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## **UCT study suggests the illicit trade in cigarettes targets poor communities in SA**

With World No Tobacco Day set to be commemorated on 31 May 2018, research at the University of Cape Town (UCT) shows that the decline in excise tax revenue from tobacco products may indicate a large increase in the illicit cigarette market. Cigarettes acquired through the illegal market are cheaper, making it easier for people to start smoking, consume more, as well as not quit the habit as easily as they may have.

The Economics of Tobacco Control Project (ETCP) at UCT, headed by Prof Corné van Walbeek, tracks tax data to monitor cigarette sales and consumption in South Africa. The ETCP finds that the illicit trade in cigarettes is growing in the country and sadly, these cigarettes are being sold in our poorest communities.

According to the Budget Review, released in February 2018, excise tax revenue from tobacco products decreased by approximately 10% between the financial years 2016/17 and 2017/18, despite an 8% increase in the excise tax per pack of cigarettes in that period. Overall, between 2016 and 2018, there was a 20% decrease in the number of tax-declared cigarettes.

This large decrease is cause for concern. "Such a rapid decrease in consumption over this short period cannot be explained by changes in people's smoking patterns alone. Instead, it points to a large increase in the illicit cigarette market," van Walbeek contends.

This assertion is backed up by data collected in some of South Africa's poorest communities. Surveys in informal settlements in South Africa indicate that the illicit market is thriving in these areas. In many places, cigarettes sell at 50 cents per stick or R10 per pack. As the excise tax per pack is R15.52, it's clear that the excise tax has not been paid, pointing to the prevalence of an illegal cigarette market in informal settlements.

While the tobacco industry argues that the increase in the illicit market is driven by an increase in the excise tax, Van Walbeek strongly contests this. He argues that the

emergence of the illicit cigarette market is directly related to the inflated retail prices charged by the multinational companies. For more than 15 years, between the early-1990s and 2010, British American Tobacco was able to use its near-monopoly power to sell cigarettes at increasingly higher retail prices and make massive profits, despite sizable increases in the excise tax.

This created an incentive for competitors to enter the market and undercut its prices. Since around 2010 these new entrants were able to get in at the lower end of the market and take a substantial share of business away from the multinationals. The result is a very fragmented and near-chaotic market, as well as increased health risks for some of South Africa's most vulnerable citizens.

The research by the ETCP is one of the examples of how UCT's engaged scholarship addresses critical development and social justice issues.

This year's World No Tobacco Day theme rightly focuses on tobacco and heart disease because more smokers die from heart disease than cancer.

***ENDS***

***Issued by: UCT Communication and Marketing Department***

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