

Gesachte huddy HPL!

100

MRP 4608-13



Concerns of Europe's Packaging Sector in Relation to Ireland's Intention to
Take Forward Plain Packaging of Tobacco Products
ECMA to: minister's_office@health.gov.ie

17/10/2013 09:55

Dear Dr. Reilly,

Please find attached a letter from Dr. Andreas Blaschke, President of the European Carton Makers Association (ECMA) in which he stresses the concerns of Europe's Packaging Sector in Relation to Ireland's Intention to Take Forward Plain Packaging of Tobacco Products.

If you have any questions please contact us.

Kind regards,

Hans van Schaik

Managing Director

ECMA - the European Carton Makers Association

C/o LEJEUNE Association Management

P.O. Box 85612

NL-2508 CH The Hague

The Netherlands

T: +31 (0)70 312 39 11

F: +31 (0)70 363 63 48

E: hschaik@ecma.org

URL: www.ecma.org



ECMA is the recognised body of the European carton industry. It acts as the voice of the industry towards international buyers of folding cartons, raw material suppliers, European Commission officials, the packaging trade press, and related industry associations. ECMA monitors and addresses issues relevant to the European carton industry. It provides a platform for the exchange of knowledge and expertise among member associations and companies.

This e-mail and the information it contains, is for the use of the addressee(s) only and may be legally privileged. Any unauthorized use or dissemination of this message in whole or in part is strictly prohibited. If you have received it by mistake please notify the sender by return e-mail and delete this message from your system. ECMA has taken all reasonable care during the editing and sending of this e-mail. Nevertheless it might happen that information is incomplete or incorrect. Please note that ECMA does not guarantee that this message or any attachment is virus free or has not been intercepted and amended. ECMA does not accept any liability for this.



- 13-020 Irish packaging policy_Letter to Dr James Reilly TD_Minister for Health.pdf



**EUROPEAN
CARTON MAKERS ASSOCIATION**

Secretariat:
P.O. Box 85612, 2508 CH The Hague
The Netherlands
Tel. +31 – (0)70 – 312 39 11
Fax +31 – (0)70 – 363 63 48
E-mail: mail@ecma.org
URL: www.ecma.org

Dr. James Reilly TD,
Minister for Health
Department of Health,
Hawkins House,
Dublin
Ireland

14th October 2013

**Concerns of Europe's Packaging Sector in Relation to Ireland's Intention to Take Forward Plain
Packaging of Tobacco Products.**

Dear Minister Reilly,

I am writing to you in my capacity as President of the European Carton Makers Association (ECMA). The European Carton Makers Association 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 per cent of the total European market. The total EU turnover for the sector as a whole is € 9 billion. Further information about ECMA and its members is available at www.ecma.org. Our members supply into and invest in Ireland.

We note that following the Irish Government's announcement in May that it intends to take forward a proposal for plain packaging, a Standardised Packaging of Tobacco Products Bill is listed in section C of the Government's legislative programme published in September. We would like to register the concern of Europe's carton makers in relation to this bill. Europe's packaging sector shares the health objectives of any proposal but it does not believe that extreme restrictions on packaging are necessary to achieve them.

Legislation of this magnitude deserves a considered assessment of its effectiveness prior to publication. We therefore hope that the Irish Government will engage in a full consultation process with industry sectors like ours, which are directly affected by this proposal and can offer an expert packaging perspective.

In the meantime, in annex to this letter I am including the outline of our concerns in relation to plain or standardised packaging which we would be happy to elaborate on further as part of a full consultation process.

Yours sincerely,

Andreas Blaschke
President
European Carton Makers Association



**EUROPEAN
CARTON MAKERS ASSOCIATION**

Secretariat:
P.O. Box 85612, 2508 CH The Hague
The Netherlands
Tel. +31 – (0)70 – 312 39 11
Fax +31 – (0)70 – 363 83 48
E-mail: mail@ecma.org
URL: www.ecma.org

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.

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, potentially harmful 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, cutting and gluing which can produce unique packaging features such as rounded edges and push up buttons.

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:

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

- Reducing the number of elements and functionality features on a pack causes the production 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 current practice. Specialised production equipment and techniques used to



EUROPEAN CARTON MAKERS ASSOCIATION

Secretariat:
P.O. Box 85612, 2508 CH The Hague
The Netherlands
Tel. +31 – (0)70 – 312 39 11
Fax +31 – (0)70 – 363 63 48
E-mail: mail@ecma.org
URL: www.ecma.org

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 more consistently 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 counterfeiters

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'¹.

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.

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

¹ Organisation for Economic Cooperation and Development, 'The Economic Impact of Counterfeiting and Piracy, 2007, page 15.



EUROPEAN CARTON MAKERS ASSOCIATION

Secretariat:
P.O. Box 85612, 2508 CH The Hague
The Netherlands
Tel. +31 – (0)70 – 312 39 11
Fax +31 – (0)70 – 363 63 48
E-mail: mail@ecma.org
URL: www.ecma.org

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 specially approved by their clients 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 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.



