

THE ROLE OF TOBACCONISTS IN EUROPE

Federazione Italiana Tabaccai



Europe Special



WORKING FOR EUROPEAN TOBACCONISTS

With this «*Europe Special*», we aim to report on the two days at the beginning of February when, together with our European colleagues from the CEDT (*Confédération Européenne des Détaillants en Tabac – European Confederation of Tobacco Retailers*), we met in Paris for the Elective Assembly of the governing bodies of our Confederation and for the European Forum of Tobacconists organised by our transalpine colleagues in order to inaugurate the French Presidency of the Council of the European Union. The stories and interviews contained in this «special» are intended to guide readers through the work of the FIT together with the CEDT.

This work began in September 1963 in Vienna, when the FIT, together with colleagues from Austria, the Netherlands, Germany, Switzerland, Greece, Luxembourg and, later, Spain and France, founded the European Confederation of Tobacco Retailers with the aim of making heard, at European level, the voice of all the small family businesses that we represent. The CEDT was established as a forum for comparing different national experiences, with each association drawing inspiration from the good practices of its sister associations, thus developing and transforming the figure of the European tobacco retailer – because each of us is part of this great receptacle of cultures, traditions and lifestyles that is Europe. And we are also united by the work that we do every day, in a responsible and professional manner, in close contact with our customers and friends. These are the common features of all of the 150,000 European tobacconists represented by the Confederation and, with the CEDT, we hope to export to other countries a model of distribution that has not only shown to be the most effective in guaranteeing quality and

legality for the sale of sensitive products, but also one that allows national and international institutions to get closer to citizens through the wide range of public services available in tobacconists. Our European institutional partners have always shown great sensitivity to such issues.

Proof of this lies in our consolidated contacts with MEPs from various countries and political groups who have repeatedly stressed the value of a widespread network such as ours in the process of developing European cohesion.

More recently, through the CEDT, we have also managed to initiate exchanges with the European Commission's Directorate General for Health (DG SANTE), i.e. the European office responsible for initiating the process of drafting the European Directive on tobacco products; there is also now the consolidated dialogue with the European Anti-Fraud Office (OLAF) and, finally, these two working days in Paris, which are very important for our associations because, in addition to outlining the framework on the phenomenon of smuggling and the future of tobacconists in Europe, they outlined the guidelines towards which the new Executive Committee of the CEDT will focus its efforts over the next three years of work.

These will be challenging years during which we will work with commitment and careful study on the regulatory revisions that the European Commission has already included in its action programme.

We will all play our part in protecting the activity of tens of thousands of small family businesses, which are an important part of our continent's economy and therefore deserve to be heard and taken into account.

*Giovanni Risso, National Chairman, FIT
(Italian Federation of Tobacconists)*

THE CEDT GENERAL ASSEMBLY

Paris, 8 February 2022

The CEDT General Assembly took place in the boardroom of the Confederation of French Tobacconists.

After greetings from the Chairmen of the national associations, the Chairman of the CEDT, Peter Schweinschwaller, opened the proceedings by stressing the importance of finally being able to meet in person to be able to discuss crucial issues for European tobacconists in a more direct way.

Indeed, due to the Covid-19 pandemic, most of the CEDT's activities have been held online, making extensive use of the technology to ensure the continuity of the work that was suddenly interrupted for two months in the spring of 2020. In fact, as Mr Schweinschwaller himself emphasised, at the beginning of his term of

office the aim was to make institutions and the public in general as aware as possible of the reality of the small family businesses that the CEDT represents.

The CEDT has initiated numerous exchanges and meetings at all levels with representatives of the world of production and distribution in Brussels and, through the actions of its internal working committees, has set itself objectives with a common position paper of the member associations on the most relevant regulatory issues upon which to launch its petitioning activities with the European institutions.

The pandemic did not interrupt the work of the CEDT

During the Assembly, the Chairman of the CEDT presented a report on the trade association activity carried out in connection with the work of the European Parliament's special commission on the fight against cancer (BECA). This commission was set up in June 2020 with the aim of assessing possible new EU policies that could help prevent and fight cancer.

In July 2021, the commission presented its draft report: this document was of a non-binding nature for Member States listing numerous fields and tools for action in order to develop and implement best practices for the prevention of this disease.

The report addresses a wide range of issues related to research, prevention and policies that the





European Union can pursue to implement a comprehensive, coordinated strategy against cancer.

While sharing the spirit and the objectives underlying the report on strengthening the fight against cancer, the CEDT has actively intervened through a series of meetings to raise awareness among the MEPs involved in this report so as to support interventions with balanced rules that can on the one hand ensure the achievement of the objectives of public health protection, while on the other allowing our small businesses to continue to operate within a defined regulatory framework without the risk of de-structuring the sector.

Having said that, the important result was that the European Parliament paid attention to innovations and products with a reduced risk potential. This is indicated by the fact that, for example, amendments to the text – tabled in the plenary session – that went in a diametrically opposed direction were not approved.

This outcome was also thanks to the work of the CEDT and the member associations.

A look at the European Union's policies

The CEDT's work on the BECA report was one of the assembly's main topics – but by no means the only one.

In fact, thanks to the CEDT Secretariat's constant monitoring of European Union policies, the Chairman was able to tell member associations about other very important regulatory aspects currently under discussion in the European capital. Among these, the issue of the regulation of new

generation products is one that is currently receiving particular attention.

