

BATA states the facts

The Federal Government's tobacco excise policy combined with the failed plain packaging legislation is resulting in more smokers purchasing cigarettes from the lower priced segment than ever. Today there are 1.4 million smokers purchasing legal cigarettes between \$13 and \$15.

Currently 42.3 per cent (Nielsen) of all cigarettes purchased are priced below \$15. Prior to plain packaging in 2011 the low price segment was 25.6 per cent, by the end of 2013 it had increased to 35.2 per cent.

British American Tobacco Australia (BATA) spokesperson Scott McIntyre said governments have been trying to reduce smoking rates by spiking excise, but combined with plain packaging they've actually increased the number of smokers buying cheaper legal cigarettes and as well as black market tobacco.

"We've been forced by plain packaging and high excise increases to launch the cheapest pack on the legal market at \$13 due to such high demand from smokers who are walking into retailers and asking for the cheapest packs on sale. It really is a race to the bottom," Mr McIntyre said.

"What would be most worrying for government is that the number of younger people buying low price cigarettes has doubled in the last two and a half years.

"Industry data shows that in 2011 the number of 18-29 year olds smoking low priced cigarettes was 16.4 per cent of all smokers. At the end of 2013 it had grown to 34.6 per cent. We expect this figure has increased even further in the last six months as the low price segment has grown five per cent overall.

"Smokers of low price brands claim to smoke more cigarettes per day ranging from 14-17 cigarettes a day versus smokers of higher priced cigarettes who claim to smoke 9-12 cigarettes a day. (Roy Morgan)

"Roll Your Own (RYO) tobacco is a cheaper alternative to cigarettes and we've seen growth of 25 per cent since 2008. Today the RYO segment is equal to 2.3 billion cigarettes. The highest users of RYO are 18-29 year smokers and the most growth has come from this age group."

Recent comparisons of volume figures from InfoView and smoking incidence rates from Roy Morgan in the year after the introduction of plain packaging, with ABS data is comparing apples and watermelons Mr McIntyre said.

"ABS data is based on consumption expenditure. That's money spent on tobacco, not volume data from InfoView or number of people smoking from Roy Morgan," Mr McIntyre said

"Even so the ABS data over the first year of plain packaging has seen a 2.5 per cent increase in expenditure even in light of such a large increase in down trading. People continued to buy cigarettes but were paying less for them.

"Over the last six months since the last 12.5 per cent excise increase we have seen a five per cent growth in cigarettes under \$15. Looking at the ABS data based consumption expenditure it has shown a decrease for the first quarter of 2014 which actually points to the fact that people are spending less money on cigarettes, not smoking less.

"Smokers are now looking for cheaper brands and paying \$13 a pack instead of \$25 as excise has pushed prices to their highest ever point. Plain packs and excise has seen smokers look for cheaper products, and instead of quitting they're saving money.

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