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Tobacco black market increasing : New report

A new report shows Australia's illegal tobacco market continues to grow costing the Federal Government more than \$600 million per year in lost revenue.

According to the Pricewaterhouse Coopers (PwC) report *Illegal tobacco: counting the cost of Australia's black market*, more than 12 per cent of all tobacco consumed in Australia is illegal and escapes excise.

Updated every two years, the report identifies a shift in the black market from locally produced loose tobacco to an increase in smuggled counterfeit and contraband cigarettes, which represents a new challenge for government agencies in combating the activities of organised crime.

Commissioned by British American Tobacco Australia, the independent report also found:

- Consumption of illegal tobacco is increasing (up from 1.8 million kg in 2007 to 2.3 million kg in 2009)
- The number and breadth of suppliers has increased, with tobacconists and local markets the major distributors of illegal tobacco products
- The majority of the illegal tobacco trade is on Australia's east coast – in particular NSW and VIC
- More than 50 per cent of smokers are aware of illegal tobacco. Of those, half purchase illegal tobacco
- Price increases remain a key driver of decisions to use illegal tobacco products
- Other regulatory measures such as retail display bans and generic packaging could result in increased consumption of illegal tobacco

The PwC report identified key impacts of illegal tobacco: "The use of illegal tobacco results in foregone government revenue, adverse public health impacts and is believed to have links with other unlawful activity."

Speaking on the report PwC Partner Scott Lennon said: "Cheaper prices was the most common reason more than three quarters (77%) of users smoke unbranded tobacco".

BATA's Head of Communications, Louise Warburton said partnership and sharing information with government agencies is the key in working to addressing this issue.

"Agencies are doing a good job in clamping down on the supply of illegal product, yet clearly demand remains high, and with more than 70% of the cost of a cigarette going to the Federal Government in excise, it is no wonder criminals are turning to illegal tobacco to make a profit."

Ms Warburton also highlighted the report's comments regarding the impact of tobacco control measures on illegal tobacco.

"When regulatory measures are introduced around tobacco, there needs to be greater appreciation of the unintended consequences and ways of mitigating these."

The full report can be read on-line at www.bata.com.au.

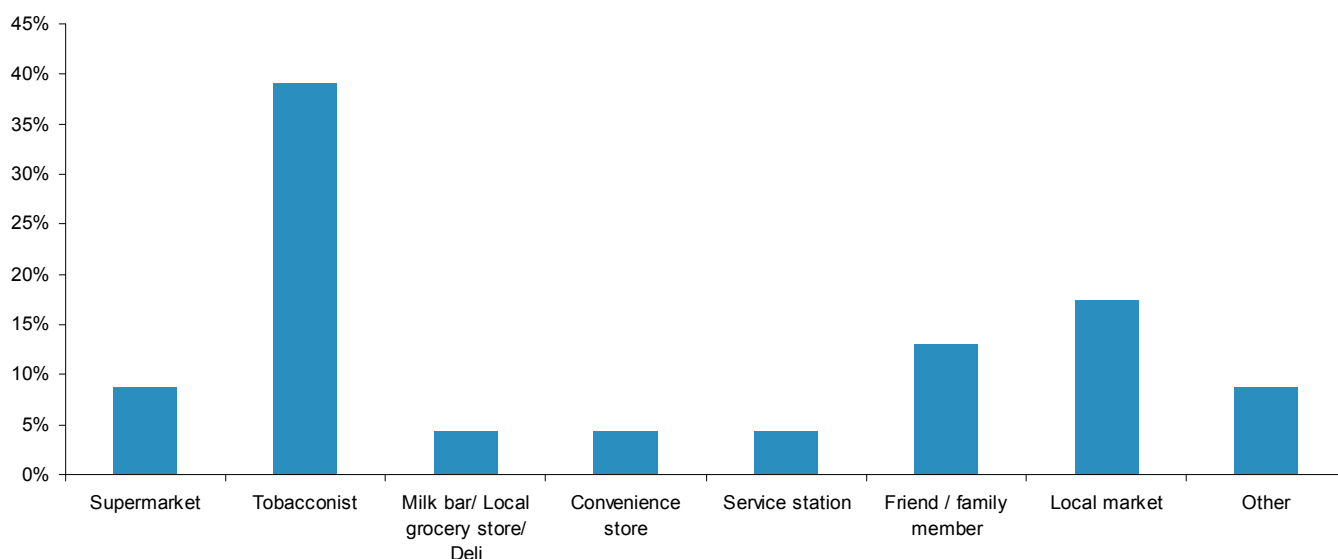
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Additional Facts and Figures:

The report *Illegal tobacco: counting the cost of Australia's black market* was commissioned by BATA, to identify the scale and scope of the illegal tobacco market in Australia and highlight the characteristics and purchasing behaviours of illegal tobacco users.

The report was produced by PricewaterhouseCoopers and draws on independent primary research undertaken for the study through a survey of legal and illegal tobacco users by Roy Morgan in October 2009.

Figure: Tobacconists and market stalls continue to be the major distribution outlets for illegal tobacco products



Of all unbranded tobacco smokers surveyed, the most common outlet to purchase unbranded tobacco was from a tobacconist (39%) followed by local markets (17%)

Table: Illegal tobacco consumers across Australian states

State	Unbranded tobacco users	Counterfeit tobacco users	Contraband tobacco users
NSW	32%	39%	46%
VIC	36%	29%	34%
QLD	22%	15%	12%
WA	5%	12%	5%
SA	6%	2%	2%
Total	100%	100%	100%

Note: Unbranded tobacco calculation for average volume purchased is based on grams per average purchase. Counterfeit and contraband cigarettes calculation is based on the most recent purchase.

Of survey respondents, NSW had the highest number of consumers of counterfeit and contraband cigarettes in Australia at 39% and 46% respectively