EUROPEAN CARTON MAKERS ASSOCIATION

Secretariat:
P.O. Box 85612, 2508 CH The Hague
The Netherlands
Tel. +31 - (0)70 - 312 39 11
Fax +31 - (0)70 - 363 63 48
E-mail: mail@ecma.org
URL: www.ecma.org

Also, it is well documented that counterfeit cigarettes themselves expose consumers to added health risks². 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

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.

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

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

April 2014

Mr Andreas Blaschke
President
European Carton Makers Association
c/o LEJEUNE Association Management
P.O. Box 85612
NL-2508 CH The Hague
The Netherlands

Dear Mr Blaschke ,

The Minister for Health, Dr. James Reilly, T.D., has asked me to thank you for your letter concerning Ireland's Intention to Take Forward Plain Packaging of Tobacco Products.

The Department of Health's policy on smoking is to promote and subsequently move towards a tobacco free society. As part of this policy, Government approval was received on 19th November 2013 for the publication of the General Scheme of a new Public Health (Standardised Packaging of Tobacco) Bill 2013 and to proceed with the drafting of the legislation based on this General Scheme.

Standardised packaging, also known as generic packaging, means that all forms of branding – **trademarks, logos, colours and graphics** – would be removed, except for the brand and variant names, which would be presented in a uniform typeface for all brands on the market. All packs would be in a plain neutral colour, except for the mandatory health warnings. The objective is to make all tobacco packs look less attractive to consumers and to make health warnings more prominent.

There is a wealth of evidence to support the introduction of standardised packaging. Research shows that plain packaging will:

- Increase the noticeability, recall and impact of health warning messages;
- Reduce the ability of packaging to mislead consumers to believe that some products may be less harmful than others; and
- Reduce the attractiveness of the tobacco product, for both adults and children.

Ireland has signed and ratified the WHO Framework Convention on Tobacco Control (FCTC). In line with our commitments under the FCTC, tobacco advertising and promotion have to a very significant extent been prohibited in Ireland. In the face of these restrictions, tobacco packaging has become the key promotional vehicle for the tobacco industry to interest smokers and potential smokers in tobacco products. Article 11 of the FCTC concerns the packaging and labelling of tobacco products, and the Guidelines issued by the WHO for its implementation request that Parties to the Treaty consider adopting standardised packaging for tobacco products.

Regarding the concerns raised around illicit trade in in cigarettes and tobacco products, the Office of the Revenue Commissioners is responsible for dealing with tackling such illicit

trade and treats it as an issue of high priority. The Revenue Commissioners have advised that the tax stamp, which contains a range of sophisticated security features, is a key means for them to distinguish between legal and illegal products, irrespective of the way in which the cigarettes are packaged.

Research carried out by the Office of the Revenue Commissioners, in conjunction with the HSE National Tobacco Control Office, indicates that contraband represents the majority of illicit cigarettes and not counterfeit products. Figures from 2012 indicate that the proportion of smokers classified as having an illegal pack was 13%. These findings indicate that the level of consumption of illicit product is being contained, although Revenue remains determined to confront the illegal trade in tobacco products, to optimise levels of seizures of illicit tobacco product and to pursue those found to be involved in this illegal activity. In this regard, Ireland is party to legally binding agreements between the EU and three major tobacco companies which aim to strengthen anti-smuggling measures. The World Health Organisation Protocol to Eliminate the Illicit Trade in Tobacco Products was agreed at the FCTC Conference of the Parties in November 2012, and Ireland signed the protocol in December 2013.

The current initiative on standardised packaging will form the latest strand of a comprehensive range of tobacco control legislation already in place in Ireland aimed at decreasing tobacco consumption in this country. Ireland's new policy document in this area, *Tobacco Free Ireland*, launched on 3rd October 2013, sets a target for Ireland to be tobacco free (i.e. with a prevalence rate of less than 5%) by 2025. The two key themes underpinning the report are protecting children and the denormalisation of smoking.

Tobacco Free Ireland addresses a range of tobacco control issues and initiatives and contains over 60 recommendations including the introduction of standardised packaging of tobacco products. Some of the other recommendations of the Report are:

- Legislating for the banning of smoking on primary and secondary campuses and child care facilities.
- Promoting tobacco free playgrounds, parks and beaches in conjunction with local authorities
- Developing smoking cessation services and enhancing social marketing campaigns and educational initiatives to warn about the dangers of smoking

The cumulative effect of Ireland's tobacco control legislation to date has been a decrease in the number of people smoking. The Irish Health Behaviour in School-aged Children Survey (2010) found that 27% of children reported that they had ever smoked tobacco - a 9% decrease from the 2006 Survey. In the survey, 12% of children aged 10-17 reported that they were current smokers, a reduction of 9.2% since 1998. In 2013, the National Tobacco Control Office reported that 21.5% of Irish adults smoked (22.9% men and 20.2% women). This represents a decline of 2.2% since 2010, and a decline of 7.5% since 2007 when the last comprehensive large scale study on smoking prevalence in Ireland was undertaken.

The Minister is confident that the measures outlined in *Tobacco Free Ireland*, including standardised packaging, will further reduce the numbers of people, young and old, smoking in Ireland.

I trust that this clarifies the matter for you.

Yours sincerely

Dave O'Connor
Private Secretary