The European Commission has in fact recently indicated its intention to propose changes in a delegated act* on both the subject of characterising flavours and the packaging of heated tobacco products.

In this case, the CEDT wanted to initiate a dialogue with representatives of the European Commission's Health Directorate, from which most European legislative and regulatory initiatives on tobacco actually originate.

After rather too many years of silence, indifference and occasionally tension, we have finally resumed the dialogue with an institution that has traditionally been less inclined to entertain discussion and dialogue with our sector.

DG SANTE has recognised the importance of meeting, both because of the CEDT's significant representation in the European Union and because the associations are represented by tobacconists who continue to work in their outlets in close contact with consumers and with a unique knowledge of the market.

It is no surprise, therefore, that the European Commission officials were curious, asking questions aimed at understanding the daily work of tobacconists who, in a responsible and competent manner, manage the sale of sensitive products and ensure a balance between the revenue aspects and the protection of health.

Unfortunately, European public authorities have often failed to look directly at the day-to-day reality of our small family businesses, which operate in an extremely strict regulatory framework.

* The Commission adopts a delegated act on the basis of a delegation granted in the text of a specific EU law. Delegated acts are adopted through a simpler and faster procedure than ordinary acts. They are subject to strict limits and, according to well-established case-law, cannot modify the essential elements of a regulation.

That is why the FIT also considers it crucial to be listened to and maintain dialogue with the institutions, whether national or European. A first important step has been taken.

Renewal of the mandate of the CEDT Executive Committee

As proof of the good work carried out during his first term of office and to ensure continuity, the Assembly unanimously reappointed Peter Schweinschwaller as Chairman of the CEDT.

As representative of the Austrian tobaccoists, he will continue to lead the CEDT for another three years together with the previous team, with the addition of Philippe Coy, Chairman of the French tobaccoists and Giovanni Risso, National Chairman of the FIT, who were respectively confirmed as Vice-Chairman and Secretary-General.

Elena Viana Ibarra, Chairwoman of the Spanish tobaccoists, is a new member and will take on the role of Treasurer to replace Antal Lengyel from Hungary, who was thanked for his precision and professionalism shown in the previous three-year period.

The Executive Committee is the governing body of the European Confederation: each role must therefore be held by a tobaccoist whose retail outlet must be a member of a national federation which is in turn a member of the CEDT.

The work of the Executive Committee is essential to the Confederation as it is the body that defines the strategic-political issues to be submitted to the General Assembly for approval. It is a role of simplification and direction which helps to make the deliberations of CEDT assemblies more effective.

The role of the CEDT's internal working committees as provided for in the Confederation's statutes

and to which Mr Schweinschwaller has given particular impetus, also deserves mention.

The Commission on Regulatory Affairs is where CEDT members discuss the main legislative dossiers under discussion in the European institutions in order to analyse their potential impact on the daily work of European tobaccoists.

The Commission on Smuggling and Illicit Trade, on the other hand, studies data from the national markets, processes them and shares them with the European public authorities. Thanks to this work, the CEDT has established a permanent dialogue with the European Anti-Fraud Office (OLAF), whose officials have shown particular interest in talking to CEDT members, recognising their role as veritable guardians of legality within the European Union. This assessment was confirmed by the presence of Dr Salvatore Catania, Head of the OLAF unit charged with operations and investigations, at the European Forum of Tobaccoists held in Paris on 9 February 2022: an interview with him appears below.

The Commission on New Members, headed by the Hungarian Antal Lengyel, was set up to fulfil one of the objectives of the CEDT: to defend the distribution system for sensitive products such as tobacco through a network of retailers, trained and widely distributed throughout the country, operating under a concessionary regime and thus guaranteeing tax revenue and health protection.

This Commission has the task of maintaining contacts with other retailer organisations that might be interested in joining the Confederation, i.e. maintaining a close working relationship.

Finally, the Commission on Communication is responsible for connecting members by sharing information from the countries to which the different associations belong on various topics related to retail activities.

INTERVIEWS

PETER SCHWEINSCHWALLER

Newly elected Chairman of the CEDT, Chairman of the Lower Austria Provincial Committee, Head of European Relations of the National Association of Austrian Tobacconists.



You have just been re-elected Chairman of the CEDT for three years. Your first term of office occurred in the midst of the pandemic crisis, which did not help dialogue with the European institutions. Nevertheless, du-

ring the General Assembly, you presented the work carried out by the CEDT: what are the most important achievements of your term of office?

We have from the outset created common action plans to structure the work of the CEDT and give visibility to our European organisation. In 2019, by becoming a partner of Intertabac, the largest international tobacco fair, we started to promote the CEDT. On that occasion we organised a conference on the future of the network of European tobacco retailers. Previously, our interests were not so clear to the public and we blended into the crowds of Intertabac visitors. Now,

however, we have a clear identity and many people know us.

Internally, we have set up a permanent communication network between our members to keep them informed of what is happening in our countries and to inform member associations of the proposals and decisions taken in Brussels. This type of communication allows everyone to be better prepared, as regulations and markets evolve at different speeds depending on the country.

In 2020 our exchanges and relationships for the first time allowed the directors of the European Tobacco Monopolies Administrations to meet in Vienna and discover both the common and divergent points of each monopoly system so as to work more synergistically together.

The CEDT presented the work it had carried out with the European institutions and put itself forward as a key interlocutor for all tobacco regulatory issues relating to the sales system.

