



HM Revenue  
& Customs

Business Taxes • Enforcement & Compliance

# The Introduction of Standardised Packaging for Tobacco

HMRC's Assessment of the Potential Impact on the Illicit Market



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# 1. Summary

## Understanding the language of intelligence and futures analysis

Analysts assign specific meaning to key words used in reports, particularly when describing probability.

Further information, including a glossary of terms can be found at the back of this report.

## Aim

**1.1** This report is HMRC's assessment of the impact of standardised packaging on the illicit market for tobacco in the UK.

**1.2** The majority of this report is based on a futures analysis methodology which has been supplemented by additional analysis and oversight from policy and subject matter experts. Our approach is detailed in section two of this paper.

**1.3** The paper focuses on the influence of standardised packaging on the illicit tobacco market. Other factors such as pricing fell outside the scope of the assessment.

## Key judgements

### Overall Impact

**1.4** We have seen no evidence to suggest the introduction of standardised packaging will have a significant impact on the overall size of the illicit market or prompt a step-change in the activity of organised crime groups. We anticipate that it would, however, prompt some changes to the mechanics of the fraud and to the composition of the illicit market.

**1.5** The impact of standardised packaging on the illicit market for tobacco in the UK will be dependent on a number of factors. Depending on the market segment in question and the reaction of organised crime groups to any changes we would anticipate a range of effects:

- i) The illicit market at an aggregate level is likely to follow current trends with illicit white<sup>1</sup> cigarettes highly likely to continue growing as a proportion of the overall illicit market.

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<sup>1</sup> 'Illicit whites' are cigarettes manufactured legitimately in one country, but smuggled and sold in another without duties being paid. In most cases illicit whites are produced in countries outside the European Union, smuggled into the UK and sold at a street price of £2.50 to £3.00 per packet. These present the main threat to the UK in terms of large-scale criminal attacks against the tobacco regime.

- ii) It is a realistic possibility that counterfeiting of branded tobacco packets will continue. It is likely that standardised packaged tobacco will also be counterfeited.

**1.6** Any effects must be contextualised within the UK's Law Enforcement agencies activity to robustly tackle the illicit tobacco trade. The effectiveness of this response is underscored by the Chantler review which states that 'the enforcement agencies in the UK have already demonstrated that an effective enforcement regime and appropriate sanctions can reduce and sustain reductions in illicit trade, even in a relatively high tax jurisdiction.'<sup>2</sup> The actual size of the illicit market in the UK has reduced significantly over the last ten years and the tax gap has more than halved over that time for cigarettes and reduced by a third in the same period for Hand Rolling Tobacco (HRT). This despite changes introduced to support public health objectives to reduce smoking and which might have been expected to impact on the illicit market, for example, the rise in the legal smoking age from 16 to 18 in 2007.

**1.7** Standardised packaging would not introduce any new risks to the UK illicit market, and existing counter-measures in HMRC's tobacco strategy to tackle illicit whites and counterfeit products would be applicable to mitigate any changes to these existing risks.

### **Impact on the 'Illicit White' Market**

**1.8** It is highly likely that the introduction of standardised packaging will provide a suitable environment in which illicit white cigarettes will continue to grow in the UK illicit market.

**1.9** Standardised packaging is likely to further push consumers to be driven mainly by price. With branding all but removed, smokers, already motivated largely by price, may be more open to trying unfamiliar brands and driven towards the illicit market.

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<sup>2</sup> Standardised packaging of tobacco – Report of the independent review undertaken by Sir Cyril Chantler (April 2014), p.37

**1.10** However, it is not clear if any growth in illicit whites would be at the expense of another area of the illicit market, or if it would result in an overall increase in the illicit market, as a number of mitigating factors are in operation. The trend over recent years shows that the growth of illicit whites has happened in a period where the actual size of the illicit market in the UK has reduced, indicating growth of illicit whites has been achieved at the expense of other forms of illicit product.

**1.11** HMRC judge that standardised packaging will not alter the nature of the revenue risk posed by illicit whites. Current countermeasures deployed to mitigate this risk will continue to have an effect; for example upstream intelligence led interventions which now account for more than half of all seizures of illicit product.

