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## REEP: Research Unit on the Economics of Excisable Products

with the  
**WHO FCTC Knowledge Hub on Tobacco Taxation**

Newsletter #30, March 2024




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## Director's Message

Dear Friends

I am delighted to announce that Dr Estelle Dauchy joined REEP from 1 March 2024, after a long and successful period at the Campaign for Tobacco-free Kids. Because of visa issues, she is currently working remotely from the US, but we hope that she will join us in Cape Town in the coming months. I interviewed her about her previous work and how she sees her upcoming experience with REEP. Please see [here](#).

In REEP's previous newsletter I mentioned that we will be launching an online Tobacco Taxation 101 course in May 2024. The REEP team has worked on this course for nearly a year, with much support from Learning Sandbox, a professional course design team. The course will start on Monday 13 May 2024. See [here](#) for a course description, and [here](#) for a brochure.

Recently we launched a call to applicants from low- and middle-income countries (and especially small island developing states) to apply for technical assistance in tax modelling from the WHO FCTC Knowledge Hub on Tobacco Taxation. The deadline for applications is 12 April 2024. Please see [here](#) for details about the call in this newsletter, and [here](#) for the formal call for interest.

The National Department of Health has been conducting public hearings in the various provinces about the Control of Tobacco Products and Electronic Delivery Systems Bill. On 11 February 2024 Nicole and I



attended a public hearing in Paarl in the Western Cape. Nicole was selected to make a presentation. It was clear that the tobacco and vaping industries were using their allies to oppose the bill, but at the same time there was also strong support for the bill.

In the past two months, the REEP team has published two papers. One paper, lead-authored by our former post-doc fellow, Chengetai Dare, considered the impact of price on **smoking experimentation in Zimbabwe**. Chengetai found, unsurprisingly, that an increase in cigarette prices reduces smoking experimentation among children. The other paper, by Nicole and me, provided an update of the **size of the illicit cigarette market**. We extended Nicole's previous 2002-2017 illicit trade estimates to 2002-2022. Furthermore, we quantified the amount of excise and VAT revenue lost to illicit trade over the 2002-2022 period, taking into account that, had there not been illicit trade, the average price of cigarettes would be much higher, and thus people would have consumed less cigarettes. The quantity of revenue lost is staggering.

In February, Zunda and Vanessa represented the Knowledge Hub at the **Conference of the Parties**. They informed the Parties of the work of the Knowledge Hub and the services that we can provide. It was also a good opportunity to connect with other knowledge hubs.

I trust that you find this newsletter interesting.

Best regards

**Corné van Walbeek**

Director: Research Unit on the Economics of Excisable Products



## NEWS: Research Unit on the Economics of Excisable Products

### Launch of Tobacco Taxation 101 online course

Online Course

**Tobacco Taxation 101**

Learn how efficient and effective taxation can improve public health by reducing tobacco consumption, boosting fiscal revenues, and supporting sustainable development.

Starts: May 2024

Co-funded by the Research Unit on the Economics of Excisable Products (REEP), University of Cape Town, South Africa.  
<https://commerce.uic.ac.za/tee>

We are excited to announce the launch of our upcoming online course, Tobacco Taxation 101, starting on 13 May 2024!

Hosted by REEP, this course is designed to equip participants with essential skills and knowledge regarding tobacco taxation and its impact on public health and sustainable development.

[Apply here!](#)

#### Course overview and learning journey

The course is designed to equip participants with essential skills and knowledge regarding tobacco taxation, and its impact on reducing tobacco consumption, boosting fiscal revenues, and supporting sustainable development goals. Participants will delve into various aspects of tobacco taxation, including:

- **Module 1: Tobacco Taxation in Context**  
Explore the role of tobacco taxation in reducing consumption and its alignment with the UN's Sustainable Development Goals.
- **Module 2: Economics Essentials**  
Understand economic principles such as demand, price elasticity, and revenue generation through taxation.

**Module 3: Tax Structure and Modelling**

Dive into technical aspects of tax structures, pass-through effects, and affordability, with an introduction to e-cigarette taxation.

- **Module 4: Challenges and Roadblocks**

Address issues like illicit trade, its impact on public health and revenue, and strategies to counter tobacco-industry arguments.

**Who should attend?**

This course is ideal for government officials and policymakers, academics and researchers, civil society organizations and NGOs working on health taxes.

**Course details & logistics**

- Duration: 5 weeks, starting 13 May 2024.
- Cost: US\$500 per person (with group discounts and limited scholarships available).
- The closing date for applications is **3rd May 2024**.

