

# WESCO, INC.



March 21, 2023

State of Vermont Legislature  
Montpelier, VT 05602  
Re: Flavor ban on tobacco products

Dear Legislators,

A flavor ban on tobacco products to our company would cost us approximately \$1,200,000. gross profit, which is needed to operate our business, and this would greatly impact our ability to survive in our current capacity.

I am David Simendinger, the President of Champlain Farms. My father and I began building this chain of convenience stores in 1971 and we sell tobacco products. We operate 37 stores in Northern Vermont and employ about 250 full-time people. I am sharing my confidential numbers with you so you can see the impact we will be facing with the passing of this ban.

In 2022, we sold approximately 880,000 packs of cigarettes. This represents about 4% of the State's cigarette business. Vermont sold 21 million packs of cigarettes. New Hampshire sold 127 million packs. Clearly, we are giving up 30 to 40 million packs of cigarettes to New Hampshire by not being competitive. Do not forget the Canadian traffic that pass-through VT to shop in New Hampshire.

Approximately 18% of our cigarette sales are menthol. This ban would result in a decrease of about 150,000 packs and around \$200,000 in gross profit.

Approximately 88% of the tobacco "Can" category in our company is flavored. This ban will essentially wipe out this entire category. It is difficult enough that we have a 92 percent tax on this category which is not competitive with surrounding states. This causes many Vermonters to buy this product in NY and NH. A ban will certainly send many more of the Vermont consumers to New York or New Hampshire to buy these products. Sales in 2022 were \$1,300,000. Gross Profit to be lost is approximately \$250,000.

Approximately 96% of the cigars that we sell are flavored. So we will lose virtually our entire cigar business. This represents \$100,000. in sales and \$100,000. in gross profits.

Approximately 90% of Vapes and Electronic Cigs are flavored, and this ban will essentially wipe out this category. These products represent \$2,500,000. in sales and \$600,000 in gross profit.

Tobacco companies pay rebates to us and slotting fees for space in our stores. This represents another \$50,000. to our company for placement fees.

Here are some of the takeaways.

1. Prohibition is not a good idea. The consumers in Vermont will find a way to get their desired products from surrounding states that are legal. We will also have a lot of illegal sales throughout our communities, as these items are highly sought-after and will

command a great street value. Vermont will face an uptick in crime without a revenue stream.

2. We are paying employees to properly sell these products that raise millions of dollars for the State and for us to be able to pay employees livable wages. This will all change.
3. A large number of our employees will be let go in order to cut back our work force as a result of this. Losing the revenues from these items which represent some of the most profitable items in our business will cause immediate financial hardship. Many stores will simply become unprofitable and will be closed. This will hurt small towns especially, where there are not a lot of options for employment. Traveling to work will become even more costly to Vermonters. Targeted low-volume towns for us will be St Johnsbury, Enosburg Falls, Swanton, Fairlee, Waitsfield and Barre, Pittsford, and even in Burlington and Winooski.
4. If the stores lose these profitable items to sell, the value of the properties will become reduced and less property taxes paid will also be reduced to Towns and Cities.
5. We will be forced to raise prices on the remaining items that we do sell like gasoline, alcohol, and groceries.
6. By eliminating all these alternative tobacco items, we will essentially be left to sell just cigarettes and that seems completely contrary to what the objective should be. We are offering alternatives to cigarettes and that is where these consumers are migrating to. Banning alternatives does not make sense.
7. Why is it that Vermonters are allowed to buy and smoke marijuana, but you can't smoke Menthol cigarettes? It's interesting that the marijuana business is filled with flavors to entice adults to partake in that industry.
8. We do not sell to minors. We have over a 95% compliance rate with the state stings. This flavor ban would only impact adult customers that want flavored items.
9. When consumers shop for these flavored items, they typically pick up secondary items like soda or chips. There will be an additional loss of these "associated purchased items" that will cause our profitability to further decrease and cause financial hardship.
10. As visitors and tourists travel to Vermont, instead of giving us the sale of these tobacco items, they will simply load up with these items before they enter the state. They will enjoy their flavored items throughout their stay here, while neither the State of Vermont nor us will derive any financial benefit, costing both of us millions of dollars.

There is nothing positive about this bill. It will upset thousands of adult consumers and it will cost Champlain Farms approximately 500,000 transactions a year. If we do, in fact represent 4% of the industry, then our industry could face losses 25 X this number, or approximately 30 million dollars less in profit each year.

We sincerely request ask that you do not vote for this bill.

*David Simendinger*

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