### **Impact on Counterfeiting**

**1.12** It is likely that the threat from counterfeiters will evolve and present two separate risks if standardised packaging is introduced:

- i) Continued counterfeiting of branded packets (from non-UK jurisdictions)
- ii) Counterfeiting of standardised packets.

**1.13** Futures analysis suggests it is possible that the introduction of standardised packaging will lead to increased attempts to infiltrate counterfeit product into the lower-end of the retail supply chain. With product being kept out of sight because of the display ban and with less detail on packaging it will be harder for customers to tell if they have purchased legitimately manufactured tobacco or counterfeits. The most credible futures scenarios suggest this would increase the likelihood of small-scale local retailers becoming unknowingly involved in the sale of counterfeit tobacco; however, we are unable to provide any greater level of certainty at present.

**1.14** It is not clear if any growth in counterfeit would be at the expense of another area of the illicit market, or if it would result in an overall increase in the illicit market, as there are a

number of mitigating enforcement actions operating across the different areas of the illicit market.

**1.15** HMRC believe that, although standardised packaging potentially provides a change in environment for counterfeit product, this risk will continue to be mitigated by existing interventions, including inland enforcement, tools to identify counterfeit UK product, and border controls on goods entering the UK.

#### Levels of Confidence

**High confidence** when there is good quality information or corroborating evidence from a range of different sources, or in situations where it is possible to make a clear judgement

**Moderate confidence** when the evidence is open to various interpretations or is credible and plausible but lacks corroboration

**Low confidence** when there is scant, or very fragmentary information or when sources are of suspect reliability

### Confidence Statement

**1.16** The value of our judgements is based on a number of factors, but primarily the volume, range and reliability of intelligence and information available to inform our understanding and confidence in our analysis. This is reflected in the confidence statements below:

- i) We have a moderate degree of confidence in the Overall Impact and Illicit White Market judgements. They are supported both by the futures analysis work and information provided to the Department of Health (DH) consultation process.
- ii) We have a moderate degree of confidence in the “increased counterfeiting of branded non-UK duty paid product” judgement. This judgement was generated as part of the futures analysis work but there was little information in the additional analysis that directly related to the specific issue of branded non-UK duty paid product.
- iii) We have a moderate degree of confidence in the “counterfeiting of standardised packets” judgement as it is supported both by the futures analysis work and the information submitted to the DH consultation. While there are differing views on how this evolution will affect the illicit market, we have seen no evidence to suggest it is unlikely to happen.

## 2. Background & Methodology

### The Illicit Tobacco Market– Current Scale and Trends

**2.1** There has been a long-term decline in tobacco consumption in the UK. Estimated consumption of cigarettes has reduced from 64bn sticks in 2005/06 to 44bn sticks in 2012/13. Consumption of HRT has remained stable at or around 10,000 tonnes, reflecting a structural shift in consumer preference for HRT.

**2.2** A similar long-term decline has been achieved in the illicit market. Since 2005/06, HMRC's mid-point estimates of the size of the illicit market show consumption of illicit cigarettes has fallen from 10bn sticks to 4bn sticks and illicit HRT from 6000 tonnes to 4000 tonnes. Latest estimates for the illicit market show the tax gap for cigarettes has fallen from 16% in 2005/06 to 9% in 2012/13 and HRT from 59% to 36%. Associated annual revenue losses in 2012/13 were approximately £2bn.

**2.3** Tobacco smuggling continues to represent a critical revenue risk to HMRC and the tax gap estimates reflect the financial impact of tobacco smuggling. However, since 2005/06 the composition of the illicit market and the consequent mechanics of the fraud have altered. Survey data from the tobacco industry indicates a growing proportion of the illicit market is accounted for by illicit whites but also that the illicit market in the UK involves threats from networks of global highly organised criminal gangs moving billions of cigarettes annually to individuals smuggling tobacco using much less sophisticated methodologies and in much lower quantities.