At an institutional level, we have begun to establish closer contacts with the European Parliament through a permanent dialogue with those MEPs who are already familiar with our network and with the European Commission through our exchanges with OLAF (the European Anti-Fraud Office) and DG SANTE (charged with the European Commission's policies on health and food safety). And, of course, our exchanges also cover the whole tobacco retail chain.

The work of the European Parliament and of the Com-

mission in Brussels was rather sluggish during the pandemic. How did the CEDT manage this situation?

The first phase of the pandemic was not easy for anyone. Each of us had to manage different priorities in our own countries because, in Europe, our tobacconists were considered essential businesses and we had to serve our customers first.

However, thanks to new technologies, we still managed to work. Video conferences took place between CEDT members to find out how the pandemic was evolving in their respective countries, to work on open dossiers and to exchange comments on the revision of forthcoming directives. We also managed some exchanges with institutions.

For example, despite the lockdown, we held videoconferences with DG SANTE on the sale of menthol products, as the markets of two Member States, namely France and Hungary, were particularly affected by the disappearance of this distinctive aroma as set out in the 2014 Tobacco Directive.

What were the positive aspects of this period?

During the virtual meetings we decided to collect data on tobacco sales at our borders during the lockdown period. And all of us, to a greater or lesser extent, have witnessed a reversal of the trend in our tobacco shops located in border areas.

Their tobacco sales increased by an average of 35%: these key figures were passed on to Brussels. This enabled us to agree on the need to limit the amount of tobacco an individual can take from one EU country to another to one carton of cigarettes.

This position was inspired by France, which passed a law in this field in 2020, as some regions

had experienced a 70% increase in tobacco sales during the lockdown.

In general, we took advantage of this period of limited contact to establish the CEDT's position on certain regulatory issues via questionnaires and direct exchanges. A common position has consequently emerged which emphasises the «family» dimension of our retail activities and their proximity to and benefits for local communities.

And what have been the CEDT's first steps since the resumption of its activities?

As soon as the European Parliament was fully back to work, we took the opportunity to make our voice heard and hold a series of meetings with MEPs from different Member States.

The first meeting took place on 16 November 2021 with the Chairman of the Committee on Regional Development (REGI), Mr Younous Omarjee, a parliamentarian who knows us well following his participation in the National Congress of French Tobacconists held in Paris on 14 and 15 October 2021. On that occasion he had stressed the important role that tobacconists play locally.

What are the next steps?

In addition to expanding our relations with MEPs, parliamentary committees and European Commission institutions, such as DG SANTE, OLAF, TAXUD (responsible for taxation) to speak up for tobacconists in Europe, we will have to further develop communication to ensure that our activities are known and that the benefits of a large local network such as the one we represent, with 150,000 family businesses providing more than 400,000 jobs, are better understood.

For this reason, we will again this year be a partner of Intertabac in Dortmund and organise round tables, including one on the new generation products sold through our network, whose market performance varies from country to country.

Our work is highly dependent on the timetable of the institutions. The priority for 2022 is the revision of the Tobacco Excise Directive and the possible revision of Article 32 of the Directive on cross-border tobacco sales, as well of course as a revision of the Tobacco Directive itself.

In 2023 we will further pursue the issue of protecting our network against smuggling. I am also thinking of the traceability of tobacco leaves, with smuggling continuing to increase the supply to clandestine factories throughout Europe. We have already discussed this issue with ELTI (European Leaf Tobacco Interbranch – the European association of growers and processors), which is in favour of a traceability system as long as it does not put a burden on the small businesses it represents.

This is a matter of great concern in Spain, where illegal cigarette factories have been proliferating for some years.

We then welcomed two new Member States, Belgium and Germany, for the time being as observers.

The Commission on New Members in fact has the task of identifying associations that might be interested in our values and promoting our model of local family businesses and services of value to the public that operate within a system based upon concessions or licences.

In conclusion, as I often say: we want to be part of the solution, not part of the problem.

GIOVANNI RISSO

National Chairman, FIT and newly elected Secretary-General of CEDT.



The CEDT will be celebrating its 60th anniversary next year. What sort of health is it in?

I would say excellent – the «family» has even expanded. For some years now, our colleagues in Belgium and Germany

have formally been observer members, but essentially full members, even though they are not exclusive operators in their respective countries.

In fact, the sales regulations in their countries are not based upon monopolies like in Italy, Austria, France, Spain or Hungary, but today this is no longer a factor preventing close cooperation between European retailer associations. We are in perfect symbiosis with our Belgian and German friends, as we are with our Greek friends, who have long been members, even though the sale of tobacco products is essentially unregulated in their country. I can say, therefore, that the Confederation's new orientation – relatively new, as it has been in place for some years – is one of building bridges and not erecting walls.

However, this does not mean that the CEDT intends to give up its founding nature, namely that of supporting, in every forum, both European and national, a system of sales of tobacco and similar products that is based upon exclusivity.

It should also be added that this system, and in

particular the Italian distribution model, from tax warehouses to tobacconists, is viewed with some interest in Europe, because it guarantees both public health and tax revenues and impedes the development of the illicit market.

This interest is increasingly evident in particular in Belgium, where a process of reorganising the sales system is under way.

In which areas is the CEDT working hardest?

The Confederation is doing a great job, both institutionally and in terms of image.

