

Friday, 30 January 2015

Government key controller of tobacco prices

British American Tobacco Australia (BATA) today responded to television reports in South Australia that tobacco prices would increase from 1 February.

BATA spokesperson Scott McIntyre said the tobacco industry, like every other industry that sells consumer goods, needed to increase cigarette prices in response to market and cost pressures.

“Historically the industry has taken small price increases in February and August at the same time the government increased tobacco excise,” Mr McIntyre said.

“BATA did not increase the price of its brands in the second half of 2014 over the already very large excise increase from the government.

“Last year for the first time excise increases were linked to AWOTE instead of CPI which saw a change in timing to March and September.

“We’ve decided to stick to February which will be earlier than when the government hikes tobacco excise.

“On top of these twice yearly increases the government is currently taking an additional 12.5 per cent every September.

“In total the current government is slugging smokers close to 20 per cent a year in additional tobacco tax which is forcing people to look for cheaper brands as prices climb above \$25 at the top end of the market.

“High excise levels have seen people down trading to the low end of the market where prices are as low as \$12.50 a pack.

“Currently, cigarette packs costing \$15 or less make up over 50 per cent of all legal market sales.

“Instead of quitting, smokers are looking for cheaper options. Australia’s three million smokers are speaking with their wallets and literally walking into their local retailers and asking for the cheapest pack on the shelves.

“Obviously there's an issue with the excise system as it's having the opposite effect to what was intended.

“If the government continues with such large excise shocks smokers will continue to look for cheaper brands. We'd be more than happy to work with the government on a solution.”

Media contact: Scott McIntyre on 02 9370 1222 or follow on Twitter @ Scott_BATA