

## 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*

TZN  
Prinses Beatrixlaan 724  
2595 BN DEN HAAG  
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Tel: +31 (0)70 - 315 34 46  
Mail: info@tzn-nederland.nl

. [REDACTED] [REDACTED]  
[REDACTED]  
[REDACTED] [REDACTED] [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.

- 5597bb68-b215-4c82-8650-060f273dc2a9/TZN input for EU internet consultation on EU TPD art 15 T&T requirements sections A+B Introduction + General Remarks.pdf
- fdac7aab-744c-45f6-920d-b2c1a97156af/TZN\_uittreksel\_handelsregister\_27289926.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)

- **d87f834c-fb96-4574-b7a0-ee3efe6b4200/TZN input for EU internet consultation on EU TPD art 15 T&T requirements sections C+D Impact T&T + Selection of Options.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)

• [2d2072fb-f0dd-445e-b574-0d24faf40802/TZN input for EU internet consultation on EU TPD art 15 T&T requirements sections E+F Cost& Benefits Analysis + Conclusion.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 specific 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)

- **9deec790-4729-4835-b61c-65be824582fb/TZN input for EU internet consultation on EU TPD art 15 T&T requirements.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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## ***Feasibility Assessment EU-systems for Tracking and Tracing of Tobacco Products (EU TPD – Art. 15)***

*TZN Position Paper, July 2015*

### **A. Introduction**

TZN is a Dutch trade association for companies active in the tobacco wholesale. Its members represent well over 90% of the Dutch tobacco wholesale market. TZN aims at representing the interests of its member companies on both a national as European level in the broadest possible sense. Beside tobacco wholesale issues, TZN is also actively involved in the tobacco vending dossier. Since, its members represent about two-thirds of the Dutch tobacco vending market.

#### Contact persons

The contact persons for further consultation within TZN are:

- [REDACTED] TZN President info@tzn-nederland.nl
- [REDACTED] TZN Advisor info@tzn-nederland.nl

#### Details

#### **Stichting Tabaks- en Zoetwaren Nederland (TZN)**

##### Address

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Prinses Beatrixlaan 724  
2595 BN DEN HAAG  
NEDERLAND  
Tel: +31 (0)70 – 315 34 46  
Mail: info@tzn-nederland.nl  
www.tzn-nederland.nl

### **B. General remarks concerning tobacco wholesale and/or distribution**

Over the last few decades the Dutch tobacco wholesale and distribution market has developed into a highly concentrated market, in which just a few relatively large wholesale and/or cash-and-carry organisations operate. Just one of them is part of an international organisation. All others are privately owned Dutch companies who operate on the Dutch market only.

Their industry counterparts however, are just four or five very dominant multinational tobacco companies who are not only represented in all EU-member states, but also have a strong representation in Brussels and are very actively involved in influencing European tobacco related policies and regulations.

By the way, TZN feels that this also reflects in the way this feasibility report on EU TPD – Art. 15 is formulated. It seems to have been exclusively written from the industry viewpoint only. Throughout the feasibility study hardly any consideration on the impact of EU TPD Art. 15 on tobacco wholesale or distribution can be found, neither on an operational level nor otherwise.

The large gap in market power between industry and wholesale severely limits the room for negotiations concerning trade terms between the two. Obviously, strongly to the disadvantage of the wholesale companies. The market position of tobacco wholesale in the Netherlands is also being negatively influenced by the fact that more and more tobacco is being sold through the food channel, which is also being dominated by just a few very large multinational supermarket organisations with strong negotiation power.

Together with the fact that strict national and/or EU tobacco regulations – like health warnings, banderol systems and fixed consumer prices – stand in the way of a free flow of goods throughout the EU, these strong disbalances in market power in the tobacco market supply chain create a substantially higher pressure on the trade margins for wholesalers than can be seen in any other sector.

