



**EUROPEAN
CARTON MAKERS ASSOCIATION**

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Bent Høie
Minister of Health and Care Services
Teatergata 9,
Postboks 8011 Dep,
0030 Oslo
Norway

The Hague, 9 June 2015

Our Reference: Hvs/BG/EE15-031TF

Re: European Carton Makers Association (ECMA) response to the consultation on the proposal for standardised packaging of tobacco products

Dear Minister Høie,

I am writing to you as President of the European Carton Makers Association (ECMA) in response to the Consultation on the proposal for standardised packaging of tobacco products. ECMA is the established forum and officially recognised umbrella organisation for national carton associations throughout Europe. Founded in 1960 to promote the interests of one of the most diverse sectors of the packaging industry, ECMA today represents approximately 500 carton producers which account, by volume, for 90 percent of the total European market. The total EU turnover for the sector as a whole is €9 billion and ECMA members employ 45,000 people across Europe.

Further information about ECMA and its members is available at www.ecma.org.

ECMA understands and supports the Norwegian Government's efforts to protect the public health of its citizens. Our concern is that proposals for standardised packaging will not achieve this and in fact risk to undermine them by significantly reducing barriers to counterfeit products.

The Norwegian Government's consultation document considers briefly the consequences of Plain Packaging for the illicit market and reaches the following conclusions:

- Packaging is already easy to forge so standardised packaging will make little or no difference to the existing situation.
- The Initial results from Australia have not clearly demonstrated an increase in illicit trade.
- The UK's Chantler report looked into the risks associated with this and concluded that enforcement regimes can cope.
- The European Commission examined the risk to illicit trade in its impact assessment on the TPD2.

In this paper, we will set out our basic objections to the proposal but also respond directly to each of these arguments. A full position paper on the subject is also provided in annex I of this document. Although the Norwegian Government has used the term 'standardized packaging', we see very little to differentiate its proposals from what is commonly referred to as Plain Packaging. For this reason,



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we consider it more appropriate to reference the term Plain Packaging and accordingly we do so throughout this submission.

Plain Packaging will undermine the Norwegian Government's Health Objectives

ECMA opposes Plain Packaging because continuously evolving packaging complexity is the first and best line of defence against counterfeits, a form of illicit trade that is often misunderstood and indeed confused with today's higher profile issue of smuggling. Complexity concerns the different enhanced design features added to a pack that allow differentiation and authentication by consumers and authorities, and includes embossing, debossing, hot foil stamping, and UV Varnish technologies. The removal of these complex features in favour of pack standardisation at low, static levels will open the door to a growing volume of counterfeit production fuelled by:

- **Lower barriers to entry for counterfeiters** resulting from lower technology hurdles and lower upfront investment costs.
- **Increased economic incentives for counterfeits on the market** driven by lower input costs for the legitimate industry and higher taxes.
- **Limited capacity to authenticate genuine products** making it easier for counterfeit goods to be passed off as genuine product.

Plain packaging thus has three significant negative effects:

- **Loss of responsible manufacturing of tobacco cartons** - standardisation removes competition lowering industry standards; quality packaging and skilled jobs move to other markets.
- **Health risks for consumers** - counterfeit products are unregulated and there are no controls over hygiene, ingredient composition or level of toxic materials.
- **Loss to the public purse** - Illicit trade already costs EU governments an estimated €10bn per annum and such losses will only increase further with Plain Packaging.

Importantly, ECMA makes no claim that these negative effects from Plain Packaging will appear in the market immediately. Plain Packaging would create a major disruption to current business practices in the market, and it is our belief that as market structures change to adapt to the new realities, so too will the structure of the illicit market change in response.

European Commission funded survey shows packaging is not the problem

The negative effects of plain packaging on industry, on the consumer and on government budgets will be felt despite the fact that evidence compiled by the European Commission suggests that packaging is not the problem. The Special Eurobarometer 385 Report¹, which was commissioned by the European Commission and formed part of the evidence base of its impact assessment on the revised Tobacco Products Directive, states that:

¹ Special Eurobarometer 385 Report, Attitudes of Europeans Towards tobacco, European Commission, May 2012.



