

ALL PARTY PARLIAMENTARY GROUP ON SMOKING AND HEALTH

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Dame Sally Davies, Chief Medical Officer
Department of Health
Room 114
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22nd March 2013

Dear Dr Davies

The Illicit Trade in Tobacco Products and Standardised Packaging

I am writing to you as Chair of the All Party Parliamentary Group on Smoking and Health, about the illicit trade in tobacco products and the implications of the future introduction of standardised (“plain”) packaging of tobacco products. The APPG recently held a series of oral evidence sessions on this issue, and has produced the enclosed report, which I hope you may find of interest.

High prices for legitimate products can of course create an incentive for smugglers and counterfeiters. Since UK tobacco prices are high by international standards, the illicit trade in tobacco products is a threat to both Government revenues and public health. However, the difference between the cost of production or bulk purchase of illicit products and the price realised when they are sold is not the main factor in determining the level of illicit trade. Key factors include the difficulty and costs of entering the target market, the level of law enforcement activity and the presence or absence of corruption in the system, the likelihood of detection and the scale of penalties imposed. International evidence, included in our report, shows that levels of illicit trade are highest in low income countries, where tobacco prices are typically low but enforcement may be poorly resourced and corruption levels may be high.

In recent years, the UK has had a strong record in tackling illicit trade. HM Revenue and Customs estimate that from 2000 to 2010/11 the proportion of illicit cigarettes in the UK market has fallen from 20% to 9%, and the proportion of illicit hand rolled tobacco has fallen from 60% to 38% (mid-range estimates). This is partly a result of the joint strategy agreed between HMRC and the UK Border Agency, which has been regularly strengthened and updated and is supported by the substantial additional resources provided by the Government during the last spending review. Public spending on action against the illicit tobacco trade has been shown to be highly cost effective with a gross return on investment of 10 to 1. The European Union legal agreements with the tobacco multinationals have also cut the level of illicit trade, particularly by deterring the diversion of the multinationals’ own products into illicit channels.

Evidence to our Inquiry also showed the importance of the development of local and regional partnerships in fighting illicit trade. Such partnerships need to include HMRC, police, local health services and local authorities including trading standards to be fully effective. They have been shown to reduce both the public demand for and supply of illicit tobacco.

The tobacco industry routinely uses the problem of illicit trade as a lobbying lever against tax rises and other tobacco control policies. In particular, this argument is being deployed in an attempt to dissuade the Government from introducing legislation to require cigarettes to be sold in standardised packaging. However, the evidence given to our Inquiry shows that there is no good reason to think that standardised packaging will lead to an increase in illicit trade. Existing packaging can be cheaply and readily copied by illicit manufacturers. Enforcement authorities use the covert and overt security markings on existing packs to determine whether tobacco products are illicit, and these would still be present on standardised packaging.

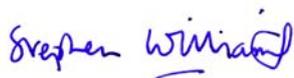
The key recommendations to the UK Government in our report are:

- The UK should sign and ratify the Illicit Trade Protocol, recently negotiated under the WHO Framework Convention on Tobacco Control. Evidence suggests that if the Protocol is adopted and implemented worldwide, it could reduce the level of illicit trade in the UK by up to 70%, increase tax revenues by £1.35 billion a year, and save around 200 lives a year. The costs of implementing the Protocol are estimated to be less than £27 million a year and should as far as possible be borne by the tobacco industry.
- The Government should take a leading role in agreeing and implementing a robust international tracking and tracing system for tobacco products, as set out in Article 8 of the Protocol and in the draft Tobacco Products Directive.
- The Government should set a quantified objective for reducing the level of illicit trade, which we suggest should be to reduce the market share of illicit cigarettes to 3% and illicit hand rolled tobacco to 28% by 2015-16.
- Since public spending on action against illicit trade has proved highly cost effective, the Government should give it appropriate priority in decisions on the next spending round.
- The Government should consider how to ensure that enforcement work by trading standards officers and others at a local level is adequately funded in a period of overall grant reductions to local authorities.
- HMRC should work with the Trading Standards Institute and other representative local government bodies as appropriate to develop partnership working across the country on action against illicit trade, following the model of the successful North of England Partnership.
- The Government should consider following the example of the Scottish Government by introducing a simple registration scheme for retailers wishing to sell tobacco products, together with an offence of selling tobacco while unregistered.

Illicit trade must not be used as an excuse to prevent progress on tobacco control. Reducing smoking rates remains the most important single means of improving public health. The evidence strongly suggests that standardised packaging would increase the impact of health warnings, reduce false and misleading messages that one type of cigarette is less harmful than another, and reduce the attractiveness of smoking to young people.¹

Please do not hesitate to get in touch with me if you would like any further information from our Inquiry.

Yours sincerely,



Stephen Williams MP
Chair of the All Party Parliamentary Group on Smoking and Health

¹ See evidence summarised in the Public Health Research Consortium report, Plain Tobacco Packaging: A Systematic Review, published on the launch of the Department of Health consultation in 2012.