



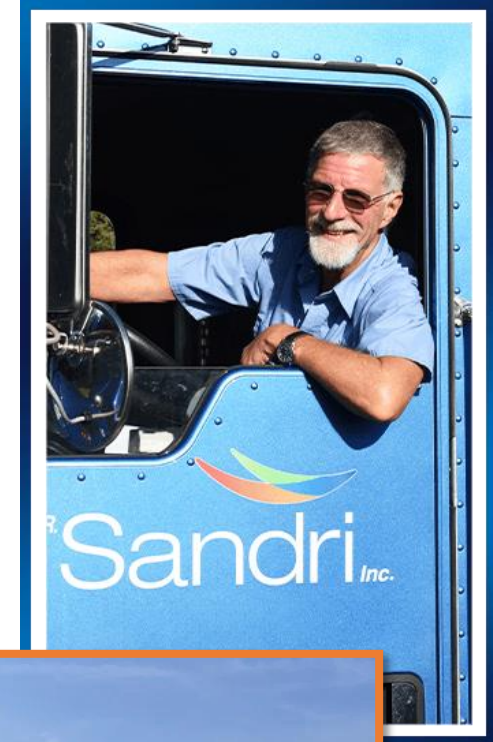
Sandri
ENERGY

**Vermont Senate Bill 18
Testimony**



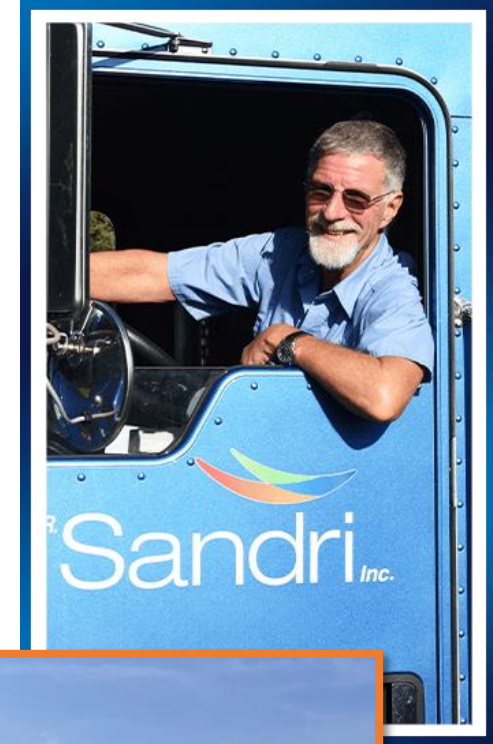
About Us:

- **We have served New England since 1930.**
- **Our business includes heating fuels, HVAC, plumbing, motor fuels, and convenience stores.**
- **We have 16 convenience stores.**
 - 8 in Vermont, 5 in Massachusetts, 3 in New Hampshire.
- **We employ 300+ employees.**



S.18 will be detrimental for our business and the state of Vermont for the following reasons:

- 1. Financial Loss**
- 2. Ineffective Policy**
- 3. Increased Security Risk**



Sales Unit Volume Change		
Type	NH	MA
Flavored	67.6%	-100.0%
Non-Flavored	66.0%	24.8%
Total	66.5%	-20.1%

Source: Sandri Energy retail scan data

*Sales unit change pre-ban (2018 & 2019) vs post-ban (2021 & 2022)

Key Takeaways:

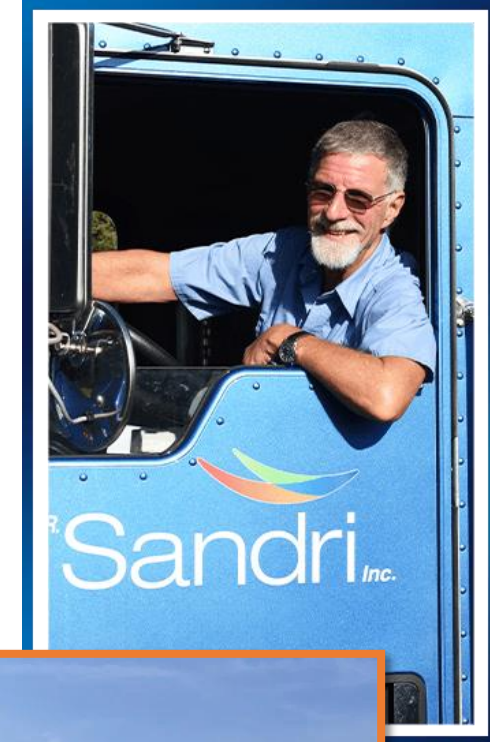
1. Flavored tobacco sales grew 67.6% in New Hampshire after Massachusetts enacted their law and have remained elevated indicating cross-border traffic.
2. Non-Flavored tobacco sales grew ~25% in Massachusetts indicating consumer shift.

