



President
European Commission

October 11, 2012

Dear Mr Barroso,

the Taxpayers Association of Europe has been monitoring the discussion about the revision of the Tobacco Products Directive 2001/37/EG closely for some time now. However, recently published media articles further detailed the proposal currently being drafted by the Commission's Directorate General Health and Consumers. It seems that the proposed regulation is targeting a full standardization of tobacco packs and products, including appearance and design. As an organization representing the interests of 30 different tax payer associations, this development is a major cause of concern for us.

We agree that the improvement of public health should be a number one priority, especially with regards to minors. Nonetheless, we have reason to believe that the proposed measures are not leading to the desired results and above that will have adverse consequences significantly relating to government tax income.

For instance, the proposed standardization of tobacco packs (large health warnings/ color, shape, size, minimum stick content etc.) will most probably lead to an increase in the illicit trade of tobacco products. Counterfeiting will become easier and less costly.

The standardization of the product itself (taste and appearance) would result in an immediate ban on whole segments of the market. For instance, menthol- and slim cigarettes which currently make up for a substantial part of the tobacco market, especially in Eastern European states. Already today, these countries are most heavily affected by illicit trade. A ban on products preferred by a substantial group of consumers will only lead to a further increase in illicit trade, as the black market will continue to attend to consumer preferences.

Accordingly, instead of the desired reduction in consumption a likely result is a shift of consumption from the legal to the illegal market. Smokers who do not find their

product of choice in the legal market are likely to find it in the illegal market. In addition, counterfeit products are produced without regard for regulations and quality standards. Thus, the objective of improving public health will not be reached.

Next to the negative public health consequences, a major concern for us is the expected decrease in Member States' tax revenue. Today, the annual tax revenue from tobacco products in the EU is about 98.7 billion Euros (*Source: Nomisma (2012): The European Tobacco Sector – An Analysis of the Socio-Economic Footprint*). We estimate a total tax loss across the EU of approximately 30 billion Euros annually (*equates to 30% losses*). In our view, the European Union is in the middle of one of the worst financial and economic crises in its history and cannot afford to lose these revenues.

A revised Tobacco Products Directive should focus on measures that have proven to reduce smoking rates, like prevention and education campaigns, instead of jeopardizing government revenues in times of crisis. As mentioned above, it is not proven that the proposed revision will have a positive impact on public health.

We kindly ask you to include our concerns into your considerations with regards to the draft proposal for a new directive. If you have any questions concerning this matter or like to meet with us in person, please do not hesitate to contact us.

Yours Sincerely,



Rolf von Hohenhausen
President



Michael Jäger
Secretary General