

## Targeted stakeholder consultation on the implementation of an EU system for traceability and security features pursuant to Articles 15 and 16 of the Tobacco Products Directive 2014/40/EU

Fields marked with \* are mandatory.

This is a targeted stakeholder consultation. The purpose of this consultation is to seek comments from stakeholders:

- directly affected by the upcoming implementation of an EU system for traceability and security features pursuant to Articles 15 and 16 of the new Tobacco Products Directive (Directive 2014/40/EU), or
- considering to have special expertise in the relevant areas.

In the Commission's assessment, the following stakeholders, including their respective associations, are expected to be directly affected:

1. manufacturers of finished tobacco products,
2. wholesalers and distributors of finished tobacco products,
3. providers of solutions for operating traceability and security features systems,
4. governmental and non-governmental organisations active in the area of tobacco control and fight against illicit trade.

Not directly affected are retailers and upstream suppliers of tobacco manufacturers (except the solution providers mentioned in point 3 above).

The basis for the consultation is the Final Report to the European Commission's Consumers, Health and Food Executive Agency (CHAFAEA) in response to tender n° EAHC/2013/Health/11 concerning the provision of an analysis and feasibility assessment regarding EU systems for tracking and tracing of tobacco products and for security features (hereafter the Feasibility Study). The Feasibility Study was published on 7 May 2015 and is available at [http://ec.europa.eu/health/tobacco/docs/2015\\_tpd\\_tracking\\_tracing\\_frep\\_en.pdf](http://ec.europa.eu/health/tobacco/docs/2015_tpd_tracking_tracing_frep_en.pdf). The interested stakeholders are advised to review the Feasibility Study before responding to this consultation.

The comments received in the course of this consultation will be an input to the further implementation work on a future EU system for traceability and security features. In particular, the comments will be taken into account in a follow-up study.

Stakeholders are invited to submit their comments on this consultation at the following web-address <https://ec.europa.eu/eusurvey/runner/trace> until 31 July 2015. The web-based survey consists of closed and open questions. For open questions stakeholders will be asked to provide comments up to the limit of characters indicated in the question or to upload (a) separate document(s) in PDF format up to the limit of total number of standard A4 pages (an average of 400 words per page) indicated in the question. Submissions should be - where possible - in English. For a corporate group one single reply should be prepared. For responses from governmental organisations, which are not representing a national position, it should be explained why the responding body is directly affected by the envisaged measures.

The information received will be treated in accordance with Regulation 45/2001 on the protection of individuals with regard to the processing of personal data by the Community (please consult the [privacy statement](#)). Participants in the consultation are asked not to upload personal data of individuals.

The replies to the consultation will be published on the Commission's website. In this light no confidential information should be provided. If there is a need to provide certain information on a confidential basis, contact should be made with the Commission at the following email address: [SANTE-D4-SOHO-and-TOBACCO-CONTROL@ec.europa.eu](mailto:SANTE-D4-SOHO-and-TOBACCO-CONTROL@ec.europa.eu) with a reference in the email title: "Confidential information concerning targeted stakeholder consultation on the implementation of an EU system for traceability and security features". A meaningful non-confidential version of the confidential information should be submitted at the web-address.

Answers that do not comply with the specifications cannot be considered.

## A. Respondent details

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### \*A.1. Stakeholder's main activity:

- a) Manufacturer of tobacco products destined for consumers (finished tobacco products)
- b) Operator involved in the supply chain of finished tobacco products (excluding retail)
- c) Provider of solutions
- d) Governmental organisation
- e) NGO
- f) Other

### \*A.1.b. Please specify:

- i) Importer
- ii) Distributor
- iii) Wholesaler
- iv) Warehouse operator (unless part of 1a of 1bi, ii or iii)
- v) Other

- \*A.2. Contact details (organisation's name, address, email, telephone number, if applicable name of the ultimate parent company or organisation) - if possible, please do not include personal data

*Text of 1 to 800 characters will be accepted*

Lekkerland AG & Co. KG | Europaallee 57 | 50226 FRECHEN | GERMANY

Contacts:

[REDACTED]  
[REDACTED]

- \*A.3. Please indicate if your organisation is registered in the Transparency Register of the European Commission (unless 1d):

Yes  No

- \*A.4. Extract from the trade or other relevant registry confirming the activity listed under 1 and where necessary an English translation thereof.