**All this results in, the part of the value chain remaining with the wholesalers as gross margin being only roughly 1% of the consumer retail price.**



# Uittreksel Handelsregister Kamer van Koophandel

Attachment A4.2

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Waarmerk  
KvK

[Redacted]



***Feasibility Assessment EU-systems for Tracking and Tracing  
of Tobacco Products (EU TPD – Art. 15)***  
*TZN Position Paper, July 2015*

Attachment B.1.5

**C. Impact of tracking and tracing**

Industry

Tobacco manufacturers do not only already have the know-how concerning the implementation of T&T-systems, they already are executing a T&T-system up on to the level of tobacco wholesalers. Therefore, TZN is of the opinion that the impact of EU TPD – Art. 15 on their business case will be limited. More so even, if as a result of this consultation the current industry system – which is one of the options that can be chosen – will prevail.

Retail

At first sight, EU TPD – Art. 15 does not seem to have an operational impact on tobacco retailers. However, more closely reading of Art. 15 and the feasibility assessment learns that the business case of tobacco retailers most certainly will be affected by it. After all, one of the requirements of the T&T-system is a Global Location Number (GLN) per individual retail outlet. TZN estimates that the total annual costs of such a GLN for the individual retail will be as high as €150 - €200. Costs for which there are no benefits for the retailer and therefore he most certainly will try to kick-back these costs to his wholesaler.

Besides the GLN-costs per individual outlet, there are also specific groups of retailer who will and/or might be affected by the T&T-system. The food retailers are one of those specific groups. At least in the Netherlands, they often have a system of regional and/or national distribution centres in which orders are being picked for both their own stores and those of franchisees. For TZN is not clear at this present moment whether they will - and if so, how - they will be affected by EU TPD – Art. 15.

Since TZN-members operate round about 10,000 vending machines in the Netherlands, we have looked in to the impact of the proposed T&T-systems and requirements on tobacco vending specifically. Here also we are uncertain on the impact on the business case. More specifically, it is unclear for TZN what “up to the first retailer” means in the case of tobacco vending. Since, vending operators exploit tobacco vending machines, while they perform the “order picking” per individual vending machine at the actual point of sale by picking the necessary products from the stock in their individual vans. In case EU TPD – Art. 15 has to be interpreted that each individual vending machine that an individual vending operator exploits is being regarded as “first point of retail”, unbearable operational processes, prohibiting cost levels – and therefore the end of tobacco vending - will be the direct consequences of regarding each individual vending machine as “first point of retail”.

TZN also believes that Cash-and-Carry organisations – also being a (hybrid) form of tobacco retail – will be confronted with serious administrative and costly problems should they also be seen as “first point of retail” and therefore be included in the scope of the T&T requirements.

Resuming, TZN is of the opinion that



- retail most certainly will be affected by the T&T-system under EU TPD Art. 15;
- the feasibility study has not taken this in to account sufficiently; and
- therefore, that further research an specific consultation of the tobacco retail sector is necessary.

#### *Wholesale*

To TZN it is clear that EU TPD Art. 15 will have a dramatic impact on the tobacco wholesale and distribution business case, as all tobacco cartons will have to be scanned to meet the requirements the T&T-system. Herewith, all internal processes, departments and both administrative and fysical systems and procedures will become more complex. Obviously, with substantial – unacceptable – higher costs.

**Based on a survey under its members TZN estimates that the total warehousing costs for tobacco wholesale will increase with 60% to 100% as a direct result of the T&T-requirements under EU TPD Art. 15.** Extremely higher costs thus, which are without any potential benefits and therefore will have direct negative effect on the business case. TZN wishes to stress that the industry contribution as mentioned in “option 1”, does not compensates for these structural extra T&T-costs and investments in any way.

Furthermore, TZN wishes to briefly address the issues of returned goods and real time tracking. **TZN is of the opinion that – since returned goods are such a small part of the total tobacco volume and the administrative burden of the suggested requirement for them are so disproportionally high – returned goods should be excluded from the T&T-obligations.**

The requirements concerning real time tracking are strict. Especially, in case of system downtime of an external tracking system this will lead to substantial and unacceptable consequences for all internal wholesale processes. **To TZN is clear that unambiguous provisions for such downtime events need to be included in the eventual T&T-system requirements.**

#### **D. Selection of options**

Since the feasibility assessment and the options mentioned and described in it clearly do not have sufficiently taken into account the impact and consequences of a T&T-system on tobacco wholesale and distribution, it is impossible for TZN to fully appraise the different options. Let alone, to select just one of them.

