

Friday, 28 May 2015

BATA calls for a world with no illegal tobacco

British American Tobacco Australia (BATA) today called for more to be done to eradicate the tobacco black market on the eve of World No Tobacco Day.

Due to such high excise levels the amount of illegal tobacco used by Australians represents 14.5 per cent of total consumption, costing the government over \$1.35 billion in lost taxes.

Globally the tobacco black market is estimated to be up to 12 per cent of the world's consumption which equates to about 600 billion cigarettes with links to people smuggling and terrorist organisations.

BATA spokesperson Scott McIntyre said the Australian black market had grown 30 per cent in the last two years off the back of plain packaging and two 12.5 per cent ad hoc excise increases.

“Smokers are being slugged around an extra 20 per cent in tax each year on top of the cost of their cigarettes which is changing their purchasing behaviour. They're now looking for illegal packs which are typically half the price,” Mr McIntyre said.

“Last week the Australian Crime Commission (ACC) released its Organised Crime in Australia report which says that organised crime remains entrenched in the illegal tobacco market as they see it as a low risk, high profit enterprise.

“The ACC said in 2013-14 there was a seven per cent increase in the number of sea cargo detections which has traditionally been the primary importation method. At the same time there was significant increase in the number of detections of undeclared cigarettes through the international mail and air cargo streams which indicates a shift in smuggling technology.”

The key driver for growth in Australia's illegal tobacco market is the ever increasing excise levels which create a huge price differential between and an illegal pack of cigarettes which cost around \$10 and legal packs which can be priced above \$25.

“It's time for the government to look at structural reform to the tobacco taxation system as well as providing greater funding and resources for enforcement at the border and at the retail level,” Mr McIntyre said.

“People are down trading into the illegal market at an increasing rate, forcing the industry to compete with the smugglers. Smokers are literally walking into their local outlet and asking for the cheapest pack.

“Even the lowest priced segment of the legal market has seen huge growth. Legal cigarettes priced between \$12 and \$15 make up 56 per cent of sales with this segment growing 76 per cent in the last five years.

“That means when you combine the illegal and legal markets over 70 per cent of tobacco sold is under \$15 a pack.”

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