- **dbad1040-fb8e-477e-a1a1-b0daffa73321/T&T-PositionPaper-Item1-Introduction.pdf**
- **a17acaec-abf8-4ff6-af84-246bbde3a658/T&T-TradeRegistration-LLgroup-20150715.pdf**

## B. Options proposed in the Feasibility Study

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B.1. Please rate the appropriateness of each option for tracking and tracing system set out in the Feasibility Study in terms of the criteria listed in the tables below

B.1.1. Option 1: an industry-operated solution, with direct marking on the production lines carried out by tobacco manufacturers (for further details on this option, please consult section 8.2 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Interoperability	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

B.1.2. Option 2: a third party operated solution, with direct marking on the production lines carried out by a solution or service provider (for further details on this option, please consult section 8.3 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Interoperability	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

B.1.3. Option 3: each Member State decides between Option 1 and 2 as to an entity responsible for direct marking (manufacture or third party) (for further details on this option, please consult section 8.4 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*Interoperability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

B.1.4. Option 4: a unique identifier is integrated into the security feature and affixed in the same production process (for further details on this option, please consult section 8.5 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*Interoperability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

B.1.5. Please upload any additional comments on the options referred to in question B.1 (max. 5 pages)

- **97930588-c182-4414-ab2c-a67038e21ed1/T&T-PositionPaper-Item3-ImpactT&T.pdf**
- **9d5b75d4-bdc5-41f9-bea6-7488a2f72b15/T&T-PositionPaper-Item4-SelectionOption.pdf**

B.2. Please rate the appropriateness of each option for security features set out in the Feasibility Study in terms of the criteria listed in the tables below



B.2.1. Option 1: a security feature using authentication technologies similar to a modern tax stamp  
 (for further details on this option, please consult section 9.2 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Interoperability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

B.2.2. Option 2: reduced semi-covert elements as compared to Option 1 (for further details on this option, please consult section 9.3 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Interoperability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
* Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
* Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

B.2.3. Option 3: the fingerprinting technology is used for the semi-covert and covert levels of protection (for further details on this option, please consult section 9.4 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Interoperability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
* Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
* Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

B.2.4. Option 4: security feature is integrated with unique identifier (see Option 4 for traceability)  
 (for further details on this option, please consult section 9.5 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Interoperability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
* Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
* Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

B.2.5. Please upload any additional comments on the options referred to in question B.2 (max. 5 pages)

## C. Cost-benefit analysis

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C.1. Do you agree with?

	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	No opinion
*The benefit analysis presented in section 11.3.1 of the Feasibility Study	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
*The cost analysis presented in section 11.3.2 of the Feasibility Study	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

- \*C.1.1. If you selected option "Disagree" or "Somewhat disagree" in the previous question, please upload your main reasons for disagreement (max. 5 pages)

•  
54bf724f-022e-4b19-bc77-69ec6c99d627/T&T-PositionPaper-Item5-Cost&BenefitAnalysis.pdf

## D. Additional questions

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**The questions in this section relate to different possible building blocks and modalities of the envisaged system (questions D.1, D.3, D.4, D.6, D.8, D.10, D.12, D.14 and D.16). When replying please take into account the overall appropriateness of individual solutions in terms of the criteria of technical feasibility, interoperability, ease of operation, system integrity, potential of reducing illicit trade, administrative/financial burden for economic stakeholders and administrative/financial burden for public authorities.**

- \*D.1. Regarding the generation of a serialized unique identifier (for definition of a unique identifier, see Glossary in the Feasibility Study), which of the following solutions do you consider as appropriate (multiple answers possible)?

- a) A single standard provided by a relevant standardization body
- b) A public accreditation or similar system based on the minimum technical and interoperability requirements that allow for the parallel use of several standards;
- c) Another solution
- d) No opinion

D.2. Please upload any additional comments relating to the rules for generation of a serialized unique identifier referred to in question D.1. above (max. 2 pages)

- \*D.3. Regarding (a) data carrier(s) for a serialized unique identifier, which of the following solutions do you consider as appropriate (multiple answers possible)?

- a) Solution based on a single data carrier (e.g. 1D or 2D data carriers)
- b) Solution based on the minimum technical requirements that allow for the use of multiple data carriers;
- c) Another solution;
- d) No opinion

\*D.3.a. Please indicate your preferred data carrier and explain why

*Text of 1 to 400 characters will be accepted*

No preference

\*D.4. Regarding (a) data carrier(s) for a serialized unique identifier, which of the following solutions do you consider as appropriate (multiple answers possible)?