***Feasibility Assessment EU-systems for Tracking and Tracing  
of Tobacco Products (EU TPD – Art. 15)***  
*TZN Position Paper, July 2015*

**E. Cost and benefit analysis**

TZN is not equipped to give a comprehensive overall cost and benefit analysis. As stated above however, TZN is of the opinion that compliance to the T&T-requirements will lead to:

- Overall costs for tobacco wholesale being at least twice as high as the feasibility assessment has come up with;
- The cost levels for tobacco vending operators to triple in comparison to the current cost levels.

***This being the case, TZN strongly believes that the disproportional extra operational burden and costs of extending the T&T-requirements up to the first retailer does not have any realistic relation vis-à-vis the prevention of illegal or illicit trade of tobacco products in the Netherlands and/or or any (Western) EU Member State.***

**F. Conclusion**

TZN calls upon the Commission and all (external) parties involved to pay adequate attention to the specific elements of tobacco wholesale in the process of implementing EU TPD Art.15. Far more so than it has done until this moment.

Furthermore, TZN is of the opinion that the T&T-system under EU TPD Art. 15 must be:

- Operationally feasible;
- One single system for all EU-countries;
- Financially affordable;
- Implemented on the basis of a fair and equitable sharing of costs between industry, wholesale and retail;
- Actively contribute tot reduce illegal and illicit trade, and
- Administratively and cost wisely proportional to this goal.

## ***Feasibility Assessment EU-systems for Tracking and Tracing of Tobacco Products (EU TPD – Art. 15)***

Attachment D.17

*TZN Position Paper, July 2015*

### **A. Introduction**

TZN is a Dutch trade association for companies active in the tobacco wholesale. Its members represent well over 90% of the Dutch tobacco wholesale market. TZN aims at representing the interests of its member companies on both a national as European level in the broadest possible sense. Beside tobacco wholesale issues, TZN is also actively involved in the tobacco vending dossier. Since, its members represent about two-thirds of the Dutch tobacco vending market.

#### Contact persons

The contact persons for further consultation within TZN are:

- [REDACTED] TZN President info@tzn-nederland.nl
- [REDACTED] TZN Advisor info@tzn-nederland.nl

#### Details

#### **Stichting Tabaks- en Zoetwaren Nederland (TZN)**

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### **B. General remarks concerning tobacco wholesale and/or distribution**

Over the last few decades the Dutch tobacco wholesale and distribution market has developed into a highly concentrated market, in which just a few relatively large wholesale and/or cash-and-carry organisations operate. Just one of them is part of an international organisation. All others are privately owned Dutch companies who operate on the Dutch market only.

Their industry counterparts however, are just four or five very dominant multinational tobacco companies who are not only represented in all EU-member states, but also have a strong representation in Brussels and are very actively involved in influencing European tobacco related policies and regulations.

By the way, TZN feels that this also reflects in the way this feasibility report on EU TPD – Art. 15 is formulated. It seems to have been exclusively written from the industry viewpoint only. Throughout the feasibility study hardly any consideration on the impact of EU TPD Art. 15 on tobacco wholesale or distribution can be found, neither on an operational level nor otherwise.

The large gap in market power between industry and wholesale severely limits the room for negotiations concerning trade terms between the two. Obviously, strongly to the disadvantage of the wholesale companies. The market position of tobacco wholesale in the Netherlands is also being negatively influenced by the fact that more and more tobacco is being sold through the food channel, which is also being dominated by just a few very large multinational supermarket organisations with strong negotiation power.

Together with the fact that strict national and/or EU tobacco regulations – like health warnings, banderol systems and fixed consumer prices – stand in the way of a free flow of goods throughout the EU, these strong disbalances in market power in the tobacco market supply chain create a substantially higher pressure on the trade margins for wholesalers than can be seen in any other sector.