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- 79% of respondents say that peer influence is the most commonly cited reason to start smoking²;
- by contrast only 3% cited packaging as a reason to start smoking³;
- 1% of respondents indicated that the shape or texture of a pack made consumers think the brand was less harmful than other brands⁴.

In May of this year, the Commission refreshed this research with a new Eurobarometer report. While it doesn't repeat exactly the same questions as the 2012 report some do recur and some new ones are asked which are relevant to any government considering restrictive packaging regulation. Of most relevance to the Norwegian Government's proposal is that:

- In terms of factors that influence consumer choice in relation to cigarettes taste (87%) and price (69%) were the most important while packaging was the least important aspect, with only 22% of consumers stating that this had any influence over their choice⁵.
- In terms of the factors that consumers consider indicative of harmful effects in relation to a cigarette brand, the shape or texture of the packaging remains the least important consideration with only 2% of consumers citing it as a factor compared to 1% in 2012⁶.

On this basis the packaging industry questions whether Plain Packaging measures are necessary to achieve enhanced health benefits, particularly as the revised Tobacco Products Directive already contains enhanced protections for consumers in respect of misleading packaging and enlarged graphical health warnings on packs above the level currently required in Norway.

There is wide disagreement over the probable effects of Plain Packaging, but Illicit trade is a serious issue and adapts to changes in policy

While the elimination of illicit trade as an essential component of tobacco control is recognised at global, EU and national level, there is wide disagreement as to whether a Plain Packaging policy will help or hinder this objective. The Norwegian Government cites the UK's Chantler report in support of its proposals and in particular the following quote from that document:

"...the risks of price effects undermining the objectives of a standardised packaging policy are small and that the impacts could be readily mitigated through taxation if nevertheless they were to materialise. I am not convinced by the tobacco industry's argument that standardised packaging would increase the illicit market, especially in counterfeit cigarettes. It seems to me that the solution to illicit use is instead, to have an effective enforcement regime, and the enforcement agencies in the UK have already demonstrated that an effective enforcement regime and appropriate sanctions can keep illicit [tobacco products] to low levels, even in a relatively high tax jurisdiction."⁷

² Idem at page 69.

³ Idem.

⁴ Idem at page 86.

⁵ Special Eurobarometer 429, Attitudes of Europeans Towards Tobacco and Electronic Cigarettes, May 2015, p.38

⁶ Idem at p.107

⁷ The Chantler Report at para 5.13.



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ECMA would like to underline the fact that, as the UK Department of Health's summary of the responses to that consultation made clear, the business community was near unanimous that standardised packaging would result in increased illicit tobacco on the market.⁸ This view should not simply be written off as the position of the 'tobacco industry' as mentioned above.⁹

The European Commission's [impact assessment](#) on the recently agreed revised Tobacco Products Directive confirms that counterfeit product is already a substantial and growing threat with 8.25 % of all cigarettes sold in the EU illicit (this breaks down as 50% counterfeit, 30% contraband and 20% illicit whites) and this proportion is projected to grow at a rate of 1 per cent every year for the next five years.¹⁰ Interestingly, as the EU has implemented various tobacco control policies, it is witnessing changing market dynamics. In its Communication for a Comprehensive EU Strategy against cigarette smuggling, the Commission notes that the relative share of smuggling of main brands (the Big 4 Tobacco manufacturers that have concluded cooperation agreements with the EU and most Member States) has decreased while counterfeiting, illegal production, and the smuggling of 'illicit whites' is on the rise.¹¹ It also states that "the EU faces a rising illicit influx of other brands coming from outside the EU as well as increased illicit production and distribution inside the EU".¹² These developments confirm that the illicit market can and will adapt to changes over time.