### Consideration of implementing standardised packaging of tobacco products in the UK

**2.4** The “Healthy Lives, Healthy People: A Tobacco Control Plan for England” report was published in March



2011<sup>3</sup>. This included a guarantee by the Government to consult on options to reduce the promotional impact of tobacco packaging, via standardised packaging, before the end of 2011. The paper also outlined the Government's commitment to explore the likely impact on the illicit tobacco market of options around tobacco packaging.

**2.5** On 28 November 2013 the Government announced it had commissioned an independent review of standardised packaging. This independent review was conducted by Sir Cyril Chantler with its primary objective being to review the public health implications of introducing standardised packaging. The Chantler report concluded that if standardised packaging was introduced, it would have a positive impact on public health. The review also stated that they had “seen no convincing evidence to suggest that standardised packaging would increase the illicit market”<sup>4</sup> and that “HMRC’s actions in combating illicit trade appear to have been very effective”<sup>5</sup>.

**2.6** Following the Chantler review, the Government announced they will undertake a final, short consultation that will contribute to the final decision-making on this policy.

**2.7** HMRC, Border Force and the National Crime Agency provided a written submission to the Home Affairs Committee Inquiry into tobacco smuggling and the trade in illicit tobacco. Intelligence Assessment and Indirect Taxes in HMRC subsequently produced this report to assess the

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[http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH\\_124917](http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_124917)

<sup>4</sup> Standardised packaging of tobacco – Report of the independent review undertaken by Sir Cyril Chantler (April 2014), 5.11

<sup>5</sup> Ibid., 5.10

possible impact of standardised packaging on the illicit tobacco market. It will be provided to the Department of Health to help inform final decision making on standardised tobacco packaging. This assessment therefore does not review any of the evidence provided to the Department of Health by other government departments.

## HMRC Analysis Methodology

### What is futures analysis and why was it used?

**2.8** To date standardised packaging has only been introduced in one country (Australia in December 2012). In 2011, HMRC undertook a futures assessment. This approach was chosen due to a lack of significant intelligence in relation to criminal response to this proposal. Futures techniques were used to identify potential future risks and threats that could arise in terms of the UK illicit tobacco market. That futures analysis forms the core elements of this paper, updated where additional information has become available.

**2.9** Futures analysis uses well-established techniques which are extensively used across the private sector and across Government for exploring future uncertainties on timescales beyond those typically dealt with by more traditional forms of predictive analysis.

**2.10** The methodology explored a discrete number of plausible ways in which the future may develop. We used driver and scenario analysis drawn from expert knowledge from a range of HMRC and Border Force stakeholders to explore possible scenarios in 2016<sup>6</sup> with the assumption that standardised packaging had been introduced. This was done in order to identify potential risks and opportunities that might be missed by predictive analysis (e.g. trend extrapolation). We used current and historic assessments of the illicit market for tobacco, open source research, and departmental knowledge from both HMRC and Border Force to examine the factors.

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<sup>6</sup> 2016 was chosen as this was to be considered to be the earliest date by which plain packaging could be most realistically introduced.

**2.11** Futures analysis cannot predict the future, nor does it provide long term forecasts that see beyond current trends. However, futures analysis can strengthen decision makers' ability to make informed choices about the future by:

- i) Generating diverse future scenarios in which to test our strategies
- ii) Drawing out the knowledge and insight of subject matter experts to identify potential future, risks, threats and opportunities
- iii) Providing a credible audit trail for evidence-based decision making.

**2.12** The risks and threats identified in the risk workshop were clustered and discussed in order to inform our analysis. This part of the methodology was used as a basis for our assessment, in conjunction with current intelligence relating to the illicit market.

**2.13** It should be noted that the futures review did not specifically consider different impacts standardised packaging may have on the cigarette and HRT illicit markets as separate entities.

### **Review of DH consultation material**

**2.14** The findings of the futures analysis work were then tested against the material provided to the DH consultation process that gathered information, evidence and views on the impact of the introduction of standardised packaging, as well as a small number of other reports. The material included key responses<sup>7</sup> to the DH's consultation process such as reports by Cancer Research on tobacco smuggling and standardised packaging, the written evidence to the Home Affairs Committee from a wide range of interested parties and the

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<sup>7</sup> It should be noted that the majority of the information submitted as part of the consultation process was intended to present an argument either in favour or against the implementation of plain packaging. IA took into account the differing positions of those responsible for submissions to ensure that we remained wholly objective with regard to the evidence review.