**All this results in, the part of the value chain remaining with the wholesalers as gross margin being only roughly 1% of the consumer retail price.**

### C. Impact of tracking and tracing

#### Industry

Tobacco manufacturers do not only already have the know-how concerning the implementation of T&T-systems, they already are executing a T&T-system up on to the level of tobacco wholesalers. Therefore, TZN is of the opinion that the impact of EU TPD – Art. 15 on their business case will be limited. More so even, if as a result of this consultation the current industry system – which is one of the options that can be chosen – will prevail.

#### Retail

At first sight, EU TPD – Art. 15 does not seem to have an operational impact on tobacco retailers. However, more closely reading of Art. 15 and the feasibility assessment learns that the business case of tobacco retailers most certainly will be affected by it. After all, one of the requirements of the T&T-system is a Global Location Number (GLN) per individual retail outlet. TZN estimates that the total annual costs of such a GLN for the individual retail will be as high as €150 - €200. Costs for which there are no benefits for the retailer and therefore he most certainly will try to kick-back these costs to his wholesaler.

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TZN also believes that Cash-and-Carry organisations – also being a (hybrid) form of tobacco retail – will be confronted with serious administrative and costly problems should they also be seen as “first point of retail” and therefore be included in the scope of the T&T requirements.

Resuming, TZN is of the opinion that

- retail most certainly will be affected by the T&T-system under EU TPD Art. 15;
- the feasibility study has not taken this in to account sufficiently; and
- therefore, that further research and specific consultation of the tobacco retail sector is necessary.

#### Wholesale

To TZN it is clear that EU TPD Art. 15 will have a dramatic impact on the tobacco wholesale and distribution business case, as all tobacco cartons will have to be scanned to meet the requirements of the T&T-system. Herewith, all internal processes, departments and both administrative and physical systems and procedures will become more complex. Obviously, with substantial – unacceptable – higher costs.

**Based on a survey under its members TZN estimates that the total warehousing costs for tobacco wholesale will increase with 60% to 100% as a direct result of the T&T-requirements under EU TPD Art. 15.** Extremely higher costs thus, which are without any potential benefits and therefore will have direct negative effect on the business case. TZN wishes to stress that the industry contribution as mentioned in “option 1”, does not compensate for these structural extra T&T-costs and investments in any way.

Furthermore, TZN wishes to briefly address the issues of returned goods and real time tracking. **TZN is of the opinion that – since returned goods are such a small part of the total tobacco volume and the administrative burden of the suggested requirement for them are so disproportionately high – returned goods should be excluded from the T&T-obligations.**

The requirements concerning real time tracking are strict. Especially, in case of system downtime of an external tracking system this will lead to substantial and unacceptable consequences for all internal wholesale processes. **To TZN is clear that unambiguous provisions for such downtime events need to be included in the eventual T&T-system requirements.**

#### **D. Selection of options**

Since the feasibility assessment and the options mentioned and described in it clearly do not have sufficiently taken into account the impact and consequences of a T&T-system on tobacco wholesale and distribution, it is impossible for TZN to fully appraise the different options. Let alone, to select just one of them.

## E. Cost and benefit analysis

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- Overall costs for tobacco wholesale being at least twice as high as the feasibility assessment has come up with;
- The cost levels for tobacco vending operators to triple in comparison to the current cost levels.

***This being the case, TZN strongly believes that the disproportional extra operational burden and costs of extending the T&T-requirements up to the first retailer does not have any realistic relation vis-à-vis the prevention of illegal or illicit trade of tobacco products in the Netherlands and/or any (Western) EU Member State.***

## F. Conclusion

TZN calls upon the Commission and all (external) parties involved to pay adequate attention to the specific elements of tobacco wholesale in the process of implementing EU TPD Art.15. Far more so than it has done until this moment.

Furthermore, TZN is of the opinion that the T&T-system under EU TPD Art. 15 must be:

- Operationally feasible;
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