We are present at all the major events, such as Intertabac, the annual international trade fair in Germany, where we have a dedicated space for directly organising round tables or conferences and meeting journalists. We also have a website where we publish news of the sector, give our point of view on topics of interest and maintain frequent contacts with the media.

Institutional work is no less important. In close liaison with all the federated organisations, CEDT takes part in all meetings, public consultations and legislative or regulatory impact assessments organised by the European Commission, to which it also where necessary sends its own contributions.

In addition to representatives of the production and distribution chain, we frequently of course meet with MEPs and officials from the European institutions, discussing the issues of greatest interest in a calm and cordial atmosphere, even if certain prejudices sometimes die hard.

To what are you referring?

It is no secret that, every now and then, someone will invoke the World Health Organisation to try and prevent or limit the exercising of our right to participate in the decision-making processes of

the institutions that affect our sector. I have to say that fortunately these are not frequent events, but they should not occur, not least because I believe that the European Commission often points out that small family businesses are the economic engine of the Continent. And this is the meaning of this forum (which we discuss in this «Special» – Ed.) at which, through the six months of the French Presidency of the Council of Europe, we want to make it clearer to the European institutions and the Member States that our tobacconists are much more than just sales outlets for tobacco products.

We want our voice to be more widely heard in Europe once more and we want to give greater dignity to our network of small family businesses. It is time to make institutions and the public more aware that our tobacconists are becoming centres where tobacco products are an important but no means exclusive component. There are the innovative products and community services that make our shops an integral part of the social fabric of a community, especially in rural areas and small towns.

What is the contribution of FIT to the work of the CEDT?

Our Federation has a highly articulated and well-structured organisation that both allows us to make an important contribution to the coordination of trade association work along with all the other member organisations and efficiently monitor the legislative and regulatory activities of the European institutions.

Mr Chairman, you have a long history of activity at the top of the Confederation, as Chairman and Secretary-General.

In the light of your experience, what are the next challenges

for the sector in Europe that will require the greatest commitment from the CEDT – and how can they best be met? The challenges are to harmonise the regulation of new generation products in a balanced way and prevent the forthcoming legislative measures on tobacco and its taxation from taking a demagogic turn.

In addition, we need to rethink the strategy to combat smuggling and counterfeiting, which are gaining momentum in many parts of Europe.

The CEDT has initiated a very positive dialogue with the European supervisory and control authorities and the quality step now is to help define more stringent legislative measures. We have some ideas and proposals that we want to bring together.

In Europe, too, we should re-evaluate our role as a network in proximity to and at the service of both the state and the citizen. The experience of the pandemic has given us an idea of the importance of our shops, and it is now up to us to ensure that the European institutions see tobacconists not as problems but as solutions.

I mentioned earlier some of the difficulties encountered in discussion and dialogue with the European Union's institutional bodies and agencies. On this point, experience has taught me that a head-on collision should always be avoided, unless circumstances so demand. In this regard, I can say that it is essential to work with the support and backing of the national regulatory authorities such as, in the case of Italy, the Ministry of Economy and Finance or the Customs and Monopolies Agency. The inter-ministerial gatherings are decisive in setting out the position of a state with respect to the measures proposed by the Commission: in addition to the Ministry of Health, in our sector the Ministry of Economy and Finance, the Ministry of Econo-

mic Development and the Ministry of Agriculture all play a very important role.

PHILIPPE COY

Vice-Chairman of the CEDT
and National Chairman of French Tobacconists.



The General Assembly of the CEDT has met in Paris. What are the challenges for the CEDT?

Current events show us, more than ever, that we have a need for Europe – and that it can act quickly and forcefully when it wants to. This

meeting has thus made it possible to recognise and confirm the appointment of Chairman Peter Schweinschwallier and his newly strengthened team. During this Assembly we have seen the extent to which the CEDT has achieved credibility with the European institutions, which is unprecedented.

This can only encourage us to move forward on behalf of all our European colleagues, because it is a question of working on our future and ensuring the recognition of the special and useful nature of a retailer network like ours. We are responsible traders who want to work for our networks within the framework of protective regulations. This uniqueness is our strength.

ELENA VIANA

Treasurer of the CEDT and National Chairwoman of Spanish Tobacconists.



You have just joined the Executive Committee of the CEDT as Treasurer: what will be the priorities for this team?

I believe that in the new mandate we will have to address the challenges related to the directives being drafted

or revised that affect the world of tobacco in general and tobacconists in particular. For this reason it will be essential to continue to maintain a cordial and fluid dialogue with European institutions and parliamentarians. We must always bear in mind that we are working to facilitate the daily work of 150,000 tobacconists who generate more than 400,000 jobs in Europe.

What are the problems encountered in Spain that could affect the whole of Europe?

Spain has for years suffered from the growing presence of smuggling. The influence of Gibraltar, the appearance of illegal tobacco factories and the entrance of tobacco leaves and cut tobacco into the illegal trade have caused serious damage to Spanish tobacconists. At this time, we are particularly concerned about the outcome of the negotiations on Gibraltar's future relationship with the European Union: if Gibraltar's tobacco is not properly controlled, it could become a serious problem for tobacconists throughout

Europe. A good example of this is the tobacco smuggling ring dedicated to moving tobacco directly from Gibraltar to Madrid, which was recently dismantled by Spanish government forces and security agencies.