- a) System only operating with machine readable codes;
- b) System operating both with machine and human readable codes;
- c) No opinion

D.5. Please upload any additional comments relating to the options for (a) data carrier(s) for a serialized unique identifier referred to in questions D.3 and D.4 above (max. 2 pages)

\*D.6. Regarding the physical placement of a serialized unique identifier, when should it happen (multiple answers possible)?

- a) Before a pack/tin/pouch/item is folded/assembled and filled with products;
- b) After a pack/tin/pouch/item is folded/assembled and filled with products;
- c) No opinion

D.7. Please upload any additional comments relating to the placement of a serialized unique identifier referred to in question D.6. above (max. 2 pages)



D.8. Which entity should be responsible for?

	Economic operator involved in the tobacco trade without specific supervision	Economic operator involved in the tobacco trade supervised by the third party auditor	Economic operator involved in the tobacco trade supervised by the authorities	Independent third party	No opinion
*Generating serialized unique identifiers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Marking products with serialized unique identifiers on the production line	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Verifying if products are properly marked on the production line	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Scanning products upon dispatch from manufacturer's/importer's warehouse	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Scanning products upon receipt at distributor's/wholesaler's premises	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

*Scanning products upon dispatch from distributor's/wholesaler's premises	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Aggregation of products	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

D.9. In relation to question D.8. above, please specify any other measures that your organisation considers relevant

*Text of 1 to 1200 characters will be accepted*

\*D.10. Regarding the method of putting the security feature on the pack/tin/pouch/item, which of the following solutions do you consider as appropriate (multiple answers possible)?

- a) A security feature is affixed;
- b) A security feature is affixed and integrated with the tax stamps or national identification marks;
- c) A security feature is printed;
- d) A security feature is put on the pack/tin/pouch/item through a different method;
- e) No opinion

D.11. Please upload any additional comments relating to the method of putting the security feature on the pack referred to in question D.10 above (max. 2 pages)

\*D.12. Regarding the independent data storage as envisaged in Article 15(8) of the TPD, which of the following solutions do you consider as appropriate (multiple answers possible)?

- a) A single centralised storage for all operators;
- b) An accreditation or similar system for multiple interoperable storages (e.g. organised per manufacturer or territory);
- c) Another solution
- d) No opinion

D.13. Please upload any additional comments relating to the independent data storage referred to in question D.12. above (max. 2 pages)

\*D.14. In your opinion which entity(ies) is/are well placed to develop reporting and query tools (multiple answers possible)?

- a) Provider of solutions to collect the data from the manufacturing and distribution chain;
- b) Provider of data storage services;
- c) Another entity
- d) No opinion

D.15. Please upload any additional comments relating to the development of reporting and query tools referred to in question D.14. above (max. 2 pages)

\*D.16. Do you consider that the overall integrity of a system for tracking and tracing would be improved if individual consumers were empowered to decode and verify a serialized unique identifier with mobile devices (e.g. smartphones)?

- a) Yes
- b) No
- c) No opinion

D.17. Please upload any additional comments on the subject of this consultation (max. 10 pages)

- **b8ccb7e3-08e1-4c99-b6d7-26021fd8c199/T&T-PositionPaper-LLgroup-v2-20150714.pdf**

## Contact

✉ [SANTE-D4-SOHO-and-TOBACCO-CONTROL@ec.europa.eu](mailto:SANTE-D4-SOHO-and-TOBACCO-CONTROL@ec.europa.eu)

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## TPD: TRACK & TRACE POSITION PAPER LEKKERLAND GROUP

Frechen (Germany), July 14, 2015

### 1. INTRODUCTION LEKKERLAND GROUP

The LEKKERLAND GROUP is a multinational group of wholesale / distribution companies, with subsidiaries in Germany, The Netherlands, Belgium, Luxembourg, Austria, Spain and Switzerland.

Overall group turnover in 2014 has been €12,0B of which €9,6B for tobacco products.

In the various countries Lekkerland is a member of tobacco wholesale branch organisations (BTWE in Germany, TZN in Holland and FETADIS in Belgium), which will also respond to the EU questionnaire.

Looking at the fact that Lekkerland is one of the few multinational tobacco wholesale / distribution companies in Europe, the group has decided to also respond individually.

This response therefore reflects the opinion of the Lekkerland group.

