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British American Tobacco South Africa (BATSA) today (Monday) calls on the government to urgently ratify the World Health Organization (WHO) Illicit Trade Protocol in order to eradicate the illegal sale of cigarettes.

South Africa signed the comprehensive international rules seven years ago but has still not formally ratified it.

Ratification would mean that the country, which has the biggest, by far, illegal trade in tobacco in the world implements global WHO Track and Trace guidelines.

BATSA made its call as the company confirmed comprehensive independent research that shows cigarette brands mainly associated with the 'Fair-Trade Independent Tobacco Association' (FITA) have completely taken over the market over the past five months of the sales ban.

The Research Unit on the Economics of Excisable Products (REEP) under the directorship of Professor Corné van Walbeek in the University of Cape Town (UCT) has been tracking cigarette sales during the lockdown.

Professor van Walbeek and his researchers established, from twenty-three thousand respondents, that almost all smokers (93%) were able to purchase cigarettes during the ban.

However, the brands they have been purchasing has changed dramatically even though it has been established that some retail outlets improperly sold properly obtained and taxed cigarettes out of their own stores during the lockdown.

Professor van Walbeek confirmed that: "British American Tobacco (BAT) has taken the biggest knock as a result of the sales ban."

The extent of the damage to the legal industry which previously collected and paid R35m per day in taxes is laid bare by the findings of the REEP report. It shows:

- The 'market share' of BATSA products has dropped from 48.0% prior to lockdown to 8.7% in June.
- The relatively minuscule amount of people who have reported being able to buy BATSA brands almost certainly obtained them out of pre-lockdown shipped retail stock.

- One in three (33.7%) cigarettes bought during the ban were purchased in retail outlets including formal shops, petrol stations and spaza shops.
- Prior to the ban, BATSA owned six of the top ten selling brands in South Africa. Now it has none.
- The brand, RG, from the Zimbabwean-owned and controlled Gold Leaf Tobacco Corporation (GLTC) has exploded in sales over the course of the lockdown.
- At 11.6% of the market this one brand saw approximately 10 MILLION cigarettes purchased every day during lockdown at prices that were up to five times higher than prior to lockdown despite no tax being paid.
- Before the ban, BATSA had a market share that was 32 times larger than the FITA member, Best Tobacco. The REEP report shows during the month of June, Best Tobacco was already bigger than BATSA.

BATSA warned today that any aggressive increase in excise on tobacco, as suggested by some, will only exacerbate the control illegal producers have on the market.

“Tax is only paid by people and companies who obey the law. South Africa now has a tobacco market that is controlled by people who don’t obey the law,” said BATSA’s Johnny Moloto.

“The ban on legal sales has been the greatest gift ever given to tobacco smuggling criminals. Increasing the rate of excise, that they don’t pay anyway, would be the cherry on top.”

BATSA said that the REEP report’s findings and conclusions were “sadly predictable.”

“Our company has not shipped a single cigarette to South African retail or wholesale customers since the ban came into effect in March. This is why we, as the previously largest tobacco company in the country, are barely a footnote in the REEP reports now,” said Mr Moloto.

“Furthermore, we co-operate fully with SARS and have SARS officials in our facility in Heidelberg on a daily basis controlling and monitoring production and export shipments.

“Professor van Walbeek understates our feelings completely but is correct when he states in his report that ‘in contrast with the FITA members’ we have reason to be unhappy about the ban.”

Mr Moloto said that, despite some erroneous and malicious suggestions to the contrary, BATSA has no outstanding tax liabilities to SARS. “We are fully tax compliant.”



Commissioner Edward Kieswetter said last week that “it is going to take years to root out the corruption and illegal activities that have taken root in the past four months”. Commissioner Kieswetter’s concerns are well founded and we remain committed to co-operating with SARS and other law-enforcement authorities to address the illicit trade and ensure a speedy return to the legal and tax-compliant trade in tobacco products,” he added.

BAT South Africa (BATSA) commenced legal proceedings in May against the government’s decision to extend the ban on tobacco sales during Level 3. Even with the government’s announcement to move to level 2, a ruling from the Western Cape High Court is still expected in the upcoming week.

“We have noted the South African Government’s decision to move from Lockdown Level 2. However Legal clarity is needed. For the time being, we can resume our business in South Africa, supporting thousands of jobs in our value chain, whilst combatting the grip of illegal cigarettes in the marketplace.”

Ends

