



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

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

Newsletter #25, May 2023

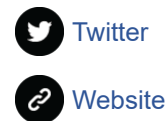
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## Director's Message

Dear friends,



I am happy to share REEP's 25th newsletter with you. There has been a lot of activity in the past two months, especially in terms of supporting countries with their tax structure.

In the past month, REEP colleagues traveled to [Kenya](#) and [Eswatini](#), where we had discussions with government officials and CSOs, and developed Tobacco Excise Tax Simulation Models (TETSIMs) to quantify the likely fiscal and consumption effects of a change in the excise tax structure and/or excise tax levels. We conducted these trips in close collaboration with local organisations, and the FCTC Secretariat. These two trips follow closely on trips to Tanzania and Panama, that we reported on in previous newsletters. More in-country technical support trips are planned for the rest of the year.

In the coming months we will be advertising for two positions: these will be at the level of Research Officer and/or Senior Research Officer and/or Chief Research Officers. The advert will appear on the [REEP webpage](#) (it will probably appear in the next three weeks or so). If you are interested in applying, please do. If you know of anyone that you believe might be a good candidate, please let them know.

In addition to reporting on some of our in-country technical support missions, we highlight the work of the Tobacco Control Data Initiative (TCDI). The TCDI has produced [dashboards](#) for Ethiopia, Kenya,

Nigeria, South Africa, and Zambia, and is planning to produce one for the Democratic Republic of Congo in the near future. The e-cigarette module for South Africa will soon include the results of a recent survey of e-cigarette use in South Africa.

Recently, the DG Murray Trust published a number of [reports on alcohol policy](#), where REEP staff were substantially involved. The reports consider two possible interventions to reduce the negative consequences of alcohol abuse in the Western Cape province: namely restrictions on trading hours of bars, shebeens and other on-site outlets; and a minimum unit price on alcohol.

REEP staff have featured in the [media](#) a number of times in the past month. The government is introducing an excise tax on e-cigarettes in the coming weeks, and this has raised many questions. Furthermore, Sam Filby and a colleague have been asked to talk about a quitting app.

I hope you enjoy reading the newsletter.

With kind regards

**Corné van Walbeek**

Director: Research Unit on the Economics of Excisable Products



## Eswatini Workshop on Tobacco Taxation

Eswatini will play an important role at the 10<sup>th</sup> WHO FCTC Conference of the Parties (COP) taking place in November 2023; it is scheduled to chair some of the meetings at this year's COP. It was thus particularly timely that Vanessa Darsamo and Zunda Chisha, representing the FCTC Secretariat's Knowledge Hub on Tobacco Taxation, were part of a mission to Eswatini to provide support on how to improve tobacco control policies.



The mission, held from 15 to 19 May 2023, was organized by the WHO FCTC Secretariat. Vanessa and Zunda provided technical support on tobacco taxation. They presented a shortened version of the usual economics of tobacco control workshop.

The first day focused on introducing theoretical concepts, while the second day introduced the TETSIM model. This technical support followed on from an online workshop held in March 2022, which was attended by delegates from Eswatini. Vanessa and Zunda updated the TETSIM model that was developed last year.

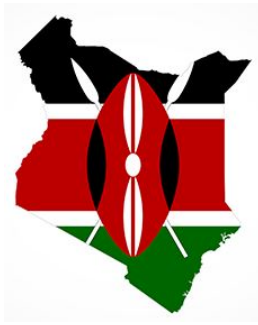
Eswatini, as part of the Southern African Customs Union, imposes an excise tax on cigarettes at R20.80 (about 1.10 USD) per pack of cigarettes. However, similarly to Botswana, it imposes an additional levy on top of the SACU excise tax. Vanessa and Zunda used the TETSIM model to simulate different scenarios where the Eswatini-specific levy was increased from its current level.