KPMG (Philip Morris International funded) assessment<sup>8</sup> of the impact of standardised packaging in Australia.

**2.15** The review of the material did not lead us to alter any of the key judgements from the futures analysis but it did lead us to increase our confidence in a number of these judgements.

**2.16** Please see Annexe A for a list of the documents reviewed as part of this process, the nature of these documents and the impact they had on our assessment.

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<sup>8</sup> Illicit tobacco in Australia 2013 Half Year Report (October 2013)

## 3. Our Assessment

### Summary View

**3.1** It is likely that the introduction of standardised packaging will increase some existing risks and threats posed by OCGs targeting the UK illicit tobacco market. We have seen no evidence to suggest the introduction of standardised packaging will have a major impact on the overall size of the illicit market or prompt a step-change in the activity of organised crime groups. We anticipate that it would, however, prompt some changes to the mechanics of the fraud and to the composition of the illicit market.

**3.2** The following sections highlight the likely impact standardised packaging will have on different segments of the market.

### Illicit White Brands

#### Continued Expansion of Illicit Whites

**3.3** The size of the illicit white cigarette market has grown consistently over the last 15 years and now accounts for the largest share of large UK seizures<sup>9</sup>. This growth has been driven by a number of factors, some of which are highly likely to be exacerbated by the introduction of standardised packaging.

**3.4** As the illicit white market has expanded the actual size of the illicit market in the UK has fallen significantly and the tax gap representing the proportion of the illicit market as a percentage of the total market has also fallen to remaining at or around 9%<sup>10</sup>. This illustrates that the increasing demand for illicit whites does not necessarily result in expansion of the illicit market at an aggregate level. It may simply represent a shift in the structure of the illicit market, e.g. an increase in illicit whites compared to genuinely produced product that has been smuggled into the UK.

**3.5** Whilst all overseas manufacturers, including illicit white manufacturers, are governed by supply chain legislation, it does present a challenge to ensure such legislation is robustly used against manufacturers outside the EU and are not subject to the EU Agreements. This could therefore lead to illicit white manufacturers supplying as much stock as their wholesale customers can purchase. If demand for illicit whites on the UK illicit market increases due to standardised packaging, futures analysis suggests we are likely to see more smugglers and OCGs using this means to obtain wholesale quantities of illicit white brands for smuggling to the UK.

#### Brand loyalty – increased tolerance of new brands

**3.6** Illicit whites have become more popular in the UK as loyalty to the International Tobacco Manufacturers' brands has steadily declined. Market indications suggest that, for

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<sup>9</sup> Based on seizures of more than 100,000 sticks.

<sup>10</sup> Between 2000 and 2010 and has been broadly flat since 2010 (9% in 2010/11, 7% in 2011/12 and 9% in 2012/13)

smokers in the genuine, duty paid UK tobacco market, price is more important than brand loyalty. The introduction of standardised packaging will remove much of the stigma attached to the purchase of any particular brand which will reinforce pricing as the key driver underlying consumers' behaviour.

**3.7** With branding all but removed, smokers, already motivated largely by price, may be more open to trying unfamiliar brands and the illicit market. Futures analysis suggests that increased tolerance for new brands, coupled with smokers' desire for cheap cigarettes is likely to increase the acceptance of illicit white brands leading to an increased market for them.

**3.8** It is highly likely that the introduction of standardised packaging will create an environment in which the UK market for illicit white cigarettes will continue to grow. It is also likely that illicit white manufacturers and OCGs will capitalise on the ITMs reduced branding power to increase their market share.

**Could standardised packaging push new smokers towards the illicit white market?**

**3.9** One of the main drivers for the introduction of standardised packaging is to help reduce smoking within the UK population. Futures analysis suggests that the introduction of standardised packaging may add an additional factor, on top of existing influences, to tempt those who choose to take up smoking, particularly young people, to try new brands and illicit white cigarettes. This is likely to make illicit whites more prevalent in the UK market.

