

Date: Wednesday 03<sup>rd</sup> June 2015

## **Company Statement**

### **British American Tobacco calls for greater understanding of the illegal tobacco trade for World No Tobacco Day 2015**

To mark World No Tobacco Day 2015, British American Tobacco (BAT) is reiterating the need for greater understanding of the illegal tobacco trade, the criminals behind it and the need for greater cooperation and collaboration to fight it. This call to action launches as part of a new campaign, developed by the company, to raise awareness of the facts around the illegal tobacco trade to coincide with the WHO's World No Tobacco Day, for which this year's focus is on the prevalence of illegal tobacco.

Commenting on the situation in Sri Lanka, Felicio Ferraz, Managing Director and CEO of BAT's local representative - the Ceylon Tobacco Company, said, "The nature and scale of the illegal tobacco trade and, the approaches required to tackle it, vary from country to country. Here in Sri Lanka, the illegal tobacco industry is dominated by highly organised smugglers and it is estimated to be an industry worth Rs. 1.5 billion, which is estimated to be 1.5% of the market. The implications of the growth of this industry is far reaching and includes substandard products reaching the consumer, noncompliance of local laws and regulations, loss of government revenue etc. As such, we continue to support the Sri Lankan government in their efforts to curb illegal tobacco from entering the market."

It is interesting to note that if all of the different people and organisations involved in the illegal tobacco trade around the world were combined into one conglomerate, they would become the third largest international tobacco company by revenue. This includes the person selling cigarettes for pocket money prices in local neighbourhoods and the transport specialist who ships illegal tobacco products from country to country, through to the wealthy 'king pin' who is in overall control.

Dinesh Dharmadasa, Director of Corporate and Regulatory Affairs, comments: “The impact of illegal tobacco may not be felt as immediately and directly as other crimes, but the consequences are very real. By some estimates, illegal tobacco costs governments around the world \$40-\$50 billion each year in unpaid tobacco taxes - and sale of illegal tobacco may fund human trafficking, drug and arms trades, prostitution, as well as terrorist organisations. The amount of illegal tobacco is much more significant than is generally realised: an estimated 400-600 billion cigarettes, the equivalent of approximately 10-12% of world consumption. It is a transnational, multi-faceted issue and one that requires a collaborative approach to tackle it, from governments and law enforcement agencies with whom we work in partnership to retailers and customers who can arm themselves with the facts.”

The nature of the illegal tobacco trade varies from country to country but the causes are similar. These include large excise increases causing price differences between countries and ineffective law enforcement measures.

Dinesh Dharmadasa continues: “BAT invest over \$75 million globally each year to fight the illegal tobacco trade. The group has dedicated Anti-Illicit Trade teams across the markets that support and work with government agencies, including police and customs officials, to curb the threat of illicit trading of cigarettes. CTC has established a counterfeit reporting hotline of 077 2440794, and all information received through this number directed to the Sri Lanka Police and Excise Department for appropriate action.”

**ENDS**

## Notes to editors

Illegal tobacco comprises four categories of illegal activity:

- Counterfeit cigarettes: This category contains branded cigarettes that are manufactured illegally and sold by someone other than the trademark owner. They are likely to contain many times the levels of tar and carbon monoxide found in genuine cigarettes, and in some cases can contain insects and human faeces. The vast majority of fakes come from illegal operators in China, Paraguay, the Middle East, and Eastern Europe
- Smuggled genuine product: These are products have been moved across borders without the payment of any applicable taxes and levies.
- Illicit whites: Cigarettes that are generally legally produced in a market primarily to be smuggled into another market where they have limited or no legal distribution.
- White Beedi Cigarettes – These are produced through the hand rolled, cottage industry, the growth of which pose the most significant threat.