**Apply here!**

To inquire further, contact us via email at [tobaccotaxation101@gmail.com](mailto:tobaccotaxation101@gmail.com) or call us at +27(0)21 650 3608. Visit our [website](#) for more information, including how to apply for discounts or scholarships.

Don't miss this opportunity to enhance your understanding of tobacco taxation and contribute to improved public health outcomes. Join us in shaping a healthier future!

## Public hearing on new tobacco control bill



On 11 February 2024, Corné and Nicole attended one of the provincial public participation hearings on the Tobacco Products and Electronic Systems Control Bill. The event, held at the Paarl Thusong Centre, was organised by the Portfolio Committee on Health. The event was part of a series of hearings that are underway in all nine provinces. The objective of the hearings is for the committee to hear opinions on the bill from the public.



In terms of the selection process for oral submissions, attendees raised a hand and the Chair chose speakers from the floor. There were four rounds throughout the session. In each round, the chair chose about 10 people to provide oral submissions. Each person stated their name, affiliation, whether they



supported or opposed the bill, and the reasons for their support or opposition. About half of the speakers supported the bill, while the other half opposed the bill. In the last round, the chair selected Nicole, who said the following:

Dear committee,

My name is Nicole Vellios. I am a researcher at UCT working in the tobacco control. Our research unit has assessed the available evidence on each of the Bill's proposed legislative changes. We strongly support the bill.

South Africa urgently needs to implement the bill to save lives. Each year tobacco kills about 31 000 people in our country. This was 7% of all deaths in 2012. Aside from this high death toll, the financial burden to the government is huge. The cost of smoking is R42 billion each year. South Africa does not have money lying around to spend on the treating lung cancer. That money could be spent on education and other worthwhile things.

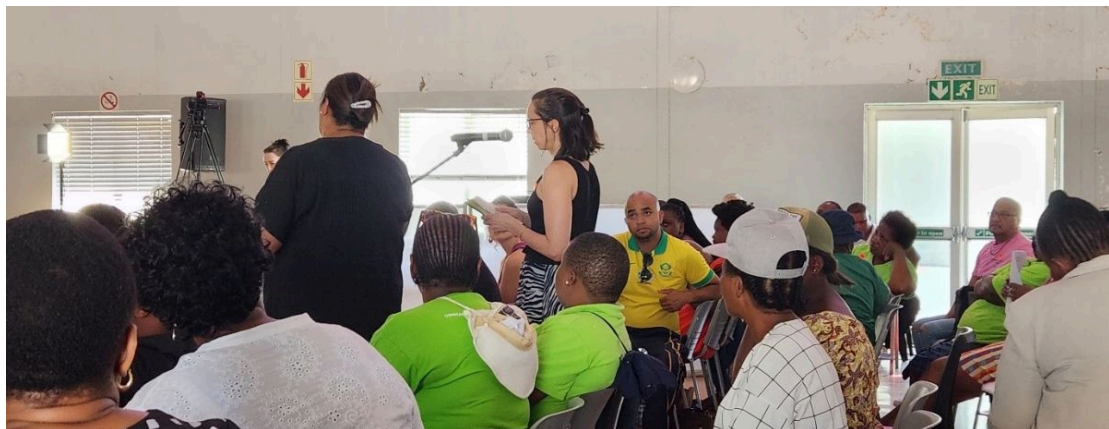
The new bill proposes new packaging laws. South Africa's cigarette packaging laws were last updated in 1994 - 30 years ago. We only have text health warnings. Graphic health warnings have been adopted in over 134 countries. Given that South Africa has eleven official languages, graphic health warnings will be more effective in communicating the risks of smoking. Plain packaging, where all branding is removed, has been implemented in 24 countries. Plain packaging reduces the appeal of cigarettes.

The new bill proposes that e-cigarettes are regulated. The industry uses e-cigarettes to renormalise smoking. Some young people start with e-cigarettes and switch to manufactured cigarettes. The long-term health effects of e-cigarettes are unknown. E-cigarettes contain thousands of chemicals and substances, including caffeine and pesticides. These chemicals may be toxic and may cause respiratory irritation.

The industry argues that e-cigarettes are useful quitting devices. This may be true for some people. But the industry markets e-cigarettes to teenagers. Some e-cigarettes are even shaped like lollipops. They come in all sorts of colours that appeal to teenagers. The industry even pays social media influencers to sell their products. Would you want your child to vape? I certainly wouldn't.

The bill is overdue. In the meantime, the number of deaths caused by tobacco remains extremely high.

Thank you.



