



Economics of tobacco control research in South Africa for the next ten years:

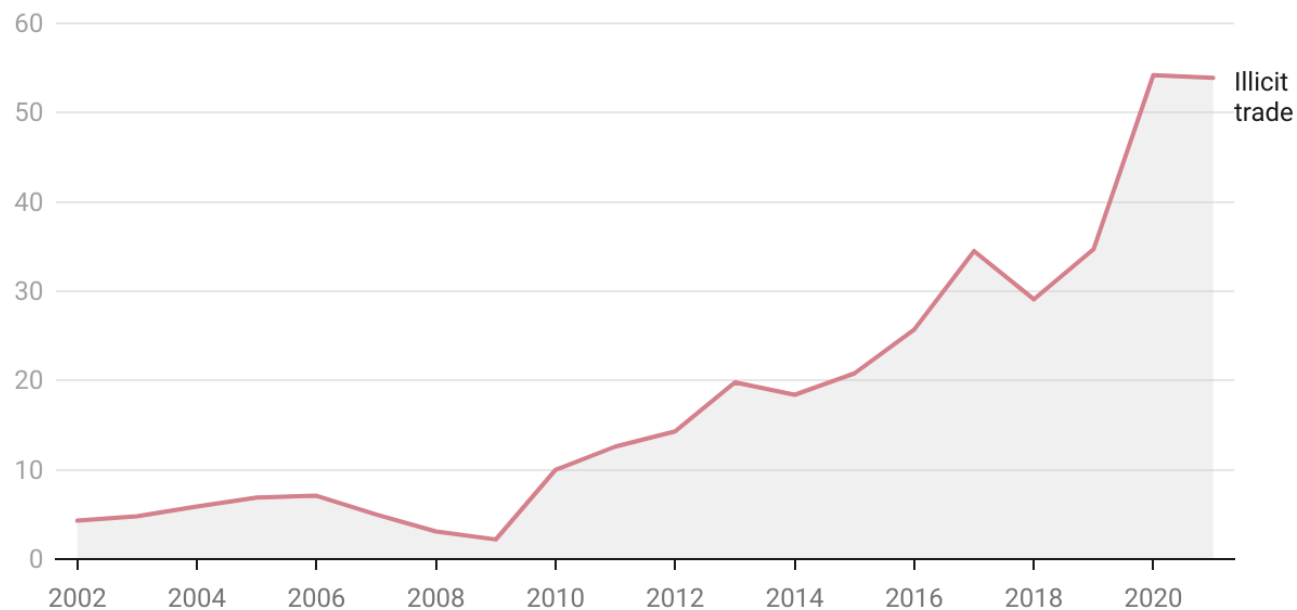
Where we are coming from, and where are we going?

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The tobacco control challenges

Percentage of illicit trade in the total market

Illicit trade was around 54% in 2021



Source: Self-reported consumption data sourced from the All Media and Products Surveys (2002-2015) and the Global Adult Tobacco Survey (2021). Tax-paid sales data sourced from National Treasury and the Department of Trade, Industry and Competition • Created with Datawrapper

Source: Vellios et al., 2020 and updated subsequently

The tobacco control challenges

- After many years of slow decline (or stagnation) smoking prevalence has recently increased quite sharply

Estimates from the 2022 GATS report (survey conducted in 2021)

