

All Party Parliamentary Group on Smoking and Health:
A Survey of Buying Illicit Cigarettes and Hand Rolling Tobacco in
South East London

1. The following evidence is offered to the House of Commons All Party Parliamentary Group on Smoking and Health. It is based largely on a currently unpublished survey of 1,700 smokers carried out between June and November 2012 in the London Boroughs of Bexley, Bromley, Greenwich, Lambeth, Lewisham and Southwark. The work was sponsored collaboratively by Trading Standards and Public Health teams within these boroughs. Its aim was to gain insight into the size of the illicit tobacco trade, identify the most significant sources of illicit tobacco and establish the types of product being sold as well as typical prices paid by smokers.

How common is it to be offered and to buy illicit tobacco in SE London?

2. Approximately 60% of the 1,700 smokers surveyed indicated that they had been offered illicit tobacco in the last year and 40% reported that they had bought illicit tobacco at least once in the last year. This implies that illicit tobacco is widely available and that there is a very high level of tolerance for the trade within these communities. However, it should also be noted that the responses varied considerably across survey sites with the trade often concentrated in narrow areas and communities. Comparing the survey site of highest prevalence in Peckham Rye where 81% of smokers indicated they had bought illicit in the last year to the average of 40% for all of the smokers illustrates this point.

How significant is the illicit trade in SE London?

3. HMRC estimates that for the UK as a whole 9% of all cigarettes and 38% of all Hand rolling tobacco consumed are illicit. The survey results implied that overall about 15% of the tobacco supply consumed by the smokers surveyed was illicit, which is broadly consistent with the HMRC estimates.^{1, 2} Using known populations and smoking rates for these six boroughs and assuming illicit tobacco is sold at around half the price of legitimate product implies an illicit trade worth well over £20 million per year. This is, we feel, very significant in terms of health impact and the potential of the trade to attract organised criminal gangs into the area and subsidise criminal activities including drug smuggling, people trafficking³ and the funding of terrorism.^{4, 5}

¹ HMRC Measuring the tax gaps 2012.

² Areas of London with high population density and high deprivation levels are expected to have levels of illicit tobacco consumption higher than the UK average as the price incentive to buy illicit is more powerful in lower income communities and the high population density makes the market easier to supply.

³ Tackling Tobacco Smuggling- Building on our success, HMRC, April 2011.

⁴ "UK Threat Assessment 2002" *National Criminal Intelligence Service* (UK), July 2, 2003.

Supply Networks – a covert trade

4. In the survey approximately 80% of cases where a smoker reported buying illicit tobacco, they stated that they were either known by or introduced to the seller. This implies that work by HMRC nationally and local Trading Standards teams has affected the supply and that the market is largely covert. Analysis of the sources that smokers reported buying illicit tobacco from as well as how much tobacco they bought from these sources provided insight into the relative importance of the sources and implies the following:
 - **Selling from home.** Although there were significant variations between boroughs, buying from someone's home was the most frequently reported and significant source of illicit tobacco across the six boroughs. This represents a new challenge for enforcement work as these sales take place in a person's home rather than commercial premises.⁶
 - **Street sellers.** Where they were present, street sellers were a significant source and they were present in Southwark and Greenwich which were the boroughs with the largest illicit markets. In addition while street sellers may be easy to spot, by their nature they can be difficult to deal with unless a multi-agency approach is used.⁷
 - **Pubs and Social Clubs.** These were significant sources in Southwark, Greenwich and Lewisham, but represented a smaller part of the supply than had been anticipated. As with shops it is likely that the role of pubs and clubs in the illicit market will depend on the demographics of the area as well as the levels of enforcement work.
 - **Shops.** Overall shops were not the most significant sources, but they were important sources in Southwark. It is suggested that this may be due to local demographic factors and that ethnic minority communities, may be buying illicit tobacco from small local shops rather than pubs or clubs, however more work would be needed to confirm this.

Prices

6. The most commonly reported price for illicit tobacco was between £3.50 and £4.00 for 20 cigarettes and around £6.70 for 50g of Hand Rolling Tobacco and in both cases prices fell if buyers bought larger quantities e.g. under £3.00 for 20 cigarettes if a sleeve of 200 cigarettes is bought. This implies that illicit tobacco typically sells at just under half the price of legitimate brands, which provides a powerful incentive to buy illicit where smokers are on low income. These prices are high enough to represent a lucrative trade

⁵ Thachuk K. Countering Terrorist Support Structures. *Defence Against Terrorism Review*. 2008. 1:1 13-28
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⁶ Gaining covert access to a person's home implies using a Covert Human Intelligence Source (CHIS) and complying with the Regulation of Investigative Powers Act (RIPA) it would also raise issues of safety for the personnel involved. It is likely to require multi-agency engagement, be legally complex, time-consuming and expensive and will need skill and careful management to yield useful outcomes.