## REEP appoints Dr Estelle Dauchy as a Principal Research Officer



Dr Estelle Dauchy joined REEP on 1 March 2024 as a Principal Research Officer (the research equivalent of a full professor). Estelle brings a lot of experience to the unit. Prior to joining REEP, Estelle worked for the Campaign for Tobacco-free Kids for nine years. She has lived and worked in many countries, including the United States, Russia, China, and France.

We asked her some questions, such as what she sees as the biggest challenges facing tobacco control in the next five to ten years, and what advice she would give to graduate students interested in public health, and specifically tobacco control.

A key question was what she would be working on at REEP, to which she replied: "This is a tough question because we, researchers, are constantly learning and our research evolves with ongoing needs or opportunities. What is certain is that in the next few years a large part of my work will still be related to tobacco economics, as there is still so much work to be done, and many countries need support. This said, at REEP we are also aware that countries in the region need support to better design other health taxes, including those on alcohol and sugar-sweetened beverages."

[Read the full interview with Estelle.](#)

## More than R100 billion in government revenue lost to illicit trade since 2010, according to recent paper in *BMJ Open*

On 15 March 2024, *BMJ Open* published a paper titled '[An economic analysis of the tax revenue lost due to illicit cigarettes in South Africa: 2002 - 2022](#)'. Using gap analysis, Nicole Vellios and Corné van Walbeek estimated the number of illicit cigarettes by calculating the difference between the number of self-reported cigarettes (derived from nationally representative surveys) and the number of legal (tax-paid) cigarettes (derived from government sources) from 2002 to 2022.

They then calculated the excise and VAT revenue that the government lost through illicit trade, taking into account that some people would have quit or reduced their consumption if cigarette prices had been higher (i.e. tax paid).



They found that the illicit cigarette market comprised 5% of the market in 2009. Despite some sporadic minor decreases in the illicit market between 2010 and 2019, the illicit market increased to 40% in 2019. The sales ban of 2020 provided a huge impetus to the illicit market. Many people turned to the illicit market during this 5-month period and stayed with illicit brands, even after the sales ban was lifted. The illicit market peaked at 60% in 2021, and decreased marginally to 58% in 2022.

Accounting for the fact that some people would have reduced their consumption if cigarette prices had been higher (had the illicit market had not existed), the government lost R15 billion in excise revenue and R3 billion in VAT revenue in 2022. From 2002 to 2022, the government lost R119 billion (2022 prices) in excise and VAT revenue. The majority of the lost revenue occurred in the period 2010 to 2022, where R110 billion (2022 prices) in excise and VAT revenue was lost. A variety of sensitivity analyses indicates that the estimated lost revenue from 2002 to 2022 falls within the range of R65 billion to R130 billion (all 2022 prices).

They concluded that the South African government has been losing a significant amount of revenue by not receiving excise and VAT from all cigarettes consumed in South Africa, and this trend is likely to continue if the government does not secure the supply chain from the point of production to the point of sale.

The paper is available [here](#).

## REEP researchers publish paper on cigarette smoking experimentation among Zimbabwean children



Chengetai Dare, a former postdoc fellow at REEP and Corné van Walbeek, together with Micheal Boachie, another former postdoc fellow at REEP, recently published a paper in *Nicotine & Tobacco Research* entitled “**Cigarette Prices and Smoking Experimentation among Zimbabwean children: a survival analysis of the 2014 Global Youth Tobacco Survey**”.

The key finding is that there is strong evidence that increasing excise taxes can play an effective role in discouraging children from experimenting with cigarette smoking. Considering the relatively low excise-tax burden in Zimbabwe, the government should consider substantially increasing the excise-tax burden. An increase in the excise tax increases the retail price of tobacco products, making them less affordable, and reduces the demand for them.

The authors used survival analysis techniques to find the covariates of the first exposure to cigarette smoking, which is defined as experimentation. They found that a 10% increase in the price of cigarettes reduces the probability of experimenting with smoking by 9%. Also, children are more likely to experiment with smoking if they have a brother or father who smokes, or see teachers who smoke. The likelihood of experimenting with smoking is higher among boys than girls and is positively associated with age.

The paper used data collected by the Global Youth Tobacco Survey (GYTS), a nationally representative survey of children aged 12 to 17. The GYTS is conducted in many countries using a standardised methodology.

To read the paper, please click [here](#).

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## NEWS: WHO FCTC Knowledge Hub on Tobacco Taxation

### **Call for low and middle-income countries to apply for technical support to enhance taxation policies to combat non-communicable diseases**

The WHO FCTC Knowledge Hub on Tobacco Taxation recently **released a call for interest** to provide technical assistance in taxation simulation modelling for tobacco and, to a lesser extent, alcohol, and sugar-sweetened beverages (SSBs), in low and middle-income countries (LMICs).