#### CONTACT PERSONS

[REDACTED]

#### DETAILS OF THE COMPANY

Lekkerland AG & Co. KG in Frechen, Handelsregister Amtsgericht Köln, HRA 18122, persönlich haftende Gesellschafterin: Lekkerland AG in Wien, Handelsregister Wien, FN 274646 t. Vorstand / Board of Management: Michael Hoffmann (Vorsitzender / Chairman), Edgar Lange, Kay Schiebur and Patrick Steppe.

#### ADDRESS

Lekkerland AG & Co. KG  
Europaallee 57  
50226 FRECHEN  
GERMANY

#### IMPACTED COMPANIES

The main impacted companies within our group are:

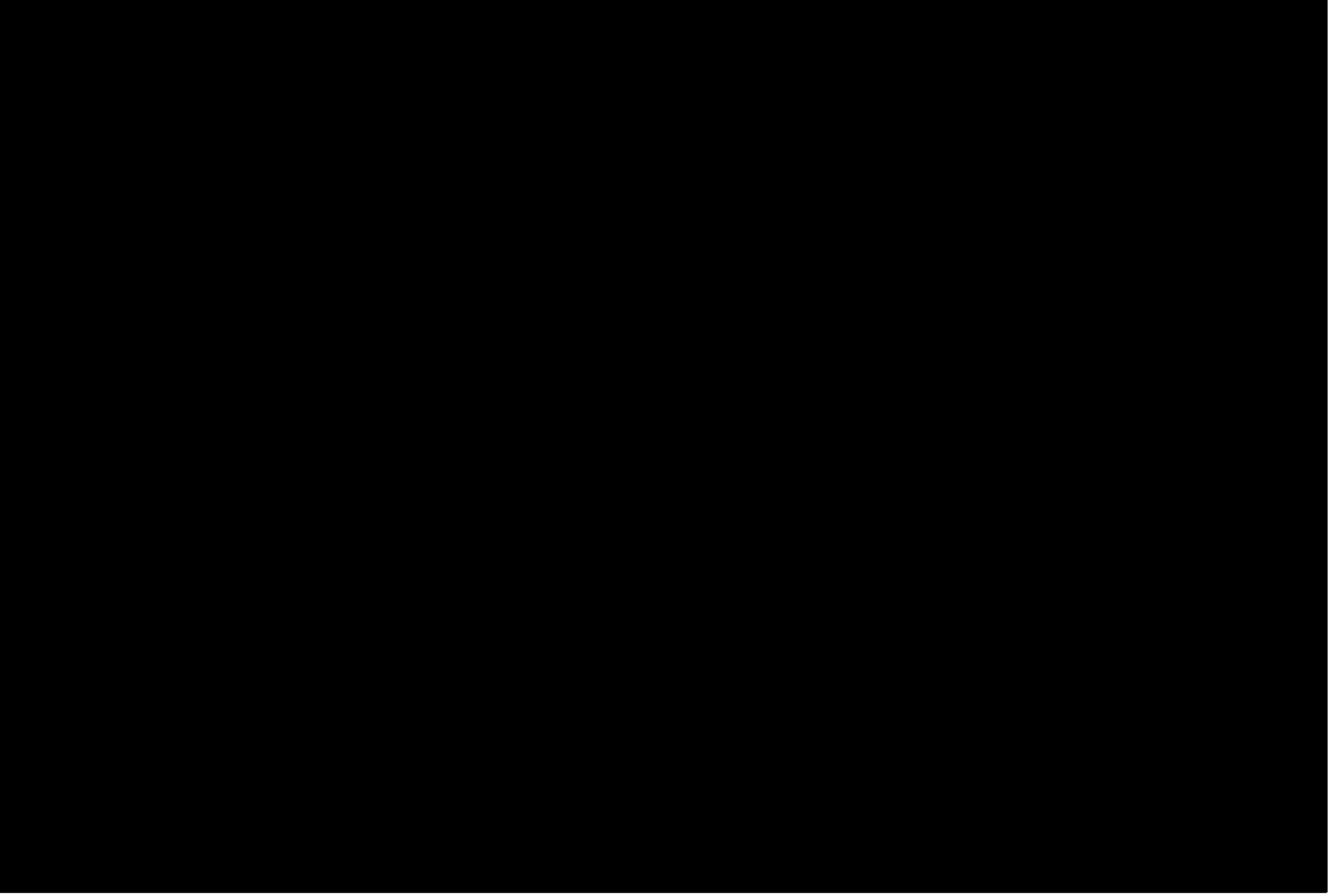
Lekkerland Deutschland GmbH & Co. KG, Frechen in Germany

