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REEP: Research Unit on the Economics of Excisable Products

with the

WHO FCTC Knowledge Hub on Tobacco Taxation

Newsletter #33, September 2024

In This Issue

- [Review of alcohol excise taxation in SA](#)
- [A 2nd RESET alcohol grant](#)
- [TT101 course in Feb/March 2025](#)
- [News from the TCDI](#)

Events

- [TJNA Meeting in Mauritius](#)

Published papers

- [Health Economics](#)

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-  [Twitter](#)
-  [REEP Website](#)
-  [Knowledge Hub website](#)

Director's Message

Dear Friends

In July 2019, REEP was accredited as a research unit by the University of Cape Town's research committee. Every five years, each accredited research unit is reviewed by a panel of experts. REEP's review is scheduled for 12 November 2024. We have nearly completed our self-evaluation report. We will share this document with our stakeholders in due course. Writing this self-evaluation report allowed us to reflect on past achievements and challenges, and to plan for the next five years.



We have much to be grateful for and proud of. Funding agencies, the university, and other stakeholders, have provided REEP invaluable support. We have been able to develop research capacity and increase collaborations within REEP and with research organisations worldwide. In the past five years, REEP staff have authored or co-authored more than 70 articles in academic journals. We are proud to have had a tangible impact on tobacco tax policy in a number of countries, in Africa, and in the rest of the world.

In early September 2024, the REEP team went on a two-day retreat where we discussed our plans for the next five years. There is still much to be done. While smoking prevalence is decreasing in many countries, about a billion people worldwide are still addicted to nicotine. Traditional smoking is dropping, but the use of vaping and other novel products is rising. We want to be at the forefront of research on the economic aspects of both traditional and new nicotine products. Through the Knowledge Hub, we

support countries to improve their tax structures and increase the excise tax.

Zunda and I attended a workshop in Mauritius earlier this month. About six years ago members of REEP wrote a report to support a local NGO to advocate for higher excise taxes. It was encouraging to see that government officials still use that report as a guide to inform their tax policy.

In addition to tobacco research, we have also been working on alcohol research. Recently Nicole Vellios and two colleagues in REEP completed a [comprehensive review](#) on alcohol policy in South Africa. RESET Alcohol, led by Vital Strategies and funded by Open Philanthropy, funded this research. In September 2024, RESET Alcohol awarded REEP a [second grant](#) to extend this work. The second grant aims to quantify the consumption and revenue impact of changes in alcohol taxes.

Estelle Dauchy, together with a co-author in the US, recently published a [paper](#) on price and cross-price elasticities of heated tobacco products and traditional cigarettes in 30 countries.

REEP will offer the online course, Tobacco taxation 101, in early 2025. Please see [here](#) for more details.

We also report on the latest developments with the Tobacco Control Data Initiative ([TCDI](#)).

In staff news, we are also delighted to report that Sam Filby is back in Cape Town after spending a year in the US on a Fulbright Scholarship.

We hope that you will enjoy this issue of the REEP newsletter.

Kind regards

Corné van Walbeek

Director: Research Unit on the Economics of Excisable Products



NEWS: Research Unit on the Economics of Excisable Products

REEP members write report on alcohol tax gaps in South Africa

Figure 1 | 2024/25 excise rates, Rands per litre of absolute alcohol



The assumptions on the percentages of pure alcohol for drinks taxed by volume are as follows: Traditional African beer 3%, Traditional African beer powder 6%, unfortified wine 10.5% (range: 4.5-16.5%), fortified wine 18.5% (range: 15-22%), and sparkling wine 9.75% (range: 7-12.5%).

Source: Calculations based on excise data from Republic of South Africa: National Treasury, Budget Review, 2024. Created with Datawrapper

In August 2024, REEP members completed a comprehensive research report titled '[A review of alcohol excise taxation in South Africa](#)'. The research was funded by RESET Alcohol, a global project led by Vital Strategies and funded by Open Philanthropy. Nicole Vellios, Mxolisi Zondi, and Corné van Walbeek worked on this research project.

The aim of the research was to identify gaps in South Africa's alcohol excise tax framework, and to provide recommendations on how to tighten alcohol excise taxation in South Africa. Increasing the price of alcohol has been shown to be highly effective in reducing alcohol-related harm. Improving the excise-tax framework for alcohol is important because the harmful use of alcohol is a critical public health concern in South Africa. The economic and social costs of alcohol consumption are vast. For example,

several publications indicate that between 50 200 to 62 500 deaths per year in South Africa can be attributed to alcohol.

