

| INFORMATION SHEET ABOUT MEETING/CONTACTS WITH THE TOBACCO INDUSTRY | |
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| Date of the meeting: | 26/04/13 |
| Time and duration of the meeting: | 11.00 am GMT |
| Place of the meeting: | The European Parliament Office, Edinburgh |
| Participants in the meeting : | <ul style="list-style-type: none"> • <i>Alyn Smith MEP</i> • <i>John Lee (Public Affairs Adviser of Scottish Grocers' Federation)</i> • <i>John Drummond (Chief Executive of Scottish Grocers' Federation)</i> |
| Short minutes of the meeting: | <p>Issues discussed:</p> <ul style="list-style-type: none"> - Possible increase of illicit trade due to the easiness of the replication of proposed, plain packaging (illicit trade/contraband, map of problem areas presented, constitutes for 12% of Scotland's market) - Possible negative implication on health if proposals to ban 10packs were adopted as smokers would buy packs of 20 and consequently smoke more - Opposition of the Federation to a ban of flavoured tobacco products – standardised cigarettes would be easier to replicate and sell on black market - KPMG Report demonstrating prices of tobacco products across Europe, the Federation fears that the new directive could push illicit trade towards Western Europe and the UK due high profit margins - It has been estimated that responsible retailers lose up to £30k per annum to the illicit trade - E-cigarettes, the Federation disagrees for these products to be regulated as medication as this would restricts access (opening hours compare to grocers) meaning that those who are trying to quit would go back to smoking regular, easily available cigarettes |
| Documents/material received before/during or after the meeting | <ol style="list-style-type: none"> 1. <i>Revision of the EUTPD – key concerns</i> 2. <i>A copy of a letter from European Commission Health and Consumer Directorate General, Head of Unit Dominik Schnichels</i> |



Revision of the EUTPD – key concerns

1. Illicit trade (IT) is a major problem which **continues to grow and evolve** fuelling serious organized crime and damaging economies, businesses and societies around the world.
2. Illicit trade is driven by a number of factors, including high profit margins, relatively low risk / tax and price disparities between countries / insufficient enforcement and sophisticated distribution networks.
3. Empty-pack surveys suggest that 12% of cigarettes in Scotland are illicit – the problem is much worse in the south of England (34% in London).
4. Scotland already has additional regulation and control systems – unlike the rest of the UK Scotland has a tobacco retailer's registration scheme.
5. It has been estimated that responsible retailers lose up to £30k per annum to the illicit trade.
6. In the UK HMRC estimates that £2.1 billion is lost from the exchequer to the illicit trade.
7. The price of cigarettes varies widely across countries from €9 in the UK or Ireland to €1 in Ukraine or Russia.

Different types of illicit tobacco trade

- **Counterfeit** - Cigarettes bearing trademarks that have been manufactured without the permission of the trademark owner
- **Contraband** - Cigarettes that enter a market in violation of fiscal/custom laws, e.g., without paying import duties, excise tax and/or VAT
- **Illicit Whites** - Brands manufactured legitimately in one market and sold to traders who knowingly smuggle them into another country



EUROPEAN COMMISSION
HEALTH AND CONSUMERS DIRECTORATE-GENERAL

Directorate D - Health systems and products
D4 – Substances of Human Origin and Tobacco Control



28. 02. 2013

Brussels,
SANCO D4/MF/cg ARES(2013) 262569

Dear Mr Drummond,

Subject: Revision of the European Tobacco Products Directive (2001/37/EC)

Thank you for your mail of 26 February 2013, addressed to Commissioner Borg, regarding the impacts of the revised Tobacco Product Regulation on retailers. Commissioner Borg has asked me to reply on his behalf as the head of the tobacco control unit.

The Commission adopted a proposal for a revised Tobacco Products Directive on 19 December 2012. The adoption was preceded by a thorough analysis of the economic, social and health impacts of policy measures, including the effects of measures on the retail sector. The Impact Assessment Report complementing the Commission proposal provides an extensive overview of the evidence that pictorial warnings are more effective than text only warnings in raising awareness of the health risks of tobacco and motivating behaviour change: reducing consumption levels, increasing motivation to quit, increasing likelihood of remaining abstinent following a quit attempt, deterring young people from starting, motivating young smokers that are not yet addicted to stop. The Commission proposal does not introduce "plain packaging" at EU level.

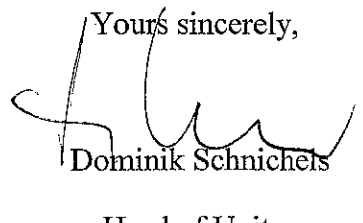
The combined effects of the proposed measures - drop of tobacco consumption of 2% within a timeframe of five years - correspond to 2,4 million EU citizens who won't start smoking or quit. This leads to major socio-economic benefits for the EU (reduction of health care costs, less productivity losses, which come in addition to the avoidance of premature morbidity and mortality). Section 6 and Annex 5 of the report also provide an overview of the economic impacts on the tobacco industry, their upstream suppliers (e.g. growers, ingredients suppliers, paper industry) and downstream distributors (wholesale, retail).

JOHN DRUMMOND
Chief Executive
Scottish Grocers Federation
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None of the adopted measures should lead to additional compliance costs for retailers. 990,000 retail premises selling tobacco in the EU would primarily be affected indirectly by the expected 2% reduction in tobacco consumption. Considering that even specialised tobacco retailers generate only up to 50% of their revenues from tobacco products (dependence of other retailers on tobacco products, e.g. supermarkets, is even lower), the impact is not expected to be disproportionate. Furthermore money not spent on tobacco products will be spent on other products and services. This will also benefit distributors and retailers.

The measures foreseen in our proposal are also not expected to increase illicit trade, which would be harmful for the legal supply chain. The proposed Directive addresses the issue of illicit trade by introduction of full tracking and tracing system and security features. This should significantly reduce illicit trade whilst not putting any burden on the retail sector.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dominik Schnichels', written over a printed name.

Dominik Schnichels

Head of Unit