16 March 2018
Ministry of Health
BY EMAIL TO: Tobacco_Control@moh.gov.sg

Public Consultation on Proposal to Introduce Standardised Packaging of Tobacco Products in Singapore

DFS Venture Singapore (Pte) Ltd ("DFS") is the operator retailing duty-free spirits, wines and tobacco at Changi Airport for the past 30 years and at Singapore Cruise Centres since 1992.

DFS fully supports the Government's objective to improve public health by measures addressing tobacco consumption in Singapore and by Singaporeans. We would like to provide our feedback on the impact of the Government's key elements for Standardised Packaging Proposal (SP) as part of a tobacco control strategy for Singapore residents:

(a) Regulating the promotional aspects of tobacco packaging;

(b) Standardising tobacco packaging elements; and

(c) Increasing the size of graphic health warnings on tobacco packaging from 50% to 75%.

1. Duty-Free Tobacco Unique Distribution Channel

DFS retail tobacco is highly regulated and designated only for export in a post-security environment to departing passengers, 82% of which are non-Singaporeans, with no inflow to the domestic market. The practise of ID verification via passport to eliminate sales to minors is mandatory and diligently adhered to within the airport duty free selling environment. There are no duty-free tobacco sales on arrival.

Because tobacco sold at the liquor and tobacco concession shops is exported and, as explained below, largely purchased as gifts, it will be consumed outside of Singapore primarily by non-Singaporeans. The current tobacco packaging already contains health warnings evident to the adult purchasers (only a minority of whom are Singapore residents) who intend to use the products for personal consumption. Purchasers discouraged by enlarged graphic health warnings from purchasing tobacco at Singapore departure shops are likely simply to buy tobacco products without enlarged graphic warnings at their destinations.

2. Impact to Business and Position as Preferred Duty-Free Shopping Destination

Although applying enhanced graphic health warnings to duty free tobacco would not advance the objectives of the Government to address tobacco consumption in

Singapore or by Singaporeans, doing so would have a severe effect on the duty-free liquor and tobacco concessions.

Based on customer surveys, 42% of duty-free tobacco buyers purchase for gifting and 80% would be deterred to make purchases with plain packaging and enlarged graphic images resulting in an annualised tobacco sales loss of S$42.0M. Spirits/Wines and Tobacco have a symbiotic relationship as these duty-free items are retailed together to provide seamless shopping. 13% of customers who make combined tobacco and alcohol purchase will no longer desire to shop cross category, resulting in an added annualised alcohol sales loss of S$5.5M. Long term, the Singapore liquor and tobacco concessions would lose their competitive edge as a seamless duty-free shopping experience within the region. With this major revenue impact, a review of the rental structure with our landlord becomes inevitable.

3. Loss of Preferred Trading Partner Position with Vendors

The negative sales impact would dilute DFS's ability as an organization to secure appropriate business terms with vendors and partners for not only tobacco but also spirits and wines. This dilution would result in narrower assortments and a diminished ability to bring new and differentiated products to the market.

4. Escalation of Payroll and HR Training Costs

Plain packaging with enlarged graphic warnings in an international retail environment will no doubt hamper current communication efforts to our multilingual passenger base. Additionally, this will cause difficulties for those passengers to navigate the shopping experience in an already tight time window between check in and flight. To adequately deal with this revised shopping experience, we estimate payroll cost increases of S$2.1M per annum.

Submitted by: **DFS VENTURE SINGAPORE (PTE) LIMITED**

Contact Information for Follow-Up Questions or Reponses:

Name:	Rachel Tan
Contact Number:	90125277
E-Mail Address:	Rachel.TanPeiLing@dfs.com