		Sales Units									
		Type	2018	2019	2020	2021	2022	2023	2018 & 2019	2021 & 2022	Change
Total Chain	Flavored		227,371	281,969	293,862	248,414	249,276	227,032	509,340	497,690	-2.3%
	Non-Flavored		418,202	562,284	646,446	698,130	674,896	664,514	980,486	1,373,026	40.0%
	Total		645,573	844,253	940,308	946,544	924,172	891,546	1,489,826	1,870,716	25.6%
MA	Flavored		72,251	67,554	23,804	25	0	0	139,805	25	-100.0%
	Non-Flavored		128,125	120,756	132,524	153,372	157,293	164,456	248,881	310,665	24.8%
	Total		200,376	188,310	156,328	153,396	157,293	164,456	388,686	310,689	-20.1%
NH	Flavored		55,083	124,440	171,679	147,555	153,249	133,392	179,523	300,804	67.6%
	Non-Flavored		105,129	258,254	293,492	303,594	299,511	296,075	363,383	603,105	66.0%
	Total		160,212	382,694	465,171	451,149	452,760	429,467	542,906	903,909	66.5%
VT	Flavored		100,037	89,975	98,379	100,834	96,027	93,640	190,012	196,861	3.6%
	Non-Flavored		184,948	183,274	220,430	241,165	218,092	203,983	368,222	459,257	24.7%
	Total		284,985	273,249	318,809	341,999	314,119	297,623	558,234	656,118	17.5%

Financial Impact:

- Vermont Specifically
 - 8 Convenience Stores
 - 93,640 **scanned** units of flavored tobacco in 2023 for adult consumers.
 - Average Price on Shelf of \$11.35
 - **\$1,062,814 in Revenue**
 - \$1.30 in Average Profit
 - **\$121,732 in Lost Profit**
- Operating Expense(s) for Convenience Stores*:
 - **57.05% Wages and Benefits.**
 - 2.9% Property Taxes, Licenses, Other Taxes.
- Example Expenditure: ~\$70,000 in lost wages.
 - 4,600 Labor Hours (\$15 an hour). **Equivalent of two full time employees or 0.5 per location.**

“When Tobacco customers leave, they take with them sales of all other categories.”



Rebate Restriction

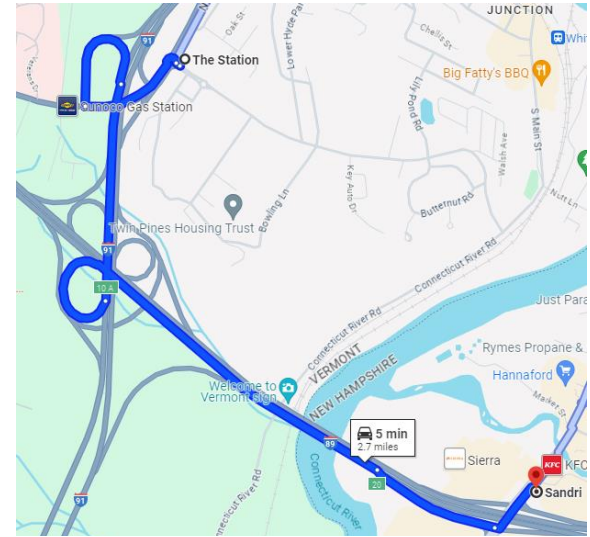
- Current version of S.18 restricts tobacco rebates to retailers.
- These rebates are **NOT** consumer discounts. They are rebates in exchange for merchandising space, like with candy, soft drinks, and all other C-Store categories.
- Eliminating these rebates is a **COST INCREASE** for VT. Retailers.
- Estimated Cost to Sandri Energy: Approximately **\$300,000**



