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Plain packs fail while cheap smokes grow

British American Tobacco Australia (BATA) said today after a year of implementation the plain packaging experiment is not working and had no impact on legal tobacco volumes.

Since plain packaging was introduced on 1 December last year, legal cigarette sales overall have remained very stable while illegal sales have increased suggesting people are smoking more and paying less.

Worryingly, the cheap price segment which represents the lower end of the legal market has actually grown by 33 per cent since plain packaging was introduced. The cheap price segment now makes up over 22 per cent of the market or nearly three billion cigarettes.

BATA spokesperson Scott McIntyre said that was a huge amount of growth at the bottom end of the market and that the failed policy had actually caused more people than ever to buy cheaper smokes.

“It’s now one year on and plain packaging isn’t having its desired effect. Instead smokers are now down trading to cheaper brands,” Mr McIntyre said.

“We warned price would become the key driver for smokers once plain packaging was introduced and it’s actually occurred more quickly than we expected.

“For example, instead of paying \$17 for their usual premium pack of 25 cigarettes, many smokers are now down trading to a cheaper brand and for the same price are getting a pack of 40 cigarettes.

“Worse still, the illegal market is now at its highest ever level and is equal to 13.3 per cent of total tobacco consumption. The latest illegal tobacco report by KPMG LLP highlights that the number of illegal cigarettes sold in Australia in the last 12 months has grown 154 per cent.

“The illegal black market has trended upward since 2007 and now due to plain packaging is at its worst. Remember these are organised criminal gangs who are using the hundreds of millions they make on illegal tobacco to fund other illicit drugs and criminal activity.

“The Australian Government and taxpayers are missing out on a billion dollars in revenue due to the black market. Plain packaging has made this problem worse.”

In a few days on 1 December, tobacco excise will increase 12.5 per cent. This will occur every year for the next four years, that’s a 50 per cent increase in cigarettes prices in a short period of time.

“This will cause people to down trade further and will see organised criminals rubbing their hands together as the black market booms and their profit margins skyrocket,” Mr McIntyre said.

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