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NATIONAL EMERGENCY MUST BE DECLARED AS ILLEGAL CIGARETTE PRICE WAR RAGES AND BILLIONS BEING LOST – NEW IPSOS REPORT

- **3 OUT OF 4 RETAIL OUTLETS IN KEY PROVINCES SELLING ILLEGAL CIGARETTES**
- **AN ILLICIT CIGARETTE PACK SELLING AS LOW AS R6**
- **THE RECENT EXCISE INCREASE OF 8% HAS LED TO EVEN LOWER DUTY NON-PAID PRICES IN MARKET**
- **GOLD LEAF TOBACCO CORPORATION (GLTC) SEEMS TO BE DRIVING A PRICE WAR AGAINST FITA MEMBERS AND OTHER MANUFACTURERS WHO PAY THEIR EXCISE DUTIES AND CANNOT COMPETE**
- **ALMOST 99% OF GLTC'S DOMINANT BRAND REMINGTON GOLD PURCHASED IN THE SURVEY WAS BEING SOLD BELOW MINIMUM COLLECTABLE TAX**

Monday, 12 April 2021 – SOUTH AFRICA'S recent tobacco tax increase has sparked a massive criminal price war in the country as manufacturers flood the market with untaxed cigarettes.

A major new independent report released today shows that the announcement of the 8% hike in tobacco taxes appears to have been the trigger for an all-out illegal price war in key provinces.

An astonishing three quarters (74%) of retail outlets in Gauteng, Western Cape and Free State are now openly selling illegal cigarettes. This is an increase of more than 7% on the last survey conducted before the excise increase in February.

The brands owned by the Zimbabwean Gold Leaf Tobacco Corporation (GLTC) and those of other manufacturers affiliated to the Fair-Trade Independent Tobacco Association (FITA) are competing furiously in the country's illegal market, one of the world's biggest.

Cigarettes are retailing for as little as **R6** for the equivalent of a pack of 20 – a fraction of the legal Minimum Collectible Tax (MCT) of R21.61.

Remington Gold, a GLTC brand, is "dominant" according to report's authors and was found as low as R10 and "frequently" at R15.

The comprehensive independent study by Ipsos of almost 4,000 retail outlets in the illegal tobacco hotspots of Gauteng, Western Cape and Free State contains a number of further alarming findings:

- Three quarters (74%) of retail outlets in the three provinces nationwide sold cigarettes below the legal minimum collectible tax (MCT) level.
- In Gauteng alone there has been a **13%** increase in the number of retail outlets selling below R20 in the space of just one month.
- Mystery shoppers were able to purchase illegal cigarettes in every retail sector easier than ever before – even more easily than a similar study in February.
- GLTC brands found being sold under the MCT have soared by 13 percentage points in a month and a shocking **85%** of their brands purchased were illegal.
- The Remington Gold brand owned by GLTC is dominant and selling for as little as R10. It is frequently available at R15.
- Almost every single pack (99%) of **REMINGTON GOLD** purchased in the survey was below the MCT.
- 100% and 91% of brands owned by Afroberg and Carnilinx, respectively, were being sold below MCT in retail outlets where they were the cheapest products available.

The Ipsos fieldwork was carried out between March 17-22, follows a previous major national study conducted between 11-16 February. The researchers significantly increased the number of retail outlets (3,700) surveyed by mystery shoppers in the three hotspots (Free State, Gauteng and Western Cape) identified by the national survey.

British American Tobacco South Africa (BATSA) General Manager Johnny Moloto said that the findings of this latest report illustrate a “national emergency”.

“We thought that the levels of criminality and tax evasion that cost every single South African huge sums of money could not get any worse. We were wrong,” Mr Moloto said today.

“This study shows that, now, three out of every four retail outlets in Gauteng, Western Cape and Free State are openly selling illegal products that are not remitting taxes.

“The facilitation of this scale of robbery of billions and billions of rand from the people of South Africa as we continue to struggle with pandemic hardships is totally unacceptable. The robbery is not just getting worse. This study shows that it’s getting worse on a day-by-day basis.

“This is a national emergency and it’s clear we need an immediate Commission of Inquiry into the tobacco market in South Africa.”

Mr Moloto insisted that, in the meantime, government should enact three urgent initiatives:

1. All tobacco companies should be complying with SARS production counter rules
2. Immediate introduction of a minimum retail sales price of R28 for a pack of 20
3. The Government should finally ratify the WHO Illicit Trade protocol to fight illicit trade
4. South Africa must introduce a comprehensive track-and-trace system to stamp out this brazen criminality once and for all.

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