*The Mission Team and Eswatini Ministry of Health officials*

## REEP develops TETSIM model with partners in Kenya

In 2022, REEP partnered with [Tax Justice Network Africa \(TJNA\)](#) to support their network organisations in seven African countries. REEP is providing tobacco tax training and developing a TETSIM model for each of the seven countries.



From 8 to 9 May 2023, Sam Filby and Corné van Walbeek were in Nairobi, Kenya, on the first country engagement. They met with officials from the office of the Auditor General, representatives from the (Kenyan) National Taxpayer's Association (NTA), and Tax Justice Network Africa (TJNA), representatives from the International Institute for Legislative Affairs (IILA), and economists based at the University of Nairobi. The aim of the meeting was to develop a TETSIM model for Kenya. Currently Kenya has a two-tier specific tax system. The TETSIM model was designed to simulate the five-year health and economic impact of converging these tiers.

The fact that Kenya is currently facing a fiscal crisis has made tobacco excise tax reform a priority in the minds of government officials. The TETSIM indicated that Kenya can substantially increase its revenues if it can improve the efficiency of revenue collection, collapse the tax tiers, and increase the excise tax on the (converged) uniform specific tax.

The trip also provided an opportunity to disseminate research results obtained under a CDC Foundation grant that Sam and Corné have been working on since December 2020. This research is based on an analysis of the Global Adult Tobacco Surveys and Global Youth Tobacco Surveys that have been conducted in sub-Saharan African countries. Kenya is one of eight African countries that was studied. [Research](#) conducted by Sam through REEP's partnership with the CDC Foundation, was used to inform the model's development.

Our hope is that this model will support civil society organisations, public health advocates, and government officials, to improve tobacco excise tax policy in Kenya.

## Inaugural strategic meeting of the African Tobacco Tax Consortium

On 10 and 11 May 2023, the Tax Justice Network Africa (TJNA) team hosted the first Africa Tobacco Tax Consortium (ATTC) meeting in Diani, Kenya. The ATTC brings together four actors in the tobacco tax landscape in Africa – WHO AFRO, the African Tax Administration Forum (ATAF), TJNA, and REEP-UCT.

Supported in a large part by the Bill and Melinda Gates Foundation, these organisations work towards the promotion of simple, fair, and progressive tobacco tax systems in Africa. With an increasing number of partners working in this area and the expansion of programs, there is a need to align the strategies of these institutions to avoid duplication and policy advocacy misalignment.



The aims of the two-day meeting were to enhance collaboration and coordination of the consortium partners' work on tobacco taxation in Africa. Each institution provided an overview of the work that it conducted in the various countries. Synergies and complementarities between the different institutions were ascertained. We identified several countries where we could work collaboratively in the coming year. The primary aim is to support these countries to implement better tobacco tax structures, and/or higher tax rates. Tax modelling is crucial in nearly all interactions. We had a productive session where we compared and contrasted REEP's TETSIM model to the WHO's TaxSim model. Corn , Sam and Zunda represented REEP at the meeting.



REEP has an agreement with the TJNA to support TJNA-associated partners in seven African countries: Democratic Republic of Congo, Ghana, Kenya, Nigeria, Senegal, South Africa, and Zambia. This entails capacity building and the provision of technical support. We have also agreed to develop TETSIM models for each of these seven countries, in line with the requirements of these partner organisations.







## E-cigarette survey results published soon

The Tobacco Control Data Initiative (TCDI) conducted the South African E-Cigarette Survey 2022 from January to September 2022. More than 21 000 respondents, of which 1255 had a history of e-cigarette use, completed the survey via telephone.



E-Cigarette  
Products

The aim of the survey was to collect data related to the use of e-cigarettes as well as of combustible cigarettes, among adults in urban South Africa. The results of the survey will soon (by 31 May 2023 at the latest) be presented on the [TCDI webpage](#).

