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## **Excise hike to cause cheap cig surge**

British American Tobacco Australia (BATA) today warned of the imminent growth in cheap cigarettes as another large 12.5 per cent ad hoc tobacco excise increase takes effect.

The additional tax shock is the third in an annual series of four hikes which slugs smokers who then in turn look for cheaper alternatives.

In effect the government is increasing cigarette prices by nearly 20 per cent a year in additional tobacco taxes when the ad hoc is combined with twice yearly increases linked to AWOTE or "Average Weekly Earnings".

BATA spokesperson Scott McIntyre said today's tobacco tax rise would put pressure on Australia's three million smokers who are likely to look for cheaper alternatives in the market.

"The low priced cigarette segment has grown 94 per cent in the last five years and 16 per cent in just the last six months mainly to this series of large excise increases," Mr McIntyre said.

"As smokers demand cheaper options, we're forced to compete, which in turn causes immense competition at the low end of the market.

"The tobacco market dynamics have changed so much in recent years it's now at a point where the low priced segment now makes up 54 per cent of all legal sales.

"We don't believe the intention of the government's ad hoc tax increases is to cause increased competition at the bottom end of the market allowing smokers access to a growing range of cheaper brands."

Mr McIntyre said BATA didn't want to sell cigarettes at \$12 a pack but increased competition meant they had no choice.

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