**3.10** Since October 2007, new smokers under the age of 18 have been unable to buy tobacco legally in the UK. It is possible that many of these young smokers will have been pushed towards the illicit market by their inability to obtain tobacco legally and drawn to it by the low price of smuggled tobacco<sup>11</sup>. One consumer study showed that young people (aged 14 to 17) are more likely to be at ease with purchasing illicit tobacco and they showed a strong sense of it being 'no big deal'<sup>12</sup>.

**3.11** It is likely that these smokers are familiar with and accept illicit white brands. Futures analysis suggests one scenario might be that the introduction of standardised packaging may push young smokers to become brand-loyal to popular illicit whites which will not be governed by the regulations and whose distinctive packets will therefore become more desirable. Young smokers used to smoking illicit whites will be difficult to encourage onto the licit, duty paid market. However the fall in the size of the tax gap between 2007 and 2010 and its stable nature since 2010 suggests that so far this impact on young smokers has not increased the size of the illicit market as a proportion of the total tobacco market.

## Advertising

**3.12** Futures analysis suggests it is possible that illicit white manufacturers may capitalise further on the introduction of standardised packaging of ITM brands by engaging in informal marketing and promotion of their own brands. With the introduction of standardised

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<sup>11</sup> In October 2007, the minimum legal age for buying tobacco rose from 16 to 18. An NHS survey in 2008 recorded a steep drop in the proportion of pupils who were regular smokers who said that they bought cigarettes in shops. The survey also found that the proportion of regular smokers who bought cigarettes from other people has risen over time and in 2010 half (50%) of pupils who smoked regularly said that they usually bought cigarettes from other people.

<sup>12</sup> North East of England illicit tobacco study 2009, NEMS market research.

packaging in the UK, any marketing of branded products is likely to have a greater impact. Illicit white manufacturers are not bound by regulations as their products are not legitimately sold in the UK and standardised packaging of ITM brands could create conditions whereby it is easier for illicit whites to build up a brand following. Building brands takes a significant amount of time and therefore this is likely to be more relevant for the long term rather than immediate impacts.

**3.13** Illicit white manufacturers may use online/social media advertising from outside the UK's jurisdiction or guerrilla marketing within the UK which would, potentially, further advantage illicit whites over legitimate tobacco. Some illicit whites have already been seen advertised on social media sites. Jin Ling, an illicit white brand produced by the Baltic Tobacco Company has had a Facebook presence for a number of years where consumers discuss price, quality and availability. However, we are unable to assess the impact of this social media activity on the size of the UK market for illicit whites.

## Changes to the counterfeit threat

**3.14** It is likely the threat from counterfeiters will evolve and present two separate risks if standardised packaging is introduced:

- i) Continued counterfeiting of branded Non-UK Duty Paid (NUKDP) product.
- ii) Counterfeiting of standardised packets.

### Counterfeiting of non-UK duty paid packaging

**3.15** Futures analysis suggests that it is likely that, even with the introduction of standardised packaging in the UK, counterfeiters will continue to produce tobacco disguised as branded NUKDP. Products with non-UK markings give the impression they are genuine, duty-paid purchases from an overseas market. Unless a large proportion of other EU countries introduced standardised packaging, it is unlikely that OCGs would be able to plausibly disguise counterfeit standardised packets as NUKDP product.

**3.16** As consumers adjust to standardised packaging, it is likely that counterfeits of branded NUKDP product will not need to be as detailed as they are at present. This is because UK consumers will almost certainly become less familiar with the exact appearance of genuine branded packaging, meaning that it is a realistic possibility that counterfeiting of NUKDP becomes easier.

### Counterfeiting of standardised packets

**3.17** Currently the quality of counterfeit packaging varies from poorly produced packets to those that are virtually indistinguishable from their genuine counterparts. However, while the introduction of standardised packaging would seem to simplify the counterfeiters' task, current proposals suggest that future packets would remain complex, with a range of security measures that would present challenges to OCGs, at least in the short term.