ANTAL LENGYEL

Head of the Commission on New Members of the CEDT and National Chairman of Hungarian Tobacconists.



You have just been appointed Head of the Commission on New Members. In what way do you think other national tobacco retailer associations might be interested in the CEDT?

It is a great honour for me to be elected and I

hope we can pass on the values of the CEDT community to other countries. Cooperation, mutual help is one of the most important strengths of this community. I think that the licensed retail channel we represent is a very good path for other countries to follow, if you think about regulating the retail market for sensitive products and collecting tax revenue for the state.

The first step will be to examine potential new candidate countries and determine whether organised representation for tobacconists exists in their country. If we find a potential partner organisation, we can contact them and show them

the advantages of being part of this community and its values.

THEODOROS MALLIOS

Member of the CEDT and Chairman of Greek Kiosksi.



The Federation of Greek Kiosks has been a member of the CEDT for many years. How do you assess this organisation, which was founded almost 60 years ago?

Since its inception, the CEDT has played a crucial role not only

in the survival of tobacco retailers, but also in the institutionalisation of the profession as a monopoly.

The CEDT has made a major contribution over all these years as the sector's sole reliable interlocutor, both with the decision-making bodies in Europe and with the governments of Member States – always in close collaboration with its national member federations, with continuous, documented and highly effective interventions.

With regard to our major concerns over the last few decades, we must remember that the CEDT has not only institutionalised the profession of tobacconist but has also contributed to the increase in commissions on tobacco products, played an active part in the fight against smuggling and created and consolidated strong alliances with institutional and professional players in the sector in order to keep product taxation at a tolerable level.

The CEDT has continuously updated our associations to ensure that the sector is always prepared and ready to adapt to changing market conditions. In recent years, with increasingly stringent smoke-free policies around the world and in Europe, the role of the CEDT has been crucial and particularly effective in respect of the interests of its members. It has succeeded in suspending, postponing and sometimes delaying the adoption or implementation of important decisions by the European institutions in order to make it easier for our European colleagues to adapt to the application of new rules: traceability, images and health warnings on packaging, neutral packaging, a ban on the display of tobacco products and the elimination of tobacco advertising for Greece, the abolition of flavourings for smoking and other products, etc.

The new era that we live in, which has already begun, is characterised by the comparison of traditional smoking products (cigarettes, smoking tobacco) with new ones (vape, HNB, electronic cigarettes) and of course cannabis products. This new reality has taken us by surprise and the EU has been unprepared. The CEDT will therefore have to tackle the difficult problem of categorisation and taxation of new products and, probably, of cannabis products.

It is certain that the leadership will do its best, as it is very familiar with the issue, the prevailing climate, the alliances being formed and the possibilities that exist in Brussels where the final decisions will be taken.

The Greek Federation of Kiosks has been an active member of the CEDT since its foundation. It has our full confidence and we will continue to support its strategy with all our means.

We are confident that it will respond to these tasks in the best possible way.

XAVIER DEVILLE

Observer member of the CEDT and National Chairman of the Belgian Association of Booksellers, Newsagents and Tobacconists.



You recently joined the CEDT. What motivated you to join our organisation? And what advantages will you obtain from it?

In a globalised world and an increasingly internationalised Europe, professional organisations too need to come to-

gether, discuss and find a common position on important but sensitive issues concerning tobacco, new technologies and related products. To quote Philippe Coy: «Tobacco is not a privilege but a responsibility».

Our networks have a role to play as partners of the state and Europe in the sale of these legal products, whose sale is however not exactly free.

Within the CEDT, I first found a true fraternal spirit and a desire to welcome and help everyone in their efforts. In Belgium, where there is no state monopoly, it is important to direct political choices towards this system, which has proved its worth, rather than to seek new restrictive measures (neutral packaging, display bans) for retailers. Each country has its own experiences, strengths and limitations. In analysing what everyone is doing or has done, we can get the best from everyone and for everyone so as to move forward. I would like to thank each member of the CEDT for their warm welcome, their sense of sharing and their ability to listen to the concerns of other colleagues.

HORST GOETSCHEL

Observer member of the CEDT and Director of MUT, the Association of Small and Medium-sized Enterprises in the tobacco products and accessories sector.



Germany is a free market for tobacco sales. Do you think a licensing system for selling tobacco in Germany would be possible?

The German market is peculiar, because 93% of the flow of cigarettes out of the factories goes to

wholesalers and cash & carry, which supply 9,000 tobacco retailers, 40,700 secondary traders (e.g. grocery stores), 14,100 petrol stations, 260,000 vending machines and 42,000 food retailers, mostly supermarkets.

In this respect, I must point out that tobacco retailers are a point of reference for between 10% and 15% of customers, which is not very high in relation to the total number of licensed outlets.

I suppose a licensing system might be possible, but it depends on the political parties in government. At the moment the Liberals (FDP) are in government as part of a coalition. I do not think that they will allow the introduction of a licensing system as it is against their principles, whereas it could happen with the Greens in government or the Social Democrats and the left-wing parties. However, all German parties are looking at what is happening in the Netherlands where the sale of tobacco in supermarkets will be banned in 2024, which means a big reduction in outlets.

EUROPEAN FORUM OF TOBACCONISTS

Paris, 9 February 2022

The first European Forum of Tobacconists was held in Paris: two main topics were addressed, namely how to respond to the phenomenon of the illicit tobacco market within the European Union, and what role the network of tobacconists will play in serving European states.