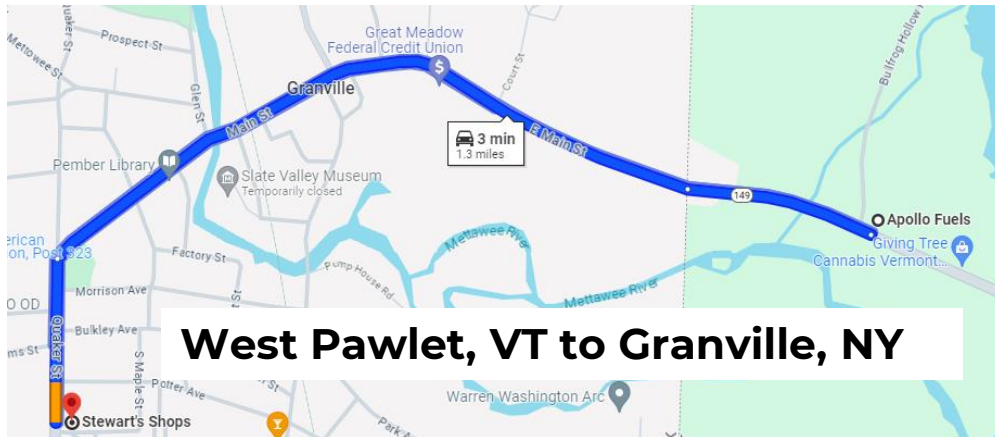
Ineffective Policy

- In Massachusetts, Sandri Energy lost 20% of overall nicotine volume.
- Statewide, according to a recently published report by the Northeast Wholesalers Association, retailers statewide in Massachusetts saw decreased sales resulting in a loss of \$137M one year after the flavor ban was implemented.
- The same study showed Massachusetts lost 33 million packs. NH, RI, and VT saw a 30 million pack increase.

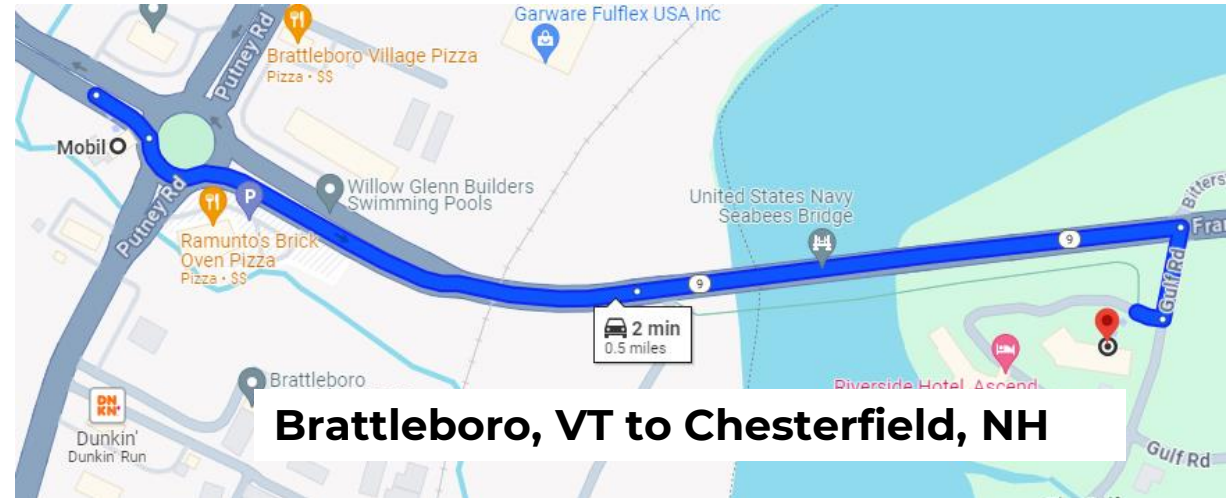
Cross Border purchasing is not only possible. It is convenient.



