



Meeting with stakeholders on the study "Assessing the Impacts of Revising the Tobacco Products Directive" prepared by RAND Europe

Summary record

**Meeting date: 19 October 2010, 9.30
Brussels, Rue Froissart 101, 01/89**

1. Welcome and introduction

The chairman welcomed the participants and there was a short presentation of all participants.

2. Adoption of the draft agenda

The draft agenda was adopted without amendments.

3. Presentation of the RAND report

The chairman gave a short presentation on the study "Assessing the Impacts of Revising the Tobacco Products Directive" prepared by RAND Europe and explained the ongoing work consisting of;

1. A public consultation with the objective to get the views of all stakeholders on the problem definitions and policy options for addressing these problems effectively was launched on 24 September. The chairman announced the extended deadline for the public consultation until 17 December 2010
2. An assessment of the impact of the proposed changes, resulting in an Impact Assessment report from the Commission. The RAND report will be one of the sources of information used for the Impact Assessment

The chairman underlined that the RAND study is independent, and consequently it does not express the views of the Commission. As the Commission intends to use the RAND study for its own Impact Assessment comments from all stakeholders on the RAND report are very important. The chairman invited the participants to send comments not only rejecting certain data, but also proposing alternative data as it is crucial that accurate data is used for the impact assessment. All comments submitted before the end of the year will be taken into consideration.

4. Discussion

The organisations were asked to give their first comments on the RAND report. The chairman specifically asked for comments on economic figures and calculations.

4.1 Key concerns

- The following areas were mentioned:
 - a) Underestimation of health impacts and health costs
 - b) Overestimation of industry costs
 - c) Failure to provide a wide spectrum of reports with respect to labelling, packaging etc
 - d) Excise duty estimations
 - e) Evaluation of administrative burden on states

4.2 Baseline scenario

- The figures presented in the baseline scenario were found inaccurate. This is a problem as the five options all are based on the figures in the baseline scenario.
- Effects on smoking cessation are too small and too far away. A study will be submitted to strengthen this argument.
- The data on p 215 of the report (summary of economic burdens) were found unreliable.
- The assumption that smoking prevalence would decline without further intervention was questioned.

4.3 Impact on employment

- The RAND report predicts a decrease in employment as an effect of smoking prevalence. It was expressed that a decrease of the employment in the tobacco industry would rather be due to other factors, such as delocalisation of factories to Eastern Europe and even outside of Europe. It was pointed out that it must be taken into account that cigarette factories mainly are run by computers/machines and with almost no staff.
- It was further mentioned that the retailer-market in Europe differs from country to country. The industry should therefore be able to provide figures with a

breakdown of sales. Further, if people quit smoking they will buy other things. This means that there will be no effect on employment.

- It was stated that when comparing the employment-issue with the risk of death from smoking, employment is not an argument.

4.4 Labelling

- It was stated that it could be argued that pictorial warnings and plain packaging would increase competition as the big brands might end up losing a part of their current market. If the attractiveness of the main leader is reduced, there would be an opening for other competitors. While the tobacco companies currently compete through brands, in the future competition may rather be between products.
- It was mentioned that in the RAND report option 3 (introducing compulsory pictorial warnings) and option 4 (introducing compulsory pictorial warnings together with generic labelling) are handled as if they were the same when assessing their impact. In this context it was stressed that in terms of impact there is indeed a big difference between option 3 and 4. It was concluded that pictorial warnings reduce the attractiveness of a product and so does generic labelling. The position of pictorial warnings on a package will also make a difference on the impact.
- Marketing efforts do have an impact on sales, although the extent of the impacts is not clear. Also, the importance of a quit-line number placed on the cigarette packages was emphasised.
- It was mentioned that there is a difference in the extent of knowledge between Member States regarding the harmful effects of tobacco consumption and that information should be equally provided within the EU.

4.6 Health costs

- There are ongoing discussions regarding the possibility to seek guidance in the "polluter pays - principle" to cover health costs caused by smoking.
- The RAND report does not give a suggestion as to how the health costs should be shared or calculated.
- It was announced that where the average cost / package of cigarettes is estimated to be 3.55 € approximately 3€ package are health costs according to a German study.
- According to RAND the price/ package would be 6.55€ if all health costs were to be included. It was stated that indirect costs such as loss of life are vastly underestimated in the report. This means that the figure 6.55€ should probably be higher. Accurate data will be submitted.

4.7 Industry revenues and costs

- The question of actual costs for the industry to implement the policy of generic packaging was brought up. It was felt that there is an overestimation of costs relating to the development of new packages in figures presented by the industry.

"One package for all" should rather reduce both production costs and promotion costs. It was added that introduction of standardized packages would not increase administrative costs.

- It was mentioned that production-costs for cigarette packages are low; otherwise there would be no counterfeit goods.
- Regarding the question on whether generic packaging is in compliance with IP regulation it was concluded that registration of a trademark does not give an absolute right to use the trademark

4.8 Illicit trade

- It was stressed that counterfeit goods is not the only form of illicit trade. This has to be acknowledged and kept in mind.
- It was stated that there is no evidence that plain packaging or any other possible measure would increase illicit trade. There would probably rather be a decrease. Generic packaging would make it harder to imitate another company's package as it could only be done by copying the brand name.
- Surveys regarding illicit trade will be submitted.

4.9 Internet sales

- It was pointed out that Internet-sales indirectly mean advertising on the Internet.
- It was concluded that the discussions regarding Internet sales raise questions of identification and enforcement as well as proportionality. Possible effective measures to address the issue were discussed, such as taxes controlled by implementing a notification-duty for Internet retailers to the tax authorities. Such a system might be hard to administrate.
- It was concluded that among the Member States different rules apply in this area.

Annex I – List of Participants

Organisations

Cancer Research UK (CR UK),
European Network for Smoking and Tobacco Prevention (ENSP)
German Cancer Research Center (GCRC)
The Standing Committee of European Doctors (CPME)
European Heart network (EHN)
Smokefree partnership (SFP)
European Respiratory Committee (ERS)
Association of European Cancer Leagues (ECL)

Commission services:

Mr Antti Maunu	DG SANCO C6 (Chair)
Ms Terje Peetso	DG SANCO C6
Ms Anna Eva Ampelas	DG SANCO C6
Ms Anna Jassem-Staniecka	DG SANCO C6
Ms Magdalena Ahlberg	DG SANCO C6
Mr Dalibor Mladenka	DG SANCO 02
Ms Mathilde Reynaudi	DG SANCO 02
Ms Rossella Chiodo	DG SANCO 02