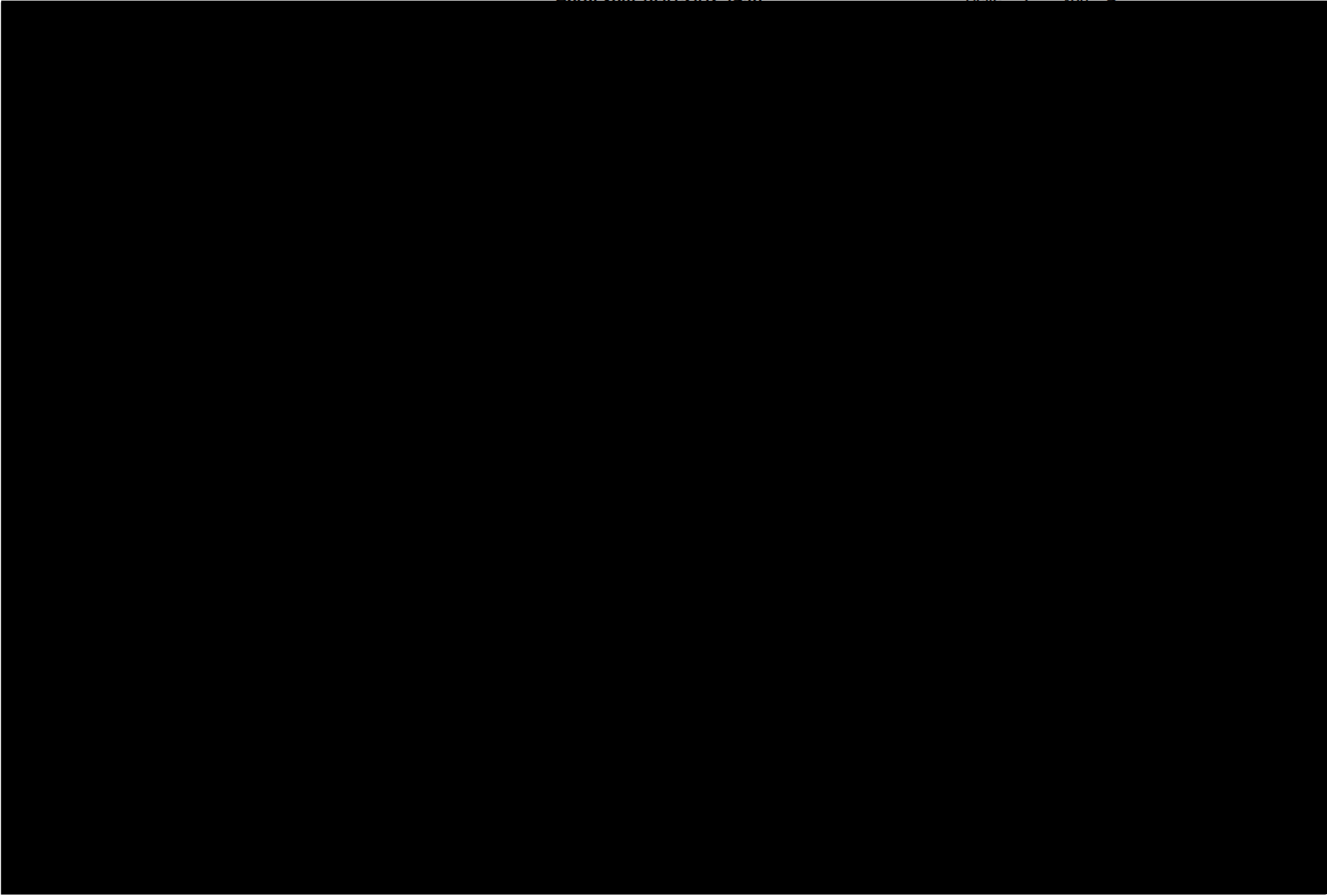
Lekkerland Nederland BV, Son in The Netherlands