Three broad patterns of e-cigarette behaviour are presented: static use, dynamic use, and e-cigarette users' beliefs about e-cigarettes' harm and addictiveness relative to cigarette smoking. More than one in ten (11.3%) adults in urban South Africa have ever tried e-cigarettes. Current e-cigarette prevalence (i.e., a person who currently uses an e-cigarette at least once a week) is 4% overall; prevalence is significantly higher amongst males (5.4%) than females (2.6%). It is also significantly higher amongst the younger age groups, with current-use prevalence ranging from 6.2% - 7.7% for those less than 34 years old and from 1.5% - 3.7% for people older than 34.

In terms of the dynamics of e-cigarette and combustible cigarette use, the survey reveals some interesting findings. An important empirical question is whether e-cigarette use leads to the regular smoking of combustible cigarettes, or whether e-cigarettes can successfully be used as a quitting device. "On-ramping" happens when people first use e-cigarettes and then start smoking combustible cigarettes subsequently. The survey showed that, among people who regularly used e-cigarettes, prior to ever regularly smoking combustibles, one in five (19%) are "on-rampers". Among people who started using e-cigarettes after regularly smoking combustible cigarettes, one in eight (13%) are shown to be "off-rampers". An off-rampers is defined as a person who stopped smoking combustible cigarettes after starting using e-cigarettes. People who have used both e-cigarettes and combustible cigarettes believe

that e-cigarettes are less addictive than combustible cigarettes.

These results suggest that the arguments that e-cigarettes are a gateway to regular smoking, or a means to quit regular smoking, are nuanced. It is important to note that the survey does not present any causal evidence (e.g., we cannot say that e-cigarette use is the reason people started smoking, or the reason they quit). We only present sequence of use. Further research is recommended to understand the causal mechanisms. What is clear is that e-cigarettes should be regulated in a way that will minimise the negative consequences of e-cigarettes use.

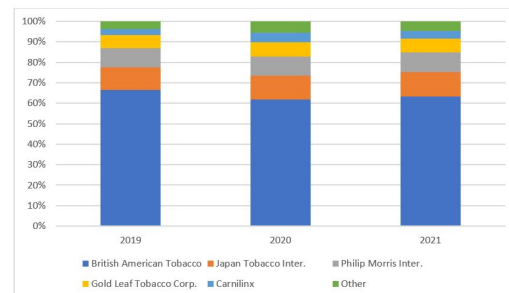
Further statistics from the survey and additional information regarding e-cigarettes in South Africa can be found on the [TCDI website's e-cigarette page](#). TCDI is led by Development Gateway in partnership with REEP and is funded by the Bill and Melinda Gates Foundation.



## REEP researcher publishes a short report on Pacific Cigarette Company

On 14 April 2023, REEP Researcher Kirsten van der Zee published a [report](#) on the role of the Pacific Cigarette Company (PCC) in the South African and Zimbabwean cigarette markets. The report was written in response to a request for information by a member of the media. Kirsten used various data sources, including nationally representative data, REEP's [African Cigarette Prices](#) (ACP) dataset, and REEP's [Township surveys](#), to estimate PCC's market share, and to assess PCC's role in the illicit cigarette market.

Figure 1: Market shares according to Euromonitor—formal retail sector



Kirsten finds that PCC plays a relatively minor role in South Africa, with a market share of between 1% and 4% of the total cigarette market. In Zimbabwe, PCC plays a much larger role. Pacific, PCC's flagship brand, appeared more often than any other brand in the Zimbabwean ACP data and, collectively, PCC brands made up 29% of all the data collected in Zimbabwe.

The data indicate that, in South Africa, the majority of PCC cigarettes retail at prices that strongly suggest that they are illicit (below a minimum threshold price). The share of these low-priced, probably illicit, PCC cigarettes has increased in recent years. According to the ACP data, 37% of PCC cigarettes sold in South Africa in 2019 were sold at prices which could not have covered the full tax amount; this percentage had increased to 78% in 2022.