The main focus of the report is excise taxes. In South Africa, excise taxes on beer and ciders (R135.89/L of absolute alcohol) and spirits (R274.39/L of absolute alcohol) are applied per litre of absolute alcohol. This is in line with international best practice, because the tax is levied on the harmful ingredient. Furthermore, this tax structure incentivizes the producers to reduce the alcohol concentration in the beverage, something that has been noticed in practice. Excise taxes on wine (R5.57/L of beverage), traditional African beer (R0.0782/L of beverage), and traditional African beer powder (R0.0347/kg) are applied by volume, not by alcoholic content.

We view this research report as a discussion document that can be updated following stakeholder dialogue. As such, we welcome any feedback that can improve the report.

The report is available [here](#).

REEP secures Vital Strategies grant following Phase 1 of the RESET Alcohol project

We are pleased to announce that REEP has received a new grant from **Vital Strategies** for further research on alcohol taxation and its impact on consumption and government revenue in South Africa.



This is the second grant awarded to REEP by Vital Strategies, following phase one of the RESET project, which identified gaps in South Africa's alcohol excise tax framework (see [previous article](#)). While South Africa's current tax framework is well-designed and follows international best practice in important respects, some anomalies and shortcomings were noted. The second phase of the RESET project will focus on modelling/quantifying the impact on alcohol consumption and government tax revenue if the government were to address these identified gaps effectively. The modelling will use the same principles as we use in the Tobacco Excise Tax Simulation Model.

This grant will allow us to continue our work on understanding how tax policies influence alcohol consumption and the potential for enhancing government revenues through better taxation strategies.

Estelle Dauchy co-authors a paper that estimates the price and cross-price elasticity of heated tobacco and cigarette demands

Health Economics

Recently Estelle Dauchy, REEP's newly appointed Principal Research Officer, co-authored a [paper](#) in *Health Economics* that estimates the price elasticity of heated tobacco products (HTPs) and cigarettes for 30 countries for which HTP data were available.

The study finds that HTPs' own-price elasticity ranges from -1.2 to -1.3. This means that a 1% increase in the price of HTPs leads to a 1.2% to 1.3% decrease in their demand. On the other hand, cigarette demand is less price responsive, with an own-price elasticity of about -0.3. This much lower price elasticity is ascribed to the addictive nature of cigarettes and its established consumer base.

The paper also examined the cross-price elasticity between the two product categories and found that while higher cigarette prices do increase HTP demand, the effect is relatively small, and higher HTP prices do not significantly affect cigarette demand. This indicates that HTPs and cigarettes are weak economic substitutes. The findings suggest that policy-makers can independently use taxation to control the consumption of HTPs and cigarettes. For example, simultaneous tax increases on both HTPs and cigarettes can reduce both products' consumption without leading to a rise in the consumption of the other product.

This policy approach can help achieve public health goals by discouraging the use of all types of nicotine products. The study utilized data from multiple countries and employed a regression approach

that acknowledges that the demands for the two products are related, and controls for exogenous factors, such as income levels and regulatory environments. Though the study does not consider other novel nicotine products, the authors suggest that the high price elasticity of HTPs could be due to the availability of close substitutes, such as herbal tobacco or electronic cigarettes. The research highlights the importance of understanding price sensitivities when designing tax policy. By leveraging price-elasticity data, governments can design more effective taxation strategies to reduce tobacco consumption and improve public health outcomes.

The paper can be accessed [here](#).

REEP participates in African Tobacco Tax Consortium meeting in Mauritius

From September 10-12, 2024, the Tax Justice Network Africa (TJNA) convened the African Tobacco Tax Consortium (ATTC) meeting in Mauritius. Representatives from REEP, Corné van Walbeek and Zunda Chisha, joined colleagues from WHO-AFRO, the African Tax Administration Forum (based in Johannesburg), CRES (based in Senegal), and TJNA for this important gathering.

The objectives of the meeting were threefold: to

1. Assess progress of joint initiatives over the past year;
2. Establish objectives and strategies for identified countries (Ghana, Nigeria, Senegal and Zambia); and
3. Develop a collaborative action plan for the upcoming year.