The Confederation of French Tobacconists took advantage of the start of the French Presidency

of the Council of the European Union on 1 January to organise this event at its national headquarters in Paris. This very special occasion turned out to be a great success, as it was possible, together with politicians, to set the priorities for European tobacconists. The event prompted numerous questions on the future of the sector: present were representatives from the main European net-





works of tobacco retailers (France, Italy, Spain, Austria, Hungary, Belgium, Germany and Greece) in the CEDT alongside French parliamentarians and senators, MEPs and representatives of the European institutions.

For the first time in the history of French tobaccoists, a government minister came to the Confederation's headquarters to open the proceedings. Jean-Baptiste Lemoyne, Minister for Small and Medium-Sized Enterprises, was welcomed by Philippe Coy, Chairman of the Confederation of Tobaccoists of France and Vice-Chairman of the CEDT: he stressed the importance of the presence of tobaccoists in their local areas in the face of the development of social networks: *«Even if social networks bring together people living hundreds or even thousands of kilometres away, it is essential today to have traders who are as rooted in their communities as tobaccoists, these examples of social links in real life»*. Several topics were discussed...

The phenomenon of smuggling and counterfeiting in Europe

Philippe Coy opened matters by illustrating the different forms of parallel market that have developed in France and in Europe, while Peter Schweinschwaller recounted his interventions at the European Commission, underlining the proliferation of illegal cigarette factories in Europe and stating that: *«Thanks to recent lockdowns, which interrupted numerous flows of goods and people, real data showed that the parallel market was well established at between 25% and 30% almost everywhere in Europe»*.

Counterfeiting accounts for 20% of the illicit trade

The various contributions by parliamentarians and experts, in particular that of Dr Salvatore Catania, head of the department dealing with cigarette smuggling at the European Anti-Fraud Office



(OLAF), were certainly instructive – but also alarming. Mr Catania illustrated the new forms of smuggling, stressing their highly criminal and transnational nature.

The biggest concern is the rise of mafia-like organisations flooding European markets with counterfeit tobacco products. Lockdowns and border closures appear to have exacerbated the phenomenon of the emergence of clandestine tobacco factories and associated criminal distribution networks.

According to OLAF, the market for illicit cigarette production accounts for approximately 20% of all illicit trade.

The increase in illicit tobacco factories within the EU is mainly due to the difficulty of controlling the supply chain and the increase in retail price levels.

Illegal production in the EU

Criminal organisations are structured in the same way as real multinationals. In the past, smuggled cigarettes came mainly from China, were of poor quality and therefore more difficult to resell, while import seizures represented a significant financial risk. Today, the principle of free movement of goods in Europe has broken down many barriers as smuggled goods are already available locally and, therefore, profits are higher as cigarette prices, while still at different levels, are constantly rising in all Member States. By moving the production of contraband cigarettes to Europe, the mafia networks simply copied the methods of the drug traffickers of the 1980s. Illegal cigarettes produced in the EU today are of better quality than previously but, unfortunately, pose considerable health risks to consumers.

Happily, the cooperation between OLAF and Member States is working, as 318 illicit factories (production, cutting and storage facilities) were

dismantled in the EU in 2020 and over 1,700 tonnes of tobacco seized.

Measures against illicit factories

According to Dr Catania, the EU should rapidly move to combat the double scourge of smuggling and counterfeiting. The first step would be to make it compulsory to control cigarette production machines by considering them to be high-risk goods, i.e. «*double-use*» goods according to customs terminology. While the use of these machines is currently illegal, their possession is not. Anyone can buy a cigarette-making machine.

The second measure recommended by OLAF concerns the traceability of raw and cut tobacco. According to Dr Catania, we should not look for a new method of traceability on land transport, as suggested, which would prove complicated to implement and clog up procedures, but instead set up a control system for certain goods that are considered to be high risk.

The EU must put in place an EU-wide sanctions regime

The discussions at this first round table led to the conclusion that decriminalisation of smuggling is an issue that parliamentarians should put to the European authorities. In order to combat smuggling effectively, administrative and criminal penalties should be regulated at Community level with an identical system of penalties in all Member States. Cigarette smuggling in fact represents an easy profit for traffickers with little risk. In France, for example, for the same level of profit, a smuggler risks five years in prison for five kilos of cocaine, but much less for ten million counterfeit cigarettes seized in a container.

Mr Risso regretted the effects of the decriminalisation of smuggling under national legislation below a certain amount of tobacco trafficked and customs duties evaded, because the effect in Italy has been a resurgence of the illegal market in new forms: perhaps more fragmented, but no less harmful for the legal sales network, for the Treasury or for citizens.

Revitalisation of local areas

MEP Irène Tolleret, member of the REGI (Regional Development) Commission, stressed that: *«If the European economy as a whole has weathered the health crisis well, this is also because we have an active and productive rural sector»*. This observation is a lesson for all European reindustrialisation and job creation policies, which must be based on local development – including rural development – rather than entirely focusing on urban areas. To enable rural communities to function in times of the run-down of public services, it is necessary to rely on existing strengths, including tobacconists, who are more vital than ever for ensuring the proximity of service provision to the public.