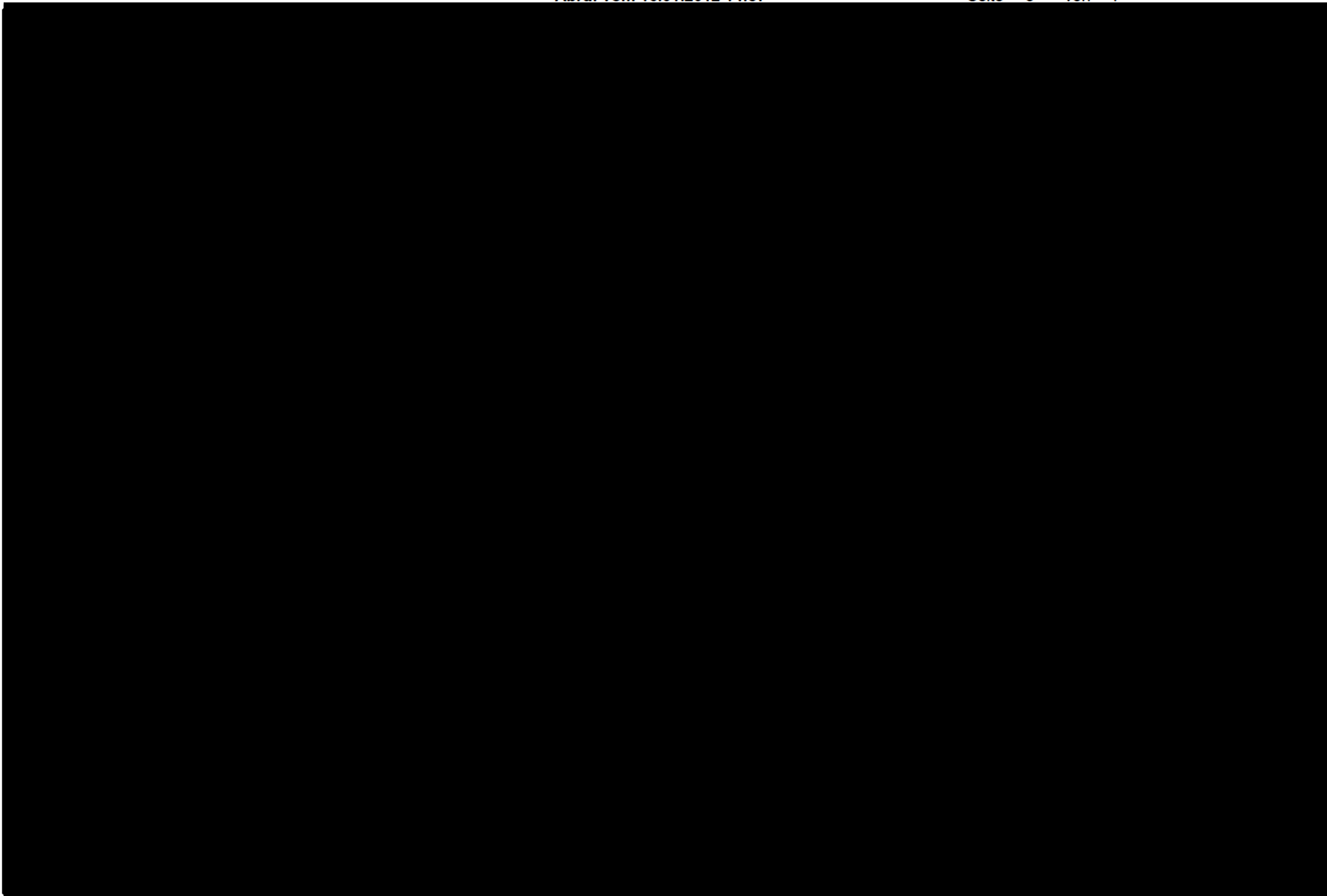
Lekkerland Vending Services, Son in The Netherlands