GATS Highlights

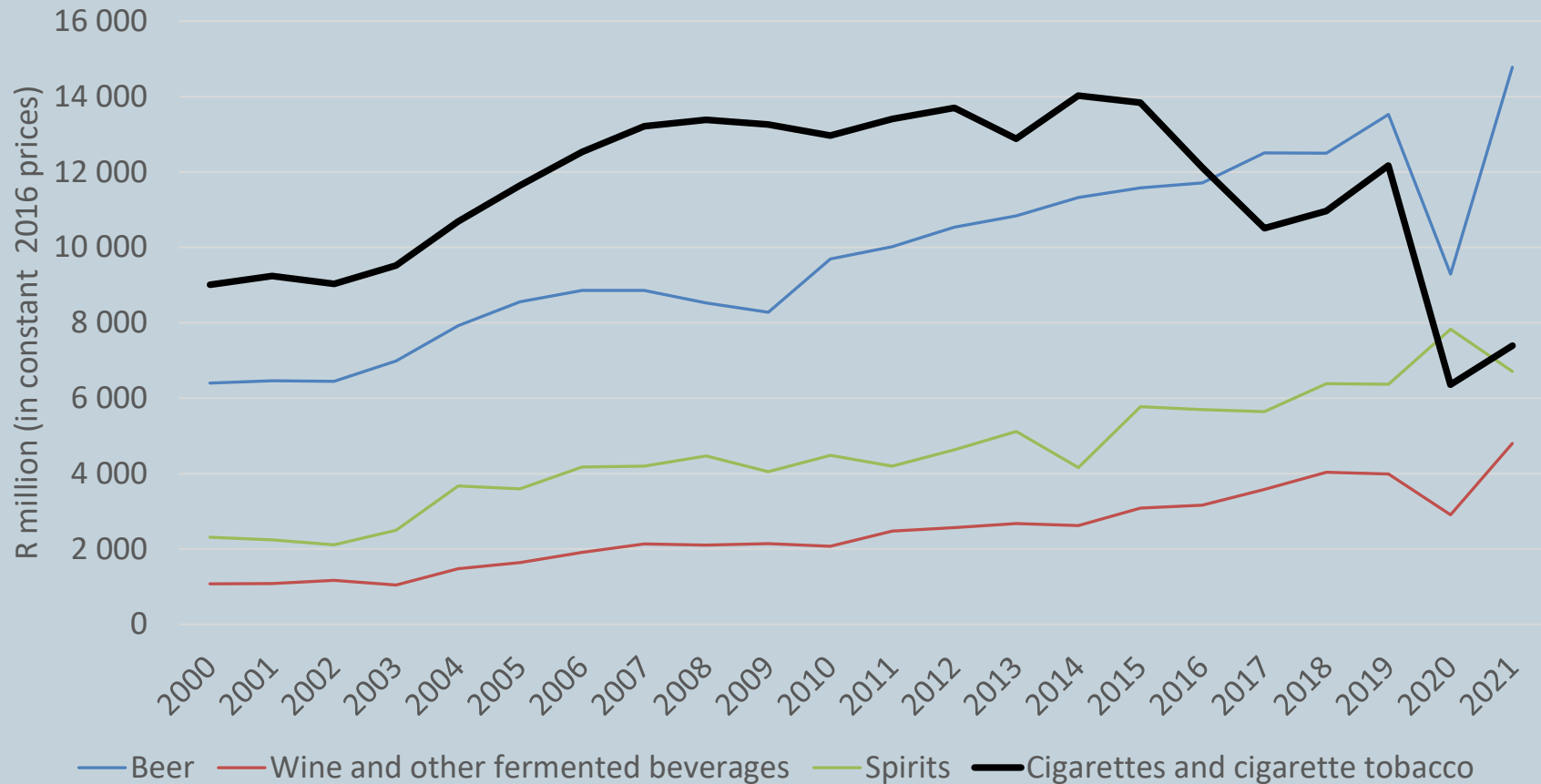
TOBACCO USE

- 29.4% overall (12.7 million adults), 41.7% of men, and 17.9% of women currently used tobacco.
- 25.8% overall (11.1 million adults), 41.2% of men, and 11.5% of women currently smoked tobacco.
- 4.3% overall (1.8 million adults), 1.1% of men, and 7.2% of women currently used smokeless tobacco.

23.9% [21.3%; 26.7%] of adults smoke manufactured cigarettes (GATS, 2021)

The tobacco control challenges

Government revenue from tobacco is under serious threat



Tobacco excise revenue as percentage of alcohol excise revenue



The illicit trade situation is so dire that it will probably undermine all other tobacco control interventions (e.g. plain packaging and tax increases) if it is not brought under control soon

- SARS's against Gold Leaf Tobacco Corporation for tax fraud and "obstruction" (2017-2018) has rocked the tobacco industry
- We urge SARS to investigate the industry's actions during the 2020 sales ban and subsequently

- Ratify the WHO FCTC Protocol to Eliminate the Illicit Trade in Tobacco Products
- Implement its provisions
 - Secure the supply chain: implement a track and trace system
 - Licensing requirements
 - “Know your customer” requirements

- A lot of research has been done by REEP on the economics of tobacco control
 - This information has been made available to policy makers, but without obvious results
- The bottle-neck is in the implementation of tobacco control policy
 - Curbing illicit trade
 - Increasing the excise tax
 - Passing the Control of Tobacco Products and Electronic Delivery Systems Bill

1. Political economy aspects

- Barriers to implementation: what are they, and why do they exist?
- Why the resistance to Track and Track systems in SA?
- Political mapping and the changing power dynamics in the tobacco (control) landscape

2. Illicit trade

- Updated estimate
- How is illicit trade evolving, from both the demand and supply sides?
- Buyers of illicit cigarettes
 - Do they know that they are buying illicit cigarettes?
 - Why do they do it?
 - Brand loyalty: is it changing? What are the dynamics?
 - What are the possible implications for plain packaging?
 - Do smokers switch between legal and illicit cigarettes as a spending strategy?
- Are the correlates of illicit trade (e.g. level of corruption, enforcement capacity, tax levels and tax increases) changing, both in SA and internationally?

3. Electronic nicotine and non-nicotine delivery systems

As economists we are not in a position to say much about relative risks, etc.

We can evaluate economic aspects

- Prevalence by demographics and SES
- Prevalence of dual users (cigarettes and ENDS)
- To what extent are e-cigarettes and heated tobacco products a gateway to smoking cigarettes?
- Cross-price elasticities of demand for traditional cigarettes vs. ENDS

4. Smoking and youth

- The current Global Youth Tobacco Surveys provide a limited view of youth smoking
 - Irregular survey intervals
 - Only focus on 13-15 year olds
- There is a need to understand youth smoking better
 - Need for a study on youth smoking among 12-25 year olds, with focus on:
 - Onset
 - Transitions from experimentation to regular smoking and daily smoking
 - Relationships between cigarette smoking and novel products
 - Relationships between tobacco, alcohol, and drugs

5. Industry response

- How has the tobacco market changed over time?
 - Multinational vs. locally-based companies
 - Positioning themselves in the novel market
 - Pricing strategies by the various producers
 - Changes in variation of retail prices, among legal and illegal cigarettes
- Implications for tobacco control

6. Trade agreements and their impact on taxation policy in South Africa

- Currently Botswana and Eswatini levy a tax above the SACU excise tax
- Can this pressurize other SACU members to impose a similar levy/increase in the excise tax?



Thank you

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