European funds for rural development

Ms Tolleret, who is also vice-chair in France of the European LEADER fund (the term comes from the French acronym for *«Liaison Entre Actions de Développement de l'Économie Rurale»*, literally translated: *«Linking of Actions for the Development of the Rural Economy»* – Ed.), emphasised that European funds for rural development exist, but they are difficult to access and need to be simplified. A huge amount of work has already begun in Brussels to make such funds more accessible to stakeholders so that the resources dedicated to such areas are used to develop a modern and innovative

rural sector. As this issue is of great interest for our future, the Commission has launched a pact to mobilise public authorities and stakeholders to act on the needs of rural communities.

Proximity: an added value in the digital age

Ms Françoise Gatel, the French senator for Ille-et-Vilaine and chair of the local authorities delegation, recalled the essential role played by tobacconists during the lockdown, particularly in rural areas. Rural life is no longer what it was in the 19th century, as people living in smaller settlements share the same way of life as those in cities. However, the various services offered by tobacconists in Europe are a real added value, especially for people who have difficulty in using all of the digital services available. The tobacconist's shop has always been a lively place, one of exchange, and one that should be preserved both in rural areas and urban centres by reducing charges, facilitating the installation of commercial structures at street level, taking into account the location of car parking and regulating the opening of supermarkets on the outskirts of towns.

For Sandra Marsaud, the French member of the parliament for Charente, it is necessary to maintain services to the public; to define a strategy around a commercial engine that could be represented by the tobacconist's shop; to support the digitisation of shops as a flow vector; and to better coordinate those involved in business. Such measures would not require the introduction of more legislation.

All forum participants unanimously concluded that tobacconists have a future, that local areas and consumers genuinely need them and that the values offered by proximity are the same throughout Europe.

LE INTERVISTE/2

PHILIPPE COY

Chairman of French tobacconists and Vice-Chairman of the CEDT.



How do you rate the European Forum of Tobacconists?

We organised this summit during the French Presidency of the Council of the European Union to show that we form part of the European agenda, as

well as certain deadlines and directives that directly affect our activity as tobacconists. And the quality of the speakers shows that we have achieved our objective.

This forum, held at the headquarters of the Confederation, was opened by the Minister for SMEs, Jean-Baptiste Lemoyne. His presence demonstrates that the French government has followed this event closely.

We have seen the participation of seven parliamentarians (members of the European Parliament, the Senate and the National Assembly, including the noteworthy Chairman of its Finance Commission). OLAF, the largest European anti-fraud body, was represented by Dr Salvatore Catania.

But our greatest satisfaction has come from seeing European colleagues expressing themselves

and intervening in the debates, in particular FIT National Chairman Giovanni Risso and his Vice-Chairman Mario Antonelli. Representatives from Italy, Spain, Austria, Hungary, Belgium and France were thus able to report and express the expectations of the 150,000 entrepreneurs that we represent.

This forum was organised on the occasion of the French Presidency of the Council of the European Union. What do you think the French Presidency of the European Union can contribute to the exchanges with institutions?

We want to see a united, federated and regulated Europe, even if it is sometimes over-regulated. Many directives are imposed and we apply them. But we also need a form of adaptation, such as for taxation, and we hope that the French Presidency will be able to exert its influence to achieve greater convergence for tobacco prices in Europe while taking due account of the standard of living of the citizens of the various Member States.

In addition, as Olivier Dussopt, the Minister of Finance in charge of Public Accounts, announced at the annual congress of tobacconists last October, one of the objectives of the French government will be to ensure that the maximum quantity of cigarettes that European citizens will be able to buy abroad, both within and outside the EU, will be reduced to one carton per person, as for example in France, where relevant regulation will come into effect on 1 August 2020. This is a measure that our colleagues in the CEDT would like to see applied throughout Europe, as

the scourge of cross-border shopping is not only a French phenomenon but affects all European countries.

What were the main conclusions of this forum?

We chose themes that were sometimes very different but have a direct relationship to our daily experience in our activities. Our networks are suffering destabilisation because of the surge in smuggling and counterfeit tobacco on the markets. Everyone recognises the seriousness of this for our networks, not to mention the damage to the public purse and health. This awareness is helping to promote new intra-European measures such as limiting the number of cartons of cigarettes that an individual may carry.

But, at the same time, we have shown that the local presence of our networks represents a strength on the ground: our shops are becoming service points for the public and we are proving ourselves to be “locally useful” throughout Europe. This new reality is a message of the future for all of us as retailers.

SALVATORE CATANIA

Head of OLAF's Anti-Contraband Sector.



Can you briefly explain the mandate that the European Union has given to OLAF and, in particular, to the Unit that you head?

OLAF investigates cases of fraud against the EU budget and cases

of corruption and serious professional misconduct within the European institutions, while developing anti-fraud policy for the European Commission.

All of its activities are of an administrative nature.

The Director-General of OLAF may open an external or internal investigation when there are adequate grounds for suspicion, on his/her own initiative or at the request of a Member State or an EU institution, body, office or agency.

OLAF carries out on-the-spot checks and inspections and other investigative activities in EU Member States, third countries, international organisations and economic actors, all in accordance with established rules and the terms of cooperation and mutual assistance agreements.

It may also transmit information on fraud, corruption and any other illegal activities affecting the financial interests of the Union to the competent national authorities of the Member States in order to enable them to take appropriate measures.

OLAF's investigative powers were strengthened under the Regulation that entered into force on 17 January 2021. In the course of an investigation, it can now request information on bank accounts and, where strictly necessary, on transactions, with the cooperation of national authorities. This would be done under the same conditions as those applicable to the competent national authorities, following a written request justifying its appropriateness and proportionality.

