENGLAND AT THE ABOVE ADDRESS NO.22169

Cigars 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, age of initiation, patterns of use and addictive potential, cigars do not contribute to youth smoking initiation and tobacco addiction:
 - a. Cigars accounted for less than 1% of the UK tobacco market vs. 97.8% for cigarettes and hand-rolling tobacco as of 2022.
 - b. Cigar consumption falls way below the government's original smokefree target of <5% incidence. This target has now been reduced to 0% in the recent Bill which is unachievable without making the product itself illegal.
 - c. Cigar consumption is so insignificant that neither DHSC nor the Office for National Statistics tracks the incidence of use. In the 2023 DHSC Consultation on mandating quit information messages inside tobacco packs, the DHSC made 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. Cigar volumes are declining and can be expected to continue to decline, in the past five years there has been a 27.2% sales decline for traditional cigars and cigarillos.
 - e. According to the most recent survey (Eurobarometer 2023) findings, 90% of cigar users are over 25 years old and 78% are over 35 years old. This compares to 83% of cigarette smokers who start smoking in their teens.
 - f. Cigar consumption patterns tend to be one of occasional rather than daily use. This is supported by our sales figures for handmade cigars which we would be happy to share with you.
 - g. None of the studies cited in support of the generational sales ban, nor the government's impact assessment, include evidence that cigars are used by minors or play a role in smoking initiation.
 - h. There are no alternative products to cigars (such as vapes for cigarette smokers) so the suggestion impacted businesses can find an alternative revenue stream is simply not the case.
 - i. Cigar smokers consume for pleasure, have no desire to 'quit', and cannot be characterised as nicotine addicted as is the case with cigarette smokers.

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

The OTP Sector

- a. UK manufacturers, importers and distributors of cigars and other OTPs are mostly SME's and micro-businesses which employ less than 50 people and rely primarily on the UK market for their revenue.
- b. 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.
- c. The majority of our handmade cigars are sold through independent Specialist Tobacconists of which there are around 100 operating in the UK.
- d. Around 70% of the revenue generated by a Specialist Tobacconist comes from the sale of handmade cigars.
- e. Following research carried out 2024, we can confirm that 13 out of 18 importers of OTPs into the UK and the top 16 Specialist Tobacconists contributed:
 - Turnover of £233m in 2023
 - 518 people in full time employment
 - £92.7m of taxes paid in 2023 (income tax, NICs, VAT, excise and corporate tax)
- f. OTP sector is made up 76% small and micro businesses and 24% medium sized businesses.
- g. None of the above, nor the wider economic impact on this valuable, respected, long-standing sector of the UK Economy has been considered as evidenced in the IA.

There is a concerning lack of evidence to support the need for a phased generational ban for cigars and for OTPs. This is demonstrated in the Impact Assessment published in November 2024 which references cigars only three times in 294 pages.

1. 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.
2. Over 294 pages, the Impact Assessment (IA) published in November 2024, only refers to the impact of this legislation on importers and distributors of vapes. There has been no consideration of the impact on businesses that import and distribute cigars despite this being a well-established, long standing market sector.

3. This is despite the fact that we have submitted and shared evidence pertaining to our sector and those we supply in numerous consultations over the last twenty years and this data is in the public domain and readily available.
4. The RPC guidance for IA's states the following in regards to small and medium businesses (SaMBA):

The default position is to exempt SMBs from the requirements of new regulatory measures. In some cases, it might be possible to achieve a large part of the intended benefit even if smaller businesses are exempted – for example where larger businesses account for much of the intended regulated activity and/or where this activity accounts for a large part of the detriment the regulation seeks to reduce. If, after assessment, it is concluded that the measure should apply to SMBs, departments should consider whether there are disproportionate impacts on them and, if so, whether and how costs could be mitigated.

5. The better regulation framework guidance states (paragraph 2.3.3): *“The default option is to exempt small and micro-businesses from the requirements of new regulatory measures. If an SMB exemption is not applied, and there are disproportionate impacts on SMBs, mitigation options must be considered. Departments should consider, early in the policy-making process, whether exemption or mitigation should be applied for SMBs”.*
6. On 21st November we submitted an FoI request addressed to the Department for Business and Trade asking for all documentation related to the impact of the Tobacco and Vapes Bill on SME's and micro businesses operating in the OTP sector. In their response dated 5th November, we were advised: *'The Department for Business and Trade can confirm that the information requested is not held'*. We do not understand how this is possible and can only conclude that the DBT has not been involved in any way in this process and therefore has had no opportunity to assess the impact of the proposed legislation. This raises many questions about the evidence used in the IA and whether the correct process has been followed.

Illicit Trade

There is virtually no illicit trade in cigars in the UK. This is a hard-won position and underpins the reputation of this market as a centre of excellence for connoisseurs, collectors and hospitality businesses all of whom invest significantly in their UK based businesses.

The proposed ban will undoubtedly lead to an increase in illicit trade and we have not seen any evidence that HMRC have been consulted as regards their concerns related to this issue.

Lack of Engagement

Article 5.3 of the WHO FCTC is being interpreted in a way that permits the government to circumvent the need for any discussion or impact analysis linked to the proposed legislation.

Since September 2024, we have written over 33 letters to various government departments asking for engagement, offering evidence, advising of the risks of the Bill as proposed and we have received 3 responses in total.

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 to whether to consume our product.

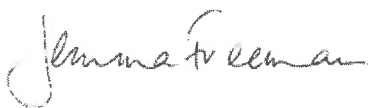
While the government's goal of protecting young people from the harms of smoking is a laudable one, the inclusion of cigars in the measure to ban the sale of tobacco products to those born on or after January 1, 2009, will do nothing to advance this objective. The consumption of cigars, at less than 1% is already well ahead of other categories 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.

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.

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

