

Media release

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Tobacco companies using brand recognition to gouge \$500 million per year from customers

The threat by big tobacco companies to slash cigarette prices if the Government presses ahead with its plan to legislate for plain packaging is proof that smokers in Australia are being ripped off to the tune of \$500 million per year, according to analysis conducted by The Australia Institute.

“The tobacco companies are saying that if they can't stamp their brand on the front of their packets then they will be forced to lower the price of cigarettes in order to compete with lower cost imports. This threat is proof that the tobacco companies are currently charging Australian customers well above the cost of production and the relevant taxes,” said Executive Director Dr Richard Denniss.

“What the big tobacco companies are really worried about is losing market share; that Australian retailers might start importing their own brands of cigarettes at much lower prices than they are currently being charged.”

An analysis of rates of return by the tobacco companies compared with competitive norms in Australia suggests that around half of the profits made by the tobacco industry in Australia flow from the premium prices charged for 'branded' tobacco.

“It is quite pathetic to see the big tobacco companies painting themselves as the victims in this whole debate,” said Dr Denniss.

“If the result of the move to plain packaging is a reduction in the price of cigarettes due to foreign competition, then the Government can always increase the excise and customs duty payable to ensure that the retail price of cigarettes is compatible with our public health goals.

“Quite frankly, if the result of the move to plain packaging is a reduction in the wholesale price of cigarettes and an increase in the amount of tax collected by the Government then that would be a great outcome. What could be better than lower profits for the tobacco companies and more tax revenue to spend on health?”

“The real reason that the tobacco companies are fighting so hard is that they are worried that this good idea might take off around the world,” concluded Dr Denniss.

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