

Briefing



January 2007

**Tim Lord,
Chief
Executive
TMA,
comments...**



A New Year and time for an update on tobacco. The main focus of this month's Briefing is the Chancellor's Budget due sometime in March. We have continued to stress to Government that a key cause of the widespread tobacco smuggling problem in the UK is the high taxes imposed compared with those in the rest of Europe and beyond. Without this incentive, both smuggled and counterfeit tobacco goods would not be as prevalent as they are in the UK, the UK Government would not lose as much revenue as it does at present, and consumers could have faith in the products they smoke.

Looking back on the year that's gone, this Briefing tells the tale of the autumn Party Conference events in which the Tobacco Workers' Alliance, the Tobacco Alliance and FOREST took an active part. The CitizenCard No ID No Sale regional seminars taking place over the next few months are highlighted and explained. Finally we provide a brief update on legislation which is due to be imposed in England, Wales, Northern Ireland and Scotland over the coming months.

I hope you enjoy this first Briefing of the New Year, and may I take the opportunity of wishing you all a happy and prosperous 2007.

Tim Lord, Chief Executive

FOCUS POINT: Budget 2007

Ahead of the Budget we are calling on the Chancellor to maintain his policy of fiscal restraint with regard to tobacco taxation and also provide more resources to HM Revenue & Customs to stop tobacco smuggling.

There have been calls by some for large increases in tobacco duty in the Budget in order to reduce consumption - however historic precedent in the UK proves this won't work. During the 1990s a tobacco duty escalator was introduced with the stated aim of increasing prices ahead of inflation in order to cut consumption.

Instead this policy brought about very high levels of smuggling, bootlegging and crossborder shopping which, for a period, increased tobacco consumption.

Since the Chancellor abandoned the escalator in 2000 in favour of inflation-only increases and introduced the Tackling Tobacco Smuggling strategy, the level of smuggling has declined and tobacco consumption has again started to fall. The success of the strategy has been assisted by manufacturers working in partnership with HMR&C on the basis of their Memoranda of Understanding to address intelligence in the market and supply chain management.

However the level of non-UK duty paid consumption has remained constant for the last 4 years at 28% for cigarettes and around 70% for handrolling tobacco. HM Revenue & Customs estimate that since 2000/1 somewhere between £14 billion and £23.5 billion in revenue has been lost.

Large increases in tobacco duty in the Budget will only make this situation worse.



LOWER IGNITION PROPENSITY CIGARETTES (LIPs)

The EU Commission and some EU Member States, including the UK, are currently considering possible initiatives regarding lower ignition propensity cigarettes. The choices include introducing a European technical standard under the General Product Safety Directive (GPSD) or the development of an EU standard working with the International Standards Organisation (ISO).

The UK tobacco manufacturers are fully committed to working with regulators and competent authorities in their efforts to reduce the risk of accidental fires caused by cigarettes. The solution, however, is not straightforward. There is no such thing as a fire-safe cigarette and the simple fact is that careless use and disposal of cigarettes can cause smoking-related fires and we would urge all smokers to be responsible. Cigarettes are designed to be burnt and any burning item presents a fire hazard.

Testing of LIP cigarettes in the USA and Canada is based on the American Society for Testing Materials (ASTM) method. The test requires that smouldering cigarettes, when placed on 10 layers of filter paper should extinguish before burning to the end. Some stakeholders believe the test does not replicate 'real world' circumstances and that a more appropriate test should be developed. However cigarettes produced for consumption in the EU have a legal requirement for set tar, nicotine and carbon monoxide ceilings which affect product design. This is achieved in part by the type of paper used and the density of tobacco, and would not currently be achievable using lower ignition propensity paper. These ceiling requirements do not apply in the USA or Canada.

We continue to work with both the UK and EU Governments to find a solution based on sound science.

Final Smoke-Free Regulations

On 1 December 2006 Patricia Hewitt, the Health Minister, announced that the public smoking ban in England would come into force on 1 July 2007. On 18 December the Department of Health published two sets of regulations setting out the definition of an enclosed area and details of enforcement authorities. The Smoke-Free (Signs) Regulations have been notified to the EU under the Technical Standards Directive while three further sets of regulations will be published sometime in the New Year. These contain information on exemptions, vehicles, penalties and the format for fixed penalty notices. The hospitality industry has urged the Government to publish all the regulations as soon as possible in order to provide as much clarity as possible for their businesses.

IN THE NEWS

Citizenscard – No ID No Sale regional seminars

The TMA is the major sponsor behind both CitizenCard and No ID No Sale. In the next few months seminars are planned around the country on age-restricted products aimed at anyone with an interest in age-restricted sales. The latest developments in technology, proof of age, enforcement and test purchasing will be discussed and those responsible for enforcement of legislation will give their views. For further details of the venues see www.noidnosale.com

Party Conferences – TWA, TA and FOREST events

The Tobacco Workers' Alliance (TWA) manned a stand at the Labour Party Conference in Manchester and held a Reception. The stand was very popular with many delegates wanting to hear about the issues of taxation and smuggling. Over 120 people attended the reception including Ministers, MPs, MEPs, peers, journalists and industry representatives.

The Retailers Against Smuggling (RAS) campaign run by the Tobacco Alliance had a stand at the Labour Conference and a Dinner to highlight the issue of tobacco tax and its effects on smuggling. At the Conservative Conference in Bournemouth RAS held a dinner to increase awareness of the campaign and manned a stand.

FOREST co-hosted the "Prohibition speakeasy party" to launch its Free Society campaign at the Conservative Party Conference. Speakers included Brian Monteith MSP, Claire Fox, Director of the Institute of Ideas and Simon Hills, associate editor of The Times. The highlight of the evening was the "arrest" of guest speaker Randal Macdonald of Boisdale restaurant (pictured right). He was charged with "inciting people to smoke, drink and generally enjoy themselves".



Other consultation announcements

In **England**, the Department of Health has announced that it will raise the legal minimum age to purchase tobacco from 16 to 18 years from 01 October 2007. The Government says that retailers will find it easier to spot under-age smokers and lead to a fall in the number of teenagers who smoke. Tobacco retailers would still like to see proof-of-age cards made compulsory to aid identification.

A decision on pictorial health warnings is still awaited following a consultation in Summer 2006 on the Government's proposal to introduce these. If the proposal is adopted this would require colour pictures to be added to the backs of cigarette packs in combination with the current textual health warnings.

In **Wales**, the date for commencement of the public smoking ban will be 02 April 2007. Bilingual notices will have to be placed in all enclosed public buildings informing people of their non-smoking status.

In **Scotland**, the Executive has announced two separate consultations, one on raising the age of sale, and one on the 30 other recommendations from the Scottish Tobacco Working Group. The TMA will be formally responding to this Consultation.

In **Northern Ireland** the public smoking ban is due to come into force on 30 April 2007.

THE MONTHS AHEAD

- **2 April** - Welsh public smoking ban commencement.
- **30 April** – Northern Irish public smoking ban commencement.
- **1 July** – English public smoking ban commencement.

Did you know?

- In 2006/07 revenue for the Government from tobacco products is forecast as £8 billion.
- As at June 2006 taxation on a packet of 20 cigarettes in the UK was up to 88.5% of the recommended retail price.
- As at the end of May 2006 taxation on a 25 gram pouch of handrolling tobacco in the UK was up to 66.3% of the recommended retail price.

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