OLAF's Unit B2 also has a mandate to fight cigarette smuggling into the EU and carries out investigations in the area of illegal cigarette production on EU territory.



It also carries out intelligence work to obtain accurate and detailed information on such illicit trafficking.

Once fully analysed and evaluated, this information is immediately forwarded to the competent authorities of the EU Member States if it can be used immediately.

In the past, many containers loaded with cigarettes declared as other goods have been seized in EU ports following precise and detailed information from OLAF.

Cigarette smuggling is often a transnational crime, with ramifications in EU Member States and third countries. In such situations OLAF will open a coordination case and, if necessary, organise operational meetings with the participation of investigators from the competent offices of EU Member States and third countries.

During these coordination meetings, information on the investigations carried out in the various countries is exchanged in order to gain as complete a view as possible of the criminal organisation in question, with investigations and counter-actions then planned.

Where detailed information is available on individuals and/or companies that may be involved in cigarette smuggling or particular fraud schemes, OLAF proposes the opening of an investigation.

During investigations in the EU and third countries, it collects evidence to support suspicions of fraud committed by companies and individuals to the detriment of the EU's financial interests.

In 2021, OLAF took part in operations in cooperation with customs and police authorities in EU Member States and third countries that led to the seizure of 93,000,000 cigarettes in the EU, corresponding to more than nine containers and

SALVATORE CATANIA

Pilot and Colonel in the Guardia di Finanza (Financial Police).

After attending the Guardia di Finanza Academy in Rome from 1977 to 1981, he commanded a number of units of the force. After completing the course for military helicopter pilots in 1985, he commanded the Palermo and Pisa Air Sections (1995-1990), which also worked to suppress cigarette smuggling by sea.

In 1990 he was assigned to the Nucleo di Polizia Valutaria (Police Currency Investigation Unit) and then to the General Command of the force.

From 1993 to 1996 he was seconded to SAMCOMM in Brussels, a body set up by the UN Security Council to investigate violations of the embargo placed upon Serbia and Montenegro during the Balkan war.

In 1996 he began his career at the European Commission, first at UCLAF (Unit for the Coordination of the Fraud Prevention) then, since 1999, at OLAF, once more in the field of fighting cigarette smuggling, with various roles.

He has since 2002 been a permanent official of the European Commission.

253,000,000 cigarettes, corresponding to more than 25 containers, outside the EU.

You have been dealing with the phenomena of smuggling and counterfeiting for many years. Can you explain how these have evolved and adapted to legislative and market changes? Could you give any indication of the trend in this respect in 2021?

I have been involved in the fight against cigarette smuggling since 1996, when I started working at UCLAF, the Unit for the Coordination of Fraud Prevention, and then at OLAF.

I worked during the years when cigarette smuggling was carried out by sea from Montenegro to the coast of Apulia. In addition to the huge losses to national and Community budgets, I am obliged to mention those members of the Guardia di Finanza who lost their lives in operations to combat this criminal activity.

In the first years of 2000, following incisive actions on the part of the various District Prosecutors' Offices with responsibility for anti-mafia activities, this phenomenon came to an end. The civil action filed in 2001 in a US court by the EU on behalf of several Member States against a tobacco multinational marked a turning point in cigarette smuggling. Until then, most of the cigarettes seized in the EU were genuine cigarettes, produced in the tobacco companies' own factories or under their licences.

As a result of agreements signed by the four tobacco majors, which inter alia provided for the payment of substantial sums to the Member States in the event of seizures of genuine cigarettes in excess of a certain quantity, the smuggling of these products gradually declined.

In addition to containers and lorries loaded with cigarettes entering the EU declared as other goods, a number of legal cigarette production plants on EU territory were investigated. It was found that part of the production was being falsely exported outside the EU or was being exported to third countries with the sole purpose of smuggling it back in shortly afterwards.

Mention should be made of the numerous seizures of vessels loaded with large quantities of cigarettes made by the Greek authorities in the pe-

riod 2014-2016. These vessels left from the port of Bar in Montenegro, often with a declared destination of Libya or Lebanon, when in fact the cigarettes were to be landed illegally in Greece. Following investigations by OLAF in cooperation with the Montenegrin customs authorities, this activity was halted.

In 2020 and 2021 there was a resurgence of cigarette smuggling in containers from the Far East, especially from Vietnam.

For several years, large quantities of cigarettes legally manufactured in Belarus have been seized in neighbouring EU Member States (Lithuania, Poland, Latvia).

At present, the illegal production of cigarettes in the EU, together with transit fraud and fake exports, is still a major issue.

What improved strategies do you suggest to counter the illicit market for tobacco and tobacco products?

In order to effectively combat illicit cigarette production in the EU, it would be desirable for the upstream devices used such as machines, filters and papers and, especially, tobacco to be subject to strict rules for monitoring their movements.

The sale price of cigarettes has a direct impact on the profits of smuggling organisations. Cigarettes are, in most cases, bought tax-free by criminal organisations: therefore, the higher the final price of cigarettes, the higher their price on the underground market, resulting in higher profits for smugglers.

The difference in excise duties in the various EU Member States has an impact on the final price of cigarettes and therefore on the end-consumer's interest in buying such products in neighbouring Member States where cigarettes are cheaper.



Federazione Italiana Tabaccai