Given the wide disagreement of the effects of a Plain Packaging policy, and the evolving nature of illicit trade that will adapt to any policy measures, ECMA questions why the Norwegian Government would rush forward with Plain Packaging while the available evidence suggests that counterfeit risk is a growing and serious problem.

⁸ UK Department of Health, *Summary Report – Consultation on standardised packaging of tobacco products*, July 2013, "There were many replies from businesses and business-related organisations, and almost all of these suggested that standardised packaging would both increase the supply of and demand for illicit tobacco. These respondents said that standardised packaging would be easier to counterfeit, reduce counterfeiter's costs and make it easier for counterfeiters to enter the illicit market. They also believed that standardised packaging would make it more difficult for law enforcement officers to detect counterfeit tobacco, especially as members of the public would be less able to identify when they had been sold counterfeit tobacco....", at page 22.

⁹ The House of Commons Home Affairs Committee looked at the question whether tobacco plain packaging would be a boon to counterfeiters and outlines what it calls a split of opinion. It cites a 2012 Study of serving police officers wherein 86% of respondents agreed that plain packaging would make it easier to produce and sell counterfeit cigarettes. It also cites the Trading Standards Institute as suggesting that because counterfeit is detected using a hand held scanner to identify covert markings that plain packaging won't matter to its work. See House of Commons, Home Affairs Committee, *Tobacco Smuggling, First Report of Session 2014-15* at paras 33-36.

¹⁰ European Commission Impact Assessment on the Revised Tobacco Products Directive, page 38.

¹¹ Communication from the Commission to the Council and the European Parliament, *Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products – A comprehensive EU Strategy*, COM (2013) 324 Final, 6 June 2013, page 4.

¹² *Idem*, page 5.



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Specific responses to the arguments made in the Norwegian Government's consultation document dismissing concerns about illicit trade.

- A. Packaging is already easy to forge so standardised packaging will make little or no difference to the existing situation

In discussing the likely effects of illicit trade, proponents of Plain Packaging often describe how easily counterfeiters copy legitimate packs and thus claim Plain Packaging won't make any difference to illicit trade and health policy.¹³ Enforcement authorities are often cited as supporting this position.¹⁴ Examples from the UK assessment include a Home Affairs Committee Report which quotes HMRC as stating the introduction of standardised packaging is "not going to create any new risks for them".¹⁵ The Trading Standards Institute is also cited as arguing that counterfeits are detected by using hand held scanners to identify covert markings and that this won't change under standardised packaging.¹⁶ ECMA's reading of these comments is not that Plain Packaging won't make any difference to the illicit trade and by extension to health policy, but that the methods employed by the enforcement authorities are not expected to change. ECMA considers this an important distinction which should not be confused in this debate.

While we recognize the sophistication of criminal networks is growing constantly, we do not accept that the sensible response is to remove existing barriers to counterfeit. Such a response would only open the counterfeit market further to less-sophisticated criminals with fewer resources. Complex packaging creates market barriers to entry for counterfeits by requiring counterfeiters to spend large sums of monies to ensure high quality copies. And while investigative agencies often look to what effects Plain Packaging will have on their own operations, they seemingly fail to consider or appreciate the important role played by the consumer in fighting counterfeits by being able to authenticate legitimate product. Complex packaging also enables this authentication.

Finally, the comments attributed by to the Commission in respect of the possibility that incentives to counterfeit would be reduced if branding were removed from packaging is based on nothing other than assertion. The brand name alone - which in a market like tobacco, where marketing is effectively prohibited, is where the vast majority of brand equity is concentrated - combined with low production due to the simplification of packaging and high retail prices driven by taxes, the counterfeit market is more rather than less attractive for criminal enterprises.

¹³ Department of Health, *Summary Report, Consultation on standardised packaging of tobacco products*, July 2013 at page 22.

¹⁴ See Home Affairs Committee Report at paras 32-44 for discussion of Department of Health's public consultation and the question whether standardised packaging would affect the illicit trade.