Conway – The Convenience Company België NV, Temse in Belgium

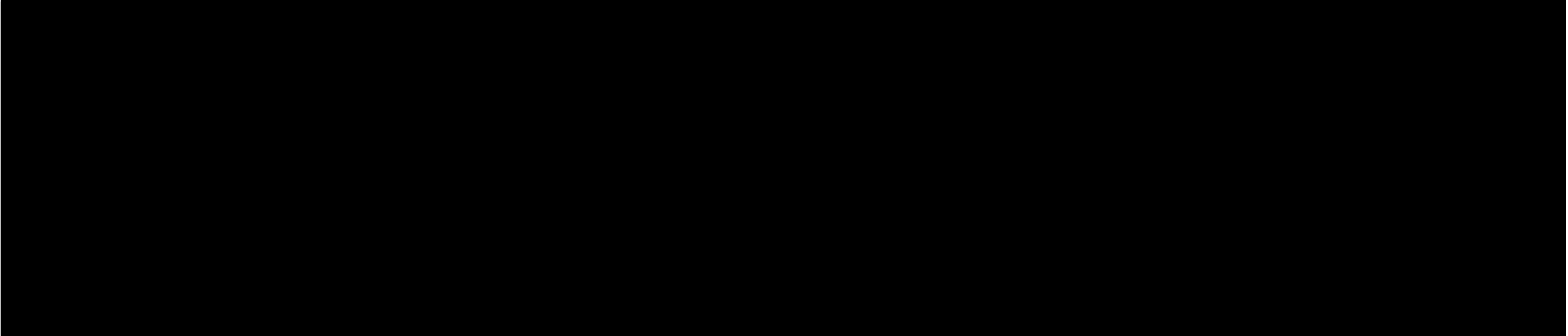
The other companies do not have significant tobacco interests at the moment or are situated outside the EU.











### 3. IMPACT TRACK & TRACE IMPLEMENTATION

#### INDUSTRY

As the tobacco industry is already executing a track & trace system up to the level of tobacco wholesalers / distributors, the impact of adding a further registration until the first retailers is probably limited. The industry already has the know-how and expertise to implement such a system. This applies even more in case the option of the industry system is chosen.

#### RETAIL

In principle retailers are not impacted directly by the operational consequences of a track & trace system up to the level of the first retailer. However, the system requires a Global Location Number (GLN) per individual retail outlet. Such a GLN will have an initial fee and an annual subscription fee, while retailers will be obliged to register and to maintain the data. Tariffs seem to vary from country to country, but apparently can be as high as €200 per outlet per year. Of course retailers will try to push these costs back to tobacco wholesale level.

Operationally retailers might also be impacted in special circumstances. **Food retailers** often have distribution centres in which they do order picking for their own stores, but also for franchisees. At this moment it doesn't seem clear how they fall within all new regulations. **Vending operators** exploit tobacco vending machines, while they perform the "order picking" actually at the point of sale, picking the necessary product from the stock in their vans. Should the individual vending machines be regarded as first point of retail, this could lead to an unbearable operational process and prohibiting cost levels. On the threshold of wholesale and retail, the **cash & carry** organisations will face very serious problems in implementing track & trace measures at the level of check-out cash registers, should they also become applicable to them.

The tobacco volume of the retail outlets are of course also quite different. As an example: the average food retail shop in Holland sells in 1 week the volume of an average tobacco vending machine in 1 year.

#### WHOLESALE

For the wholesale business the impact of a track & trace system will be very high. The process of incoming goods and storage registration will become more difficult, but especially of course the process of picking the individual retail orders, as basically ALL cartons need to be scanned for the track & trace purposes, while also content per case needs to be registered.

**It is Lekkerland's estimate that the direct warehouse costs will increase with something between 60% and 100% depending on the detailing of track & trace obligations.** In this estimate we have already assumed that manufacturers will provide the track & trace software system and all necessary (scanning & printing) equipment. The continuous increased warehouse picking costs are of course a substantial extra burden on wholesale level.

Lekkerland is of course willing to provide extra information on this subject, should it be required. However it looks like the estimates in the EU report on the extra costs on wholesale level just represent something like 50% of the estimated realistic costs. **At this moment it is totally unclear how these costs can be absorbed in the chain as in most countries the manufacturers set the consumer retail price.**

Then a word on a special process: reverse logistic or returned goods. In general a very small part of the whole tobacco volume, normally just in packs or in cartons. The organisational burden of the suggested solution is ridiculous, looking at the impacted volume. **Lekkerland would therefore suggest to exclude returned goods from the track & trace obligations** (maybe with just the exception of full cases).

Finally Lekkerland is worried about the demand for real time tracking as that could lead to significant complications at a moment of system down-time. The wholesale picking process or transport process cannot be stopped without considerable consequences at moments an external tracking system wouldn't work. **Lekkerland therefore suggests to include clear provisions for such down-time events.**

#### 4. SELECTION OF OPTION

The EU report explains in more detail 4 different options. But, the extra burden on wholesale activities has hardly been looked at properly. Which means that at the moment it is quite difficult for Lekkerland to select just one option.

