



Rise to \$20 is too much

Smokers will buy blackmarket cigs

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A \$6.50 RISE in the tobacco tax being considered by the Rudd Government could drive smokers to the blackmarket and deprive the government of tax revenue, convenience stores warned.

The Australian Association of Convenience Stores said the market for illegal cigarettes had already doubled to 12 per cent of cigarettes sold, bleeding the Government of \$600 million a year in tax revenue.

That would only increase if the tobacco tax rose to help pay for the Rudd Government's \$14 billion health reforms, the association said.

Association director Sheryle Moon said the \$6.50 rise would lift the price of a pack of 30 cigarettes to \$20, making blackmarket cigarettes even more attractive.

"A pack of counterfeit cigarettes can be bought for \$7 or less," she

said. "When cigarettes become more expensive consumers simply look for cheaper alternatives."

A PricewaterhouseCoopers report put illegal sales at 12 per cent of the market with a huge growth in branded counterfeit cigarettes coming into Australia from Asia.

Ms Moon said these counterfeit cigarettes carried none of the mandatory health warnings required on Australian cigarettes.

While she said tax and price rises were an effective means of getting many people to quit their tobacco

habit "there comes a point where you get dysfunctional returns".

"Because if you've gone too far there are incentives for people to go to an area that is unregulated."

The Government's preventative health taskforce chasing the tax rise wants it phased in over three years to allow smokers time to quit.

Ms Moon said a phased increase would be easier to bear than a one-off rise of \$6.50 per pack.

But Ms Moon said she would prefer the Government to focus on other ways of encouraging people to quit, such as public health advertising tailored to have an impact on teenage smokers.

The Cancer Council of Australia said tobacco price hikes were the single most effective way of getting people to quit the habit.

Research shows that for every 10 per cent rise in price, 3 per cent of smokers would quit.