



E C M A

ECMA views on the final RAND report “Assessing the impacts of revising the tobacco products directive; study to support a DG SANCO impact assessment”.

The European Cigar Manufacturers Association (ECMA) herewith would like to inform you about its views on the final RAND report “Assessing the impacts of revising the tobacco products directive”. In our response to the interim report (18 January 2010) we noted that the interim report did not, in any way, take into consideration the specific structure of the cigar industry and the very particular characteristics of its products and consumers. The final report contains a much better recognition of the specific characteristics of the cigar sector.

Cigar production

In January 2010 we noted that cigar manufacturing is characteristically small scale and craft based, consisting of many small to medium sized businesses. Cigars are being produced and sold in a wide array of models, sizes, brands, types of packaging and prices. The variety of products means that cigars are generally produced in small production runs. According to RAND:

- Key players in the supply of tobacco products are CNTC, BAT, PMI, JTI, Altria Group and ITG. “... these large firms tend to provide cigarettes, rather than tobacco for cigars or pipes” (pages 68 and 69);
- “... cigar manufacturers are much smaller enterprises and each of their products (i.e. SKUs) is typically of smaller quantity” (page 150).

Cigar consumption

In January 2010 we also noted that, with an annual consumption of approximately 6.3 billion pieces, cigar consumption represents barely 0,8% of the total consumption of tobacco products in the European Union. The cigar smoker generally is a male adult of mature age: the majority of cigar smokers are over 35 years of age. The foregoing is confirmed by RAND:

- “... in particular manufactured cigarettes are used on an everyday basis, while cigars, pipes and water pipes are mainly used on an occasional basis (see Figure 3.9)”(page 29);
- “Manufactured cigarettes are the dominant category of product used among smokers, followed by hand-rolled cigarettes, cigars, pipes and water pipes” (page 116);
- “Daily use of products other than manufactured and hand-rolled cigarettes is very low (around 1 percent) across the EU, and these products are primarily smoked on an occasional basis (see Figure 7.1)” (page 116).

Labelling and packaging

In chapter 8 of the report several changes to the current labelling regulations are considered, such as making pictorial warnings mandatory, updating and enlarging warnings and placing them towards the top of the pack, introducing generic packaging and introducing inserts with supplementary information. In our view such changes would disproportionately affect the cigar sector, which is confirmed by RAND:

- “Cigarette and cigar industries reported varying time frames for regular pack and labelling changes. That is, cigarette manufacturers typically change their pack designs more frequently than cigar manufacturers do” (page 143) (i.e. “approximately every two years for cigarette stock keeping units (SKUs), and every five to seven years for cigar SKUs for non-regulatory reasons” (page 78));

- Pictorial warnings of different sizes: “It is important to note that whereas total costs accruing to cigarette manufacturers are much larger than those accruing to cigar manufacturers, the relative burden of compliance (e.g. costs per revenue) is much higher for cigar manufacturers as cigar manufacturers’ brands are typically of much smaller quantities. Costs therefore fall on a much smaller number of units sold” (page 144);
 - Plain or generic packaging: “Implementation of the generic packaging regulation for cigar and other non-cigarette products appears to be much less straightforward than for cigarette products as packaging is much less standardised” (page 148);
 - Inserts with supplementary information: “Smaller producers, typically cigar manufacturers, suggested that compliance would be achieved by adding the inserts manually by employees, which entails lower initial but higher ongoing costs” (page 149).
- Summarising the consequences of possible labelling and packaging changes, RAND concludes: “While cigar manufacturers would face lower administrative burden than cigarette manufacturers, for each measure the burden of complying with regulation would fall more heavily on them. The reason is that cigar manufacturers are much smaller enterprises and each of their products (i.e. SKUs) is typically of smaller quantity” (page 150).

Registration and market control fees

In chapter 9 of the report the potential impact of changes to the current regulation and of new measures in the area of registration, reporting and market control fees is analysed. As all suggested measures are new, only the administrative burden of making reporting formats mandatory have been estimated. RAND comes to an additional administrative burden of between 0 and 67,000 euros for cigarette manufacturers and between 14,000 and 125,000 euros per cigar company.

Ingredients

In chapter 10 measures that would address changes to the regulation of the ingredients of tobacco products are discussed. RAND comments as regards the administrative burden of the “no change” scenario:

- “Cigarette as well as cigar manufacturers reported on the administrative burden each of them faces on an ongoing basis in submitting the list of ingredients used, the reasons for their inclusion and the toxicological data available. The costs per company and the EU-27-wide cost figures are reported in Table 5.3”. From table 5.3 ECMA concludes that the ongoing administrative burden (in euro cents per piece) from the current reporting requirements is 30 to 100 times higher for cigar manufacturers compared to cigarette manufacturers;
- “Administrative burden arising from continuing reporting requirements would be continuously incurred by the tobacco industry. This is estimated to be around €1 million to €10 million for cigarette manufacture, and €0.3 million and €1.7 million for cigar manufacture per annum” (page 216).

Conclusion

In our view the RAND report confirms that a “one size fits all approach” for all tobacco products does not work, as it - already - creates a disproportionate burden for the cigar industry.

We urge the European Commission DG SANCO to take into account the specificities of the cigar sector before presenting any proposals to amend the tobacco products directive. In our view option 0 - no change from status quo - together with mandatory ingredients reporting formats (EMTOC) would be the preferred option for the cigar sector.