¹⁵ *Idem*, at para 41. It is interesting to note that HMRC did also admit that standardised packaging could well change the profile of the illicit market. See *infra* discussion under B. Effective Enforcement Regime.

¹⁶ *Idem* at para 36.



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B. The Initial results from Australia have not clearly demonstrated an increase in illicit trade

Proponents of Plain Packaging point to data from the Australian Federal Treasury that shows 3.4% fewer cigarettes were sold in Australia in 2013 as compared to 2012.¹⁷ These statistics however contrast with industry figures that cigarette volumes climbed by 0.3% in 2013.¹⁸ Moreover, a recent KPMG study concludes that not only are cigarette volumes in Australia marginally higher than in 2013 over 2012, but that the level of illicit consumption grew by 2.1%.¹⁹ Proponents and opponents of Plain Packaging can and are arguing the correctness of these figures. What is indisputable, however, is that trends in cigarette sales have been on a downward trend for a number of years pre-dating Plain Packaging, and it is not at all clear if this trend has accelerated or decelerated since the implementation of the policy. In ECMA's view, it is too early to draw proper conclusions relative to the recent market changes from Plain Packaging in Australia.

What is not yet clear from the Australian experience, and in our view is critical to assessing the efficacy of Plain Packaging, is changing market structures. This is where prices fall due to lower barriers of complexity - where input manufacturing costs are eliminated and competition on the legal market then leads to lower prices generally. This is not a short-term phenomenon but rather in ECMA's view what will lead to commoditisation and falling prices over time. Of course, lower prices is a real risk to increased consumption so we expect that Government would respond by tax hikes but this is not a solution without unintended consequences. The incentive for counterfeiting arrives not from the market price of the product but the margin, or difference between the cost price and the market price. In this scenario, with low cost prices for easy to produce counterfeits, coupled with high retail prices driven by taxes, the counterfeit market becomes more attractive for criminal enterprises.

Changing market structures takes time, but ECMA considers that increased counterfeiting (in the form of imported or decentralised domestic production) is – over time – the most likely outcome from Australia's tobacco control policies which feature Plain Packaging and ever increasing tax hikes.

C. The UK's Chantler report looked into the risks associated with this and concluded that enforcement regimes can cope

The Chantler report suggests that the solution to illicit trade is an effective enforcement regime.²⁰ It rightly lauds the successes of the UK's customs authority (HMRC) and points to an overall trend in downward illicit trade. ECMA cautions that such success is the result of sustained efforts over time under market structures that include complex packaging which is difficult and expensive to replicate. A recent uptick in illicit trade figures²¹ for the UK shows that even sustained efforts remain difficult, and as a consequence the National Audit Office (and the Home Affairs Committee) has already called on HMRC to review its strategy and operations.²²

¹⁷ <http://www.health.gov.au/internet/main/publishing.nsf/Content/tobacco-kff>

¹⁸ Kerr, Christian, Creighton, Adam, *The Australian, Plain Wrong? Here are the facts: cheap smokes are on the rise since plain packaging*, June 18, 2014.

¹⁹ KPMG, *Illicit Tobacco In Australia, 2013 Full Year Report*, 3 April 2014 at section 5.2.

²⁰ See *infra* at footnote 4.

²¹ HMRC, *Tobacco tax gap estimates, 2012-13* at Table 1.1

²² Home Affairs Committee Report at paras 10-17.



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Plain Packaging will create market disruption that could introduce many new and unintended challenges to enforcement and the strategies that underlie this effort. Criminal enterprises are profit focused and operate on price points. If prices change in the domestic market, for example driven by decreased manufacturing costs that allow counterfeits to more easily compete with legitimate product, the nature and profile of the current illicit trade phenomenon could change significantly. In ECMA's view, this will create new and different challenges for enforcement authorities in addition to those they already face.