## DG Murray Trust publishes alcohol-related research reports

Over the past three years, the DG Murray Trust (DGMT) has commissioned extensive research on alcohol-related harms, focusing on pricing and trading times. A number of REEP staff have been involved in these studies, conducted in close association with officials of the Western Cape Government.



More than other provinces, alcohol abuse in the Western Cape is a particularly big problem. The Western Cape Government has acknowledged this, and wants to implement measures to reduce alcohol abuse in the province.

Recently, the DGMT published the commissioned reports on the DGMT [Alcohol Harms Reduction page](#).

Two reports consider the likely impact of reducing the trading times of on-site alcohol retail establishments in the Western Cape. Four reports consider the likely impact of introducing a minimum unit price on alcohol in the Western Cape, similar to the Scottish experience.

Document-specific links are listed below (REEP staff were involved in all studies other than the first one):

- Trading Hours Phase 1 – [Final DGMT Report](#).
- Trading Hours Phase 2 – [Final DGMT Report](#).
- Minimum Unit Pricing – [Phase 1.1 Modelling Impact of MUP](#).
- Minimum Unit Pricing – [Phase 1.2 Case Study Report](#).
- Minimum Unit Pricing – [Phase 2.1 Research and Drafting of Minimum Unit Price Implementation Guidelines for Western Cape Government](#).
- Minimum Unit Pricing – [Phase 2.2 Health and Economic Impacts](#).

## Economic Research South Africa (ERSA) prizes awarded to two REEP students

**Economic Research Southern Africa (ERSA)** serves as the platform for economics researchers across Southern Africa to publish their work, access funding, participate in conferences and training programmes, and contribute to debate on public policy. Each year, ERSA awards the top two students at the honours, Masters, and PhD levels at several universities.

This year, Nicole Vellios received the ERSA award for the second-best economics PhD student at UCT. Nicole's supervisors were Prof. Corné Van Walbeek, Hana Ross and Emmanuel Guindon. The title of her thesis is '[Smoking cessation in South Africa: cigarette prices, plain packaging, and illicit trade](#)'. One of her thesis chapters on illicit trade has been [published](#). She hopes to publish two more papers, one on cigarette packaging, and one on the determinants of smoking cessation. Nicole is currently working at REEP, where she has been for the past 12 years.

Timothy Evans, also supervised by Corné, graduated in December 2022. His thesis title is '[Up in Smoke? Assessing the Economic Case for Investing In, or Divesting From, Tobacco Companies](#)'. Timothy received the ERSA award for second best student across all economic master's degrees offered at UCT. Timothy is currently working as a consultant at FTI Consulting, where he specialises in competition and regulatory economics.



Nicole Vellios (far right) with other students and colleagues at the Commerce Faculty's prizegiving ceremony in April 2023.

## In the news

- On 15 May 2023, Sam Filby appeared on CapeTalk with Dr Kieran Mcleod to discuss **ByeGwaai**, South Africa's first app-based smoking cessation programme.

Sam and Kieran co-founded ByeGwaai in 2021 to help people quit smoking by leveraging the power of mobile technology to deliver evidence-based support.

The interview recording is available [here](#).



- On 13 May 2023, News24 published an **article** about the excise tax on e-liquid that will be introduced on 1 June 2023. This article quoted extensively from **REEP's submission to the Select Committee on Finance** in November 2022.

ENDS / ENNDS tax:

- On 16 May 2023, Corné was interviewed on **SAfm's "mediated discussion"** on 'Next month a new tax of two rand nine a millilitre will be imposed on nicotine and non-nicotine vape juice'. The **National Council Against Smoking** was also interviewed in the same discussion.
- On 16 May 2023 Kirsten van der Zee was interviewed by **Chai FM** in a podcast to discuss the topic of the "new coming sin tax: What is it and how does it affect vaping and is it enough to decrease the smoking rate?".



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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