It is clear that on the longer term RFID type of solutions would be the preferable ones, as those could limit extra scanning activities in the order picking process considerably.

In general Lekkerland, being an international company, prefers to have just **one system for all EU countries** as this facilitates future growth and development, while it reduces Lekkerland's effort to implement the track & trace regulations.

## 5. COST & BENEFIT ANALYSIS

It is impossible for Lekkerland to judge the overall benefit calculations as it also includes important changes into consumer behaviour and even an assumed impact on health related issues.

Regarding the mentioned increased costs for wholesalers however, **Lekkerland estimates those extra costs for wholesalers at least at twice the level the report does**, largely based on scanning activities per carton during the order picking process and more complicated handling of tobacco cases.

Lekkerland also thinks that the cost increase for vending machine operators is significantly underestimated in the report, as scanning in this case has to be applied per pack in a mobile process during filling processes of individual vending machines. Based on average packs per vending machine and pack scanning, **Lekkerland estimates the additional costs for vending operators to be around three times as high.**

Lekkerland is also not able to judge on a EU scale to what extent such a track & trace system would actually further reduce illegal and illicit trade, once such a system is extended towards the level of first retailers. We think however that **the extra operational burden (and therefore costs) at wholesale level doesn't have any realistic relation with a prevention of illegal or illicit trade** in the (western European) countries where Lekkerland is presently located.



## 2. BACKGROUND DATA ON TOBACCO WHOLESALERS / DISTRIBUTION

In the EU tobacco wholesale / distribution structures vary considerably from country to country. Some of the markets have developed from monopoly situations to free markets, though still completely dominated by just one distribution company (e.g. Spain), some developed from a monopoly situation into a distribution structure where each manufacturer distributes its products through just one selected distributor (e.g. Austria), other markets have few, but large wholesale organisations in a traditionally free market (e.g. The Netherlands), while in other countries many smaller tobacco wholesalers dominate the market (e.g. Poland).

All these wholesale / distribution companies, either big or small, have to deal with the fact that the tobacco market is dominated by 4 to 5 multinational tobacco companies, that are represented in all the EU countries, together with the fact that in most countries regulations (like health warnings, banderol systems, fixed consumer retail prices and such), prevent a free flow of products throughout the EU and limit the discretionary possibility of retail to set consumer prices and control its own margin. As retailers cannot determine their own consumer selling price, this creates an even higher than normal pressure on the trade margin for wholesalers.

Most wholesale / distribution companies in the EU are small and medium sized family owned companies that are only active in 1 member state. Just a couple of companies really have an international footprint, companies like Lekkerland in northwest Europe and Logista in southwest Europe.

Most of the wholesale /distribution companies have therefore limited capacity in terms of staff, technical possibilities, know-how, lobbying resources and financial resources.

Tobacco wholesale companies often have to operate within difficult market boundaries. Firstly, their suppliers are very large, very profitable multinational tobacco companies, which in most countries are able to set consumer retail prices, while holding very strong brand positions, with even stronger legal limitations on free flow of products within EU (caused by banderol systems, health warnings, taxation systems and so on). Secondly, in many countries the retail trade is also characterised by very strong companies, like in the area of food retail and / or petrol stations, thus often limiting the possibilities of wholesalers to pass on cost increases, as an increase of the wholesaler's margin automatically leads to a margin decrease at retail level, as they cannot pass it on to consumers caused by fixed consumer retail prices.

Overall wholesale gross margin is roughly just 1% of the consumer retail price.

## 3. IMPACT TRACK & TRACE IMPLEMENTATION

### INDUSTRY

As the tobacco industry is already executing a track & trace system up to the level of tobacco wholesalers / distributors, the impact of adding a further registration until the first retailers is probably limited. The industry already has the know-how and expertise to implement such a system. This applies even more in case the option of the industry system is chosen.

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## 6. CONCLUSION

Lekkerland asks that more attention is paid to the specific elements on wholesale level, which seem to have been neglected in the report.

Further Lekkerland prefers the following:

- The chosen system must be operationally feasible;
- It certainly must be ONE system for ALL countries;
- It must be financially affordable for wholesalers in their operation.

Lekkerland is very worried how inevitable cost increases at wholesale level can be absorbed within the tobacco chain, should manufacturers not take responsibility for these costs.

Lekkerland would like to be heard on the mentioned points of attention in this document.