D. The European Commission examined the risk to illicit trade in its impact assessment on the TPD2.

We would caution the Norwegian Government against using this as a solid basis on which to proceed. The European Commission did not make a full assessment of the risks of illicit trade in relation to Plain Packaging in its impact assessment on the proposed Tobacco Products Directive 2, not least because it did not feature in the proposal. There is a brief mention on page 93 of the impact assessment as the Commission states that 'The industry has argued that plain packaging will increase illicit trade. However, no convincing evidence has been submitted...' This in our view is not surprising given that Plain Packaging policies were not in market at the time the impact assessment was drafted. The Commission itself acknowledges in the same section that 'The precise economic effects of plain packaging in real life are difficult to quantify at present due to lack of empirical data and experience with plain packaging in Member States or other countries'²³. If this is the case, it seems strange to dismiss industry concerns because they have failed to produce convincing evidence of an increase in illicit trade for a policy that was not, at the time, in existence. Based on the available evidence it is possible to conclude that there is a serious risk of increased illicit trade.

Conclusion

It remains ECMA's considered view that Plain Packaging will have important negative and unintended consequences on health policy due to the increased availability of cheaper, unregulated and potentially harmful product becoming more widely available on the market. We believe that policy changes as significant as Plain Packaging will meet with a reaction from the illicit market, that this reaction is foreseeable, and it will exacerbate rather than help the illicit trade situation. Removing packaging complexity through Plain Packaging is thus tantamount to facilitating counterfeit production. Complex packaging should be a central feature of tobacco control policies.

The question remains why the Norwegian Government should take a risk that Plain Packaging could lead to unintended consequences for both health policy and industry at a time when tobacco trends are largely favourable for health policy and new EU legislation with increased health protection measures is soon to be implemented.

We believe that the Norwegian Government would be well advised to wait for an objective assessment of the merits of Plain Packaging policies underway in Australia compared with results from the new approach recently adopted under the Tobacco Products Directive in the European Union.

²³ European Commission staff working document Impact Assessment, page 92



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I thank you for your consideration of this issue. ECMA remains available to discuss this matter with you at your convenience.

Yours sincerely,

Andreas Blaschke
President
European Carton Makers Association



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Annex I: Position of the European Carton Makers Association on Plain or Standardised Packaging.

Standardised Packaging policies will have unintended consequences which will undermine efforts to protect public health

Counterfeit cigarettes - an unregulated and untaxed product often manufactured and supplied by international criminal networks – are already a significant problem in the EU. The European Commission's [impact assessment](#) on the recently agreed Tobacco Products Directive 2 confirms that counterfeit is already a substantial and growing threat – it confirms that 8.25 % of all cigarettes sold in the EU are illicit (this breaks down as 50% counterfeit, 30% contraband and 20% illicit whites) and that this proportion is projected to grow at a rate of 1 per cent every year for the next five years²⁴.

As an organisation that has substantial expertise in the manufacture of folding cigarette cartons, we are concerned that Standardised Packaging will have the unintended consequence of exacerbating the existing illicit trade problem. Standardised Packaging will increase the production and supply of counterfeit cigarettes on the market by lowering barriers to market entry, increasing the economic incentive for counterfeit supply, and limiting the capacity for consumers to differentiate between genuine and illicit products.

The result will be more availability of a lower cost, unregulated product which is contrary to intended policy objectives from consumer health to combating the cross border illicit tobacco trade.

Our argument against Standardised Packaging consists of three elements, which are outlined below.

1. Standardised Packaging lowers barriers to market entry for counterfeiters.

A modern cigarette packet is a sophisticated product which forces counterfeiters to overcome costly barriers in order to produce convincing copies. The production process enables hi-tech printing from state-of-the-art equipment using enhanced design features such as embossing, debossing, hot-foil stamping and UV varnish. It also enables hi-tech functionality such as automated creasing and cutting which can produce unique packaging features such as rounded or bevelled edges.

