



Lauren MacNeill
Director

RESOLUTION SERVICES
Public Services Building
2051 Kaen Road, #210 / Oregon City, OR 97045

TOBACCO RETAIL LICENSING RETAILERS LISTENING SESSIONS
NOVEMBER 20 AND 27, 2018

Facilitators Report
Prepared by Erin Ruff

Resolution Services provided neutral facilitation of listening sessions for retailers of tobacco and nicotine products. As the intent of this session was to receive feedback from retailers, I asked Public Health staff to limit themselves to responding to questions. This report provides a summary of the concerns and issues raised by the retailers. Public Health staff will respond in other documents or testimony.

PRIORITY CONCERNS

Licensing will have a significant and disproportionate impact on small, locally owned businesses and on businesses that are already diligently not selling to minors.

- Retailers that consistently pass decoy operations would bear the same annual licensing burden as retailers with multiple violations. Noncompliant retailers are benefiting both from the revenue of selling to minors and the structure of the licensing fee.
- Small retailers who follow the law have already seen significant income decrease after the age raised from 18 to 21. Retailers who exclusively sell tobacco products reported a 30% reduction in revenue, which required them to lay off staff.
- Tobacco manufacturers offer discounts on product for high-volume retailers. Low-volume retailers are already paying more for product and would pay equal fees under this system.

Law enforcement is not effectively enforcing existing age restrictions.

- Youth who obtain and use tobacco and nicotine products are not being charged for law violations by law enforcement. The disincentive intended by the current law has not effectively changed youth decision making. This licensing fee holds business owners responsible while law enforcement does not hold youth responsible.
- The existing state laws and enforcement mechanisms have not significantly reduced underage use of tobacco and nicotine, this licensing structure does not demonstrate that it will lead to better results.

Creating and changing law and policy does not effectively change behaviors

- Enacting new laws and licensing structures like this creates new burdens for already law-abiding citizens and businesses but do not create a paradigm shift in the thinking of those who are already in violation of existing laws.

Retailers should not bear the financial burden of a public health effort targeted and changing teen decision-making. Schools are far more influential and efforts focused there would have better results and better outcomes for local economies.

- Youth have outsmarted every system restricting their access to harmful and addictive substances so far, and they will find a way to outsmart this system. Retailers who are already not selling tobacco and nicotine products to minors will see increased costs, and minors will continue to find ways to get the products from another store, from another county, or from an adult purchaser.
- Retailers do not have influence over use decisions of minors. It would be more effective for public health advocates to put resources into supporting parents and schools to educate youth about tobacco use as schools are much more influential on youth than retailers.

OTHER CONCERNS RAISED

- The structure of this fee would require co-located businesses to obtain multiple licences. This is a significant issue in rural areas where co-located businesses have much lower volume.
- Business owners do not believe that they can effectively raise prices to offset the licensing fee because their larger-volume competitors, who also receive volume discounts and other incentives that small retailers do not, will not similarly raise prices.
- Retailers report parents buying tobacco for their children (and they also report refusing to sell to parents when that is obvious to them). If parents are supporting their children's unhealthy choices, no amount of retailer education paid by the cost of licensing will realistically achieve public health goals of reduced youth use and addiction.

OTHER ISSUES NOT FULLY EXPLORED

As I said above, this was a listening session for retailers, not a debate, and Public Health staff agreed to limit their input to responding to questions. During the conversation, there were times that I thought that exploring the pros and cons of issues might yield valuable information for the Board. Those are outlined below, with an attempt to represent both Public Health staff and retailers with accuracy and respect.

Is the cost to small businesses worth the expected results?

Public Health Staff:

Public Health staff acknowledge that licensing will not prevent 100% of youth from accessing tobacco and nicotine products, and that youth who are determined to use these products will continue to find ways to obtain them. They emphasize data from other communities

which supports that licensing, as a tool, effectively reduces illegal sales to minors, which correlates to reduced youth use, which correlates to improved public health in both the short and long term.

Retailers

Retailers described that this licensing fee, combined with all the other costs of doing business, would have a significant financial impact on many small, locally owned businesses that will not be recoverable through raised prices. They believe that youth who choose to use tobacco and nicotine will get it if they want it by going to a business willing to risk the license and law violation, by going to another county, or by having an adult friend or family member purchase for them.

Is the impact of charging a standard license fee for both (1) high volume large businesses and low volume small business and (2) compliant businesses and offending businesses an economically appropriate policy?

Public Health Staff

The amount of the fee is designed to cover the costs of effective administration and enforcement. A flat fee is easiest to administer and less time and paperwork burden on retailers. Tiered fee structures have been challenged in court in other states.

Retailers

The margins of small, locally-owned businesses are much narrower than large, national corporations. High volume corporations are offered both product discounts and incentives for which low-volume small business are not eligible. Retailers believe that large corporations will not reduce prices to cover the cost of the licensing fee, which means small businesses will also not be able to raise prices in order to remain competitive. Small compliant retailers are already facing significant reduced income from sales to 18 – 21 year olds, whereas noncompliant businesses profit from sales to minors easily offsets licensing and enforcement fees.