The meeting reinforced the importance of collaborative efforts in tobacco-tax policy research and advocacy across Africa. Through the partnership, we can generate synergies that will make the partnership more effective. REEP looks forward to continuing its work with ATTC partners to advance effective tobacco-control measures throughout the continent.



Tobacco Taxation 101: Upcoming Course Announcement and Enhancements

The Research Unit on the Economics of Excisable Products (REEP) is pleased to announce the next offering of its highly successful Tobacco Taxation 101 course. Following the inaugural session in May 2024, REEP has conducted a comprehensive review to further enhance the learning experience.

Online Course

Tobacco Taxation 101



Course Success and Participant Feedback

32 participants from 29 countries have completed the course and will be receiving their certificates in the coming days. The participants came from government departments, civil society, and academia. The mean grade of the participants who completed the course was 79%. The course received positive feedback, particularly regarding the clarity and accessibility of complex concepts.

Enhancements for the Upcoming Session

Based on participant feedback, REEP plans to implement several key improvements:

1. **Enhanced Interaction:** Increased opportunities for peer-to-peer learning and general discussions, mainly through an online chatroom.
2. **Capstone Project:** participants will be expected to submit a project that synthesizes concepts learned throughout the five-week course.
3. **Refined Assessments:** Revision of quiz questions to improve clarity while maintaining academic rigor.

Upcoming Course Dates

The next Tobacco Taxation 101 course is scheduled for February 10 to March 14, 2025.

Application Process

Applications for the upcoming session will open in the coming weeks. Interested parties are encouraged to monitor our official channels for further announcements.

For more information about the course or application process, please contact:

tobaccotaxation101@gmail.com

Tobacco Control Data Initiative (TCDI) Update



The TCDI team recently published a request for proposals for tobacco-prevalence studies in South Africa, Zambia and DR Congo.

The aim of these studies is to collect data on tobacco use among adults aged 15 years and above, to complement existing data and to help the government to better identify smoking-prevalence trends. TCDI and its sustainability partner, the [Centre for the Study of Economies of Africa](#), continue to engage tobacco-control stakeholders in the different countries to understand how to bridge data gaps.

The TCDI team will attend the NCD alliance forum in Kigali in October 2024 where they will be sharing their experiences on how data from the dashboard are being used to influence policy. The team will also have a booth where they will be showcasing their different outputs and answering any questions that people may have about the data, processes followed, and way forward.

In the July 2024 newsletter we mentioned a number of recently published manuscripts and reports from TCDI studies. We repeat them here in case anyone missed them.

1. [Reasons for shisha smoking: Findings from a mixed methods study among adult shisha smokers in Nigeria](#)
2. [Illicit Cigarette Trade in Zambia](#)
3. [Illicit Cigarette Trade in DR Congo](#)

New Research on the Economics of Tobacco Control: September 2024

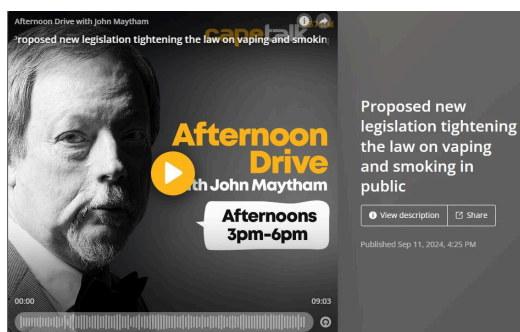
This **Appendix**, compiled by Leoné Walters, aims to keep you updated on the latest research in the field of economics of tobacco control. In this section, introduced in the July 2024 newsletter, we provide summaries and abstracts of the latest research that has been published about the economics of tobacco control, as a service to the research and policy community.

Please reach out to leone.walters@uct.ac.za if you would like to publicise your working papers and new publications.

Read the Appendix [here](#).

In the Media

On 8 August 2024 Sam Filby was interviewed on 567 Cape Talk radio, on the question “**Do we really need beer adverts during sporting events?**” The recording is available [here](#).



On 11 September 2024 Corné van Walbeek was interviewed by John Maytham on 567 Cape Talk radio, about the proposed new tobacco control legislation and the impact that it may have on vaping and the vaping industry.

The recording is available [here](#).

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: tobaccoecon@gmail.com

And contact the WHO FCTC Knowledge Hub on Tobacco Taxation team at: tobaccotaxationkh@gmail.com



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