White River Junction, VT to West Lebanon, NH



West Pawlet, VT to Granville, NY



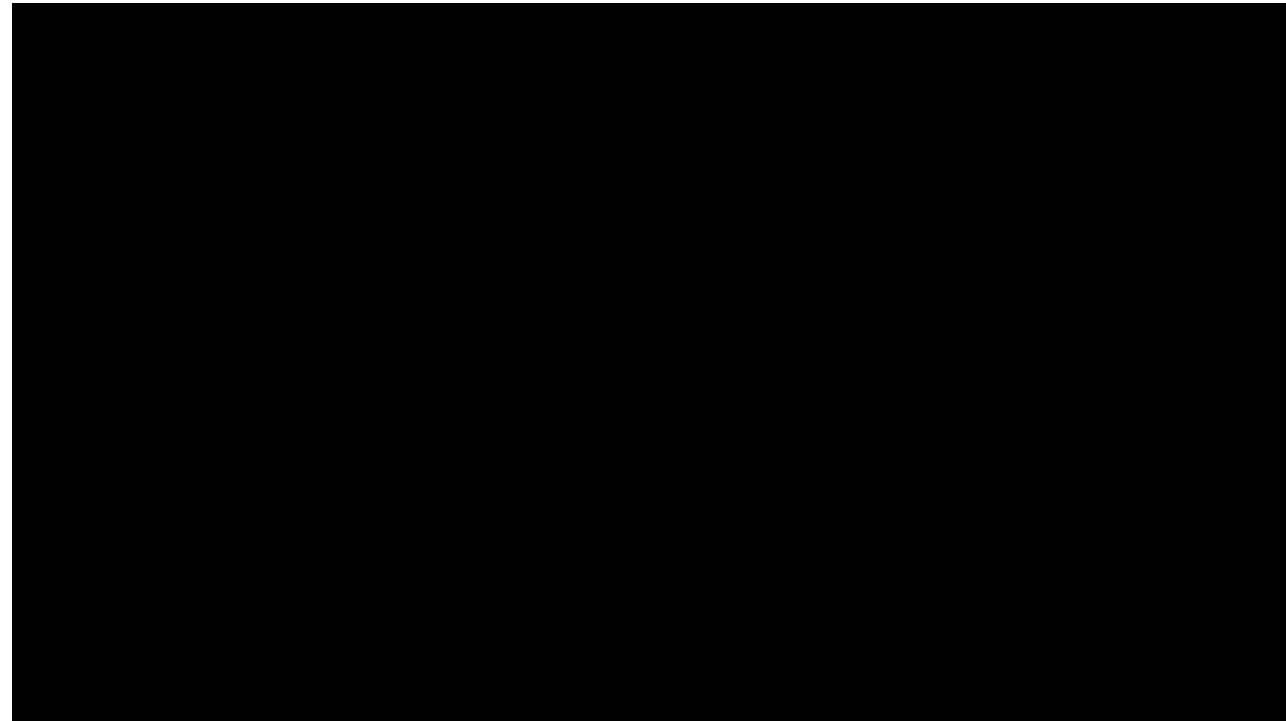
Brattleboro, VT to Chesterfield, NH

Security Concerns

- **Cigarettes are a highly sought after commodity.**
- **Banning menthol cigarettes in Vermont will only increase the black market in New Hampshire.**

“New Hampshire has the highest level of net outbound smuggling at 52.4 percent of consumption, likely due to its relatively low tax rates and proximity to high-tax states in the northeastern United States. Policymakers interested in increasing tax rates should recognize the unintended consequences of high taxation rates. Criminal distribution networks are well-established and illicit trade will grow as tax rates rise.” Tax Foundation.

It is happening in our backyard, and it will get worse.



Policy Solutions

Rid the market of illegal disposable vapor products from China that are flooding across our borders through a vapor registry.



Increase retail penalties, including forfeiture of license for stores caught multiple times for selling underage in a 12-month period. Mandatory Digital ID Checks (NV).



Create or enhance criminal penalties for adults over 21 who supply minors with nicotine products.