In addition to the constant updating of the overall package design, these features make it more expensive and difficult for illegal manufacturers to make accurate copies which can be passed on to unsuspecting consumers as genuine products. In contrast, Standardised Packaging would keep cigarette package design and functionality static at a level much easier to replicate. Specifically, Standardised Packaging incentivises the counterfeit cigarette trade gifting them two important advantages that they do not currently enjoy:

I. Reducing a multiple-step production process to a single step

- Reducing the number of elements and functionality features on a pack causes the production

²⁴ Page 38, European Commission Impact Assessment on the Tobacco Products Directive 2



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process to become more simplified. This ultimately takes a highly automated and integrated process using special equipment down a step to potentially a single inexpensive piece of equipment.

- The level of technical difficulty required to manufacture a Standardised Package simply does not compare to complex packaging. Specialised production equipment and techniques used to automate systems and enhance print quality like hot foil stamping and embossing, and functionality will be made entirely redundant.

- Today, most tobacco packaging is printed with gravure technology using spot colours because it offers faster and higher quality results compared to offset printing. Some specific finishes – like metallic inks and certain structural varnishes - cannot be achieved using offset printing with process colours.

II. Lowering the investment required for equipment

- If the production process becomes simpler, the investment in equipment required to manufacture a standardised or generic pack would be significantly reduced. Without high quality branding, designs and differences in functionality, the expensive gravure technology which is standard in the industry today would not be necessary.

- Normal offset printing is more than capable of delivering a quality standardised pack with graphical health warnings. Offset equipment requires an investment in machinery potentially ten times less than that currently required for gravure technology, meaning it would quickly become the industry standard.

- Counterfeiters will be able to access the offset printing technology at low cost and with relative ease. Additionally, the installation space required for a counterfeit operation will also become many times smaller as the multiple print towers and specialised machinery becomes redundant.

2. Standardised Packaging will provide increased economic incentives for counterfeits

The Organisation for Economic Cooperation and Development in its 2007 report 'The Economic Impact of Counterfeiting and Piracy' sets out the economic incentives that drive counterfeiting:

'Counterfeiters and pirates target the supply of products where profit margins are high, taking into account the risks of detection, the potential penalties the size of the markets that could be exploited and the technological and logistical challenges in producing and distributing products'²⁵.

Standardised Packaging will create precisely these economic incentives for counterfeiting. It reduces input costs thereby lowering the barriers to market entry, while high taxation ensures that the average retail price of cigarettes remains high - low cost and high prices will mean high profit margins. In addition, relatively low enforcement penalties makes counterfeit tobacco production and supply a lower-risk activity compared to other criminal enterprises.

²⁵ Organisation for Economic Cooperation and Development, 'The Economic Impact of Counterfeiting and Piracy, 2007, page 15.



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All these factors will make the market much more attractive to counterfeiting and increase the likelihood that more sophisticated and organised criminal groups will enter the market.

3. Standardised Packaging limits the capacity for consumers to differentiate

Packaging plays a key role in helping consumers, and others, to authenticate a product. Standardised Packaging will undermine this process by limiting the number of anti-counterfeiting features on a cigarette pack. The more complex the pack's design then the more opportunities a consumer has to identify a flaw in a counterfeit pack. Conversely, if packaging is plain or generic then consumers will have limited opportunity to authenticate a legitimate product or identify a counterfeit product; therefore helping counterfeiters to pass their products off as genuine articles.

The impact of these three points will be a significant increase in counterfeit production and supply onto the market. This will lead to three unintended and negative consequences :

Standardised Packaging will undermine responsible cigarette carton manufacturing

Responsible manufacturing is a critical element of effective tobacco control. Among other things, responsible manufacturers of cigarette cartons:

- 1) operate in a highly regulated environment driven by the public demands on their clients;
- 2) use only food-use approved inks and produced by a limited number of high-tech suppliers; and
- 3) operate comprehensive internal tracking systems that trace production from cradle to client and ensure that no surplus or waste materials from the production process can escape onto the market.