The project, supported by a grant from Cancer Research UK, aims to provide targeted support to approximately six LMICs from June 2024 to June 2026. While all LMICs are encouraged to apply, Small Island Developing States (SIDS) will be given preference due to their unique challenges and vulnerabilities.

#### **Addressing non-communicable diseases (NCDs)**

Tobacco, alcohol, and SSBs present significant health and socioeconomic challenges globally, particularly in LMICs. These countries often struggle with limited resources and strained healthcare systems, exacerbating the impact of behaviour-related illnesses and deaths. SIDS face additional challenges such as geographic isolation and dependence on industries like tourism and fisheries, making them particularly vulnerable to address the financial costs related to NCDs.

#### **Objectives and assistance on offer**

The project's objectives include developing expertise, knowledge, and political will among participants, disseminating knowledge on effective taxation strategies, producing evidence through simulation modelling, and building partnerships at national and international levels.

The technical assistance provided will include retrospective tax analyses, prospective tax simulation modelling using the TETSIM model, online training courses on tobacco taxation, and continuous

technical support throughout the project period.

### Who Should Apply?

Applicants from LMICs interested in utilizing taxation and price-based strategies to reduce tobacco, alcohol, and SSB consumption are encouraged to apply. Ideal applicants include representatives from government ministries, academia, or civil society organizations with strong links to the government.

Interested LMICs can **submit their applications through the provided link** before the deadline on **April 12, 2024**.

This initiative aligns with global strategies such as the 2023 Bridgetown Declaration, the WHO FCTC, and the Global Strategy to Accelerate Tobacco Control. It offers a comprehensive approach to combating health challenges associated with tobacco, alcohol, and sugar-sweetened beverages, emphasizing the importance of effective taxation policies in promoting public health and economic well-being in LMICs.

For more information and to apply, visit the [REEP](#) and [Knowledge Hub](#) websites. Together, let's work towards a healthier future for all.

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## Highlights from the 10th WHO FCTC Conference of the Parties in Panama

The recently concluded tenth Conference of the Parties (COP) to the WHO Framework Convention on Tobacco Control (FCTC), held in Panama from 5-10 February 2024, brought together a diverse range of stakeholders to address the tobacco epidemic. The COP attracted close to 180 Parties to the FCTC and numerous civil society organizations, inter-governmental bodies, academics, and media representatives from around the world.



Zunda Chisha, the Programme Director of the Knowledge Hub on Tobacco Taxation, and Vanessa Darsamo, a Researcher Officer in REEP, participated in the event under the umbrella of the Global Alliance for Tobacco Control (GATC).

One of the key highlights was a lunchtime side-event organised by the various FCTC Knowledge Hubs (there are currently nine Knowledge Hubs, spread around the world).

Zunda represented the Knowledge Hub on Tobacco Taxation, shedding light on areas of the Knowledge Hub's expertise and how we can provide technical assistance on tax-related matters to FCTC Parties. This event provided an excellent platform for knowledge exchange and networking among stakeholders.

Throughout the week, attendees engaged in various sessions and closely monitored COP proceedings, with NGOs like GATC actively contributing by issuing statements on pertinent issues. Despite limitations on direct participation, NGOs played a vital role in influencing discussions and supporting country delegations.

While the Knowledge Hub on tobacco taxation did not participate in the Meeting of the Parties (MOP) of the Protocol to Eliminate Illicit Trade in Tobacco Products from 12 February to 15 February, we shared our insights on **tobacco taxation and illicit trade** discussing the gaps, global resources and training materials.





## In the Media

DAILY MAVERICK

Corné and Sam published an opinion piece in the Daily Maverick on 28 February 2024, titled "**As 2024 Budget shows, SA's legal cigarette market continues to haemorrhage**".

In the article, they analyse the recently published excise tax revenue figures, and the trends in these over the past number of years. Sadly, excise tax revenues are down again, indicating that the legal market of cigarettes is shrinking. The illicit market is becoming bigger. The government, and the South African Revenue Services in particular, should prioritise the fight against illicit cigarettes, because billions of Rands are lost each year.

On 26 March 2024, the Business Day published an opinion piece by Nicole and Corné, titled "**Failure to end the illicit cigarette trade has cost SA billions**", based on their *BMJ Open* paper, regarding the government revenue lost to illicit trade since 2010.

BusinessDay

Regards,  
The REEP team

If you have any comments or feedback on this e-newsletter, or suggestions for possible story ideas for our next issue, please get in touch with the REEP team, by emailing us at:

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