⁷ Typically Trading Standards teams can only confiscate the stock a street seller holds, it would require action by the police, HMRC and potentially UKBA to apply sanctions that would act as a serious deterrent to the gangs which employ and supply these street sellers, who are often illegal immigrants trafficked by the gang.

for gangs dealing in counterfeit products that may be manufactured for around 10p to 15p per pack.⁸

Counterfeit Products

7. The results of the smoker survey imply that around half of the illicit tobacco sold in south east London is counterfeit. Although counterfeit products are often remarkably difficult to identify from their packaging, due to high quality printing and packaging, whether a product is counterfeit can be inferred from its price. In the survey over half of the smokers who bought illicit tobacco indicated that they had bought products that were 'in normally labelled UK packs'. Analysis of the price paid showed that in the majority of cases this tobacco was bought at a price well below the minimum cost of legitimate UK products, implying that these are likely to be counterfeit products.⁹
8. This estimate that around half of the illicit tobacco was counterfeit is possibly conservative as there is evidence from local Trading Standards teams that criminal gangs are selling counterfeit foreign labelled products¹⁰. These may be perceived by buyers as genuine, but smuggled, products and will yield much higher profit for the seller as no duty of any kind has been paid on them. It was also notable that just over 20% of the smokers who bought illicit indicated that they believed the product was a 'fake' e.g. that it was a counterfeit product. Anecdotally smokers appeared to perceive the illicit products as inferior, to accept this and to buy them when they could not afford genuine products.

Changing the perceptions of individuals and communities

9. One of the strongest messages from the survey was that buying illicit tobacco is a normal part of life for many smokers in South East London and a key recommendation arising from this work is that action needs to be taken to change this. Evidence from the work of Tobacco Free Futures in North West of England implies that social marketing and education can change perceptions of communities regarding illicit tobacco.¹¹ Gaining the support of the community is, we believe, essential in any effective enforcement work as it should have the capacity to reduce demand, increase levels of complaints against sellers and gain greater cooperation from these communities.

Developing expertise locally

5. Another key finding from the survey work is that illicit tobacco markets vary significantly between and within boroughs and that one size will not fit all in terms of enforcement

⁸ Cancer Research UK press-release Friday 23 November 2012 'Tobacco industry claims on cigarette packaging are nonsense'.

⁹ In principle the products might also be stolen or genuine product that has evaded duty, but it was considered most likely that these cheap products in UK labelled packs were counterfeit.

¹⁰ This has been seen by Trading Standards teams for Hand Rolling Tobacco where fake pouches appearing to be from another EU nation are filled with loose tobacco and is suspected for cigarettes in non UK packaging.

¹¹ <http://www.tobaccofreefutures.org/category/strands/effective-communications-for-tobacco-control/>

strategies. Having local Trading Standards teams that have the necessary resources and can make decisions on what key problems are, where enforcement resources should be targeted and what strategies will be most effective will, we believe, be critical in effective enforcement. These teams would probably not be viable at the individual borough level, but could be very cost effective working across several boroughs and coordinating cooperation with police, HMRC and Health teams. This is we believe significant at a time when local Trading Standards teams are under pressure to cut spending and cut the size of their teams. If local expertise that has been gained in tobacco control and enforcement over many years is lost, it may be difficult to restore.

Collaboration at the regional and national level

6. While there is an argument in favour of developing local expertise there is also a strong argument in favour of collaboration and coordination at regional and national level. Although problems do vary significantly from area to area at the local level, at the regional and national level it is obvious that the same themes repeat themselves and that there is potential to share learning and expertise. There is also potential for jointly funded social marketing and education campaigns at regional or sub-regional level.

The economic case for action on illicit tobacco

7. There is we feel a strong economic case for funding action on illicit tobacco both in terms of health and community cohesion. In health terms, significant resources are being invested in smoking cessation, discouraging young people from smoking and treating the effects of smoking. We believe that the availability of very cheap illicit tobacco has the capacity to negate the value of that investment, particularly in economically and socially disadvantaged communities. In terms of social cohesion and the impact of crime, we believe that the impact of the illicit tobacco trade is potentially very damaging. Furthermore, we believe that concentration of the trade in relatively small geographic areas has the potential to provide a foothold for criminal gangs and potentially for those seeking to fund terrorism to become established.

This paper was produced by Dr Gerald Power on behalf of Sally Slade, Trading Standards Manager for the London Borough of Southwark who leads the work of the South East London Illegal Tobacco Cluster. 03/01/2013