Removing competition from the market by mandating Standardised Packaging will result in a lowering of responsible industry standards that will affect tobacco control efforts. In recent years, ECMA members have invested approximately € 200 million in sophisticated state-of-the-art equipment and hi-tech processes which under Standardised Packaging will become redundant leaving a simpler, low-tech industry in its place.

ECMA estimates that under a Standardised Packaging regime as much as 30 to 50 per cent of this machinery becomes redundant. A change of this scale will create significant spare capacity in the carton manufacturing industry leading to industry consolidation and loss of manufacturing jobs across the EU. Meanwhile, the manufacture of folding cigarette cartons will transfer to markets with lower costs and, crucially, lower standards of security and traceability. Responsible manufacturing will be replaced with low-tech automation and increased competition from counterfeits.

Standardised Packaging will increase the risk of exposure to dangerous products

Responsible manufacturers produce products in a highly regulated environment with a restricted supply chain that is subject to health and safety regulations. Counterfeit cigarettes are produced in an unregulated environment where there are no controls over hygiene, ingredient composition or the level of toxic materials. Instead of food-grade inks, for example, counterfeit packaging uses the cheapest inks available on the market.



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Also, it is well documented that counterfeit cigarettes themselves expose consumers to added health risks²⁶. Standardised Packaging will increase the volume of these cigarettes, while simultaneously making it harder for smokers to identify them because genuine packs will be largely indistinguishable without unique design features.

Standardised Packaging will further deplete public finances because complex packaging is an indispensable tool in combatting counterfeit.

Cigarettes are a highly taxed product subject to both VAT and excise duties. As a result, cigarettes contribute a significant amount of money to public funds. According to the EU's own figures, illicit trade costs the public purse an estimated €10bn per year. An increased supply of cheap, easily accessible and hard to distinguish counterfeits will further increase this cost to public funds.

Conclusion

As responsible manufacturers of cigarette cartons, ECMA's members acknowledge and support the Government's public health objectives. However, as packaging experts we know that a Standardised Packaging policy will expose consumers to higher volumes of dangerous counterfeit goods. This will result from a growing volume of counterfeit production fuelled by:

- **Lower barriers to entry for counterfeiters** resulting from lower input costs.
- **Increased economic incentives for counterfeits on the market** attracting organised criminal gangs with established distribution networks.
- **Limited capacity to authenticate genuine products** making it easier for counterfeit goods to be passed off as genuine product.

This scenario has three significant negative effects:

- **Loss of responsible manufacturing of tobacco cartons** - standardisation removes competition lowering industry standards and quality packaging moves to other markets;
- **Health risks for consumers** - Counterfeit products are unregulated and there are no controls over hygiene, ingredient composition or level of toxic materials; and
- **Loss to the public purse** - Illicit trade already costs the EU €10bn per annum. This is only likely to increase further if Member States decide to introduce Standardised Packaging legislation.

These negative effects will be felt despite the fact that evidence compiled by the European Commission suggests that packaging is not the problem. The [Special Eurobarometer 385 Report](#), which was compiled by the European Commission and formed part of the evidence base of its impact assessment on the revised Tobacco Products Directive states that:

- 79% of respondents say that peer influence is the most commonly cited reason to start smoking (page 69);
- by contrast only 3% cited packaging as a reason to start smoking (page 69);

²⁶ Source and health implications of high toxic metal concentration in illicit tobacco products, Environmental Science Technology, 39 (2), pp. 479, 488.



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- 1% of respondents indicated that the shape or texture of a pack made consumers think the brand was less harmful than other brands (page 86).

On this basis the packaging industry questions whether measures to standardise packs are necessary to achieve enhanced health benefits, particularly as the revised Tobacco Products Directive already contains enhanced protections for consumers in respect of misleading packaging.

Given the significant drawbacks associated with Standardised Packaging, the view of Europe's packaging sector is that other options should be explored.