

Illegal tobacco jumps 20 per cent in the last year

The total consumption of illegal cigarettes and chop chop climbed to its highest ever rate according to a report released today by the industry. The report is prepared by KPMG UK and also shows that the use of illegal cigarettes grew 151 per cent in the last year alone.

The black market is continuing to grow as highlighted in the *Illicit tobacco in Australia* report with illegal tobacco growing by nearly 20 per cent since plain packs have been on shelves.

British American Tobacco Australia (BATA) spokesperson Scott McIntyre said in 2012 the illegal tobacco rate was 11.8 per cent but had grown by over 2 percentage points to 13.9 per cent in a year.

“If the criminal gangs who illegally imported the 2.45 million kilograms of illegal tobacco into the country last year had paid the tobacco excise they are legally required to, then the government would have around \$1.1 billion extra in the budget,” Mr McIntyre said.

“Due to high excise rates Australia is a very lucrative target for illegal tobacco smugglers and it’s made more attractive as there’s no real enforcement at the retail level once packs hit the streets.

“Around 70 per cent of the price of a legal cigarette pack sale goes to the government. Criminal gangs obviously don’t pay tax making smuggling illegal cigarettes in from Asia and the Middle East so profitable.

“It’s why dodgy retailers sell illegal cigarettes for around half the price of legal cigarettes. They are selling branded illegal packs of cigarettes, many without health warnings, for under \$10.

“The Department of Health is able to fine retailers selling non-plain pack compliant tobacco products up to \$340,000. To date, not one retailer has been fined which is particularly worrying as these aren’t the types of retailers who would ask kids for ID.

“The problem is going to get a lot worse with four 12.5 per cent excise increases over three years on top of twice yearly tax increases linked to the average Australian wage.”

The key facts and figures on illegal tobacco include:

- The illegal market is now at its highest ever point and is equal to 13.9 per cent total consumption.
- The Australian Government and taxpayers are losing \$1.1 billion to tobacco smugglers a year.
- The use of illegal cigarettes grew 151 per cent last year.
- The illegal market is made up of 58 per cent illegal cigarettes and 42 per cent chop chop.
- Recent seizures include 80 million cigarettes and 70 thousand kilograms in Melbourne last October.
- In March police seized 35,000 tobacco plants in Victoria.
- If the illegal brand Manchester was legal it would have a 1.4 per cent market share.

“The enforcement agencies do a good job but greater investment is needed particularly at the border. The Australian Crime Commission reports that organised crime groups see illegal tobacco as a low risk, high profit activity which they use to fund other crimes,” Mr McIntyre said.

The *Illicit tobacco in Australia* report was prepared by KPMG LLP in the UK, is fact based and relies on market research. It was commissioned by BATA, Phillip Morris Limited and Imperial Tobacco Australia. For a copy please visit www.bata.com.au.