**3.18** The Chantler review identified that in Australia “hardly any counterfeit standardised packages have been found to date”<sup>13</sup>. Furthermore, a representative of one of the tobacco manufacturers informed Sir Cyril’s team that his company in Australia had seen a reduction in counterfeit product following the introduction of standardised packaging in that country<sup>14</sup>.

**3.19** With all packaging being identical bar the brand name under the proposals, counterfeiters would only require one template to work from, with only the name needing to change in order to produce different brands. This is likely to make the production of counterfeit packaging cheaper for criminals and a viable option for a larger number of OCGs. However, the requirement to include larger health warnings as a result of the Tobacco Products Directive will add an additional complicating factor that will increase costs for counterfeiters and will offset the reduced cost of producing standardised packaging.

**3.20** Futures analysis suggests it is possible that the introduction of standardised packaging will lead to increased attempts by OCGs to infiltrate counterfeit product into the legitimate supply chain. With product being kept out of sight because of the display ban and with less detail on the packaging, it will be harder for consumers to tell if they have purchased legitimately manufactured tobacco or counterfeits.

**3.21** Furthermore, futures analysis also suggests if OCGs are able to infiltrate the low-level supply chain at the local retail stage retailers will become unknowingly involved in the sale of counterfeit tobacco. Some retailers are likely to take advantage of standardised packaging to deliberately sell illicit tobacco. Retailers might use the excuse of a lack of knowledge and ability to differentiate a legitimate from a counterfeit packet as cover for selling illicit tobacco, even if law enforcement agencies have the capability to identify genuine product.

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<sup>13</sup> Standardised packaging of tobacco – Report of the independent review undertaken by Sir Cyril Chantler (April 2014), p.6

<sup>14</sup> Ibid., p.34





The Potential Impact of Standardised Packaging on the UK  
Illicit Tobacco Market

Summary of 2014 Evidence Review

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| Document Title   | Description  | Overview of Commissioners and Approach   | Assessed Impact on HMRC Futures Findings |
|--|--|--|--|
| <b>Standardised Packaging for Tobacco Products</b><br>Department of Health – Impact Assessment   | Consideration of three policy options: <ul style="list-style-type: none"> <li>- Maintain status quo</li> <li>- Require standardised packaging</li> <li>- Defer decision</li> </ul> | Commissioned by Department of Health with a focus on public health. Based on the judgement of subject matter experts regarding the likely impact of standardised packaging on: <ol style="list-style-type: none"> <li>i) the number of smokers and/or</li> <li>ii) the number of children trying smoking</li> </ol>  | Strengthened confidence                  |
| <b>The Impact of Plain Packaging on the Illicit Trade in Tobacco Products</b><br>Professor Peggy Chaudhry and Professor Alan Zimmerman | JTI commissioned report by two academics to consider whether standardised packaging risks exacerbating the illicit trade in tobacco products                                       | Commissioned by JTI. Compiled by two independent academics using methodology: <ul style="list-style-type: none"> <li>- Assessment of the nature of the global illicit trade of products generally, including the size of the global illicit market, trends, challenges, and the societal impact of illicit trade through the authors' expertise and experience</li> <li>- The application of authors' knowledge to the illicit trade in tobacco products.</li> <li>- Using knowledge from above, reaching an informed conclusion on whether a plain packaging measure would worsen the illicit trade in tobacco products and, if so, why.</li> </ul> | Strengthened confidence                  |
| <b>Illicit Tobacco in Australia</b><br>KPMG Report   | Report on illicit tobacco consumption in Australia for PMI, ITL and BAT  | Commissioned jointly by the four main Tobacco Manufacturers (JTI, BAT, PMI and ITL). All four companies provided data for the study for the first time, which provided KPMG with comprehensive data set to study.  | Strengthened confidence                  |
| <b>Home Affairs Committee: Written evidence</b>  | Written evidence accepted by the Home Affairs Committee for the Tobacco smuggling inquiry  | Contains evidence from both sides of the argument.   | Strengthened confidence                  |
| <b>Smuggling the tobacco industry and plain packs</b><br>Luk Joossens, November 2012   | Evaluation of the impact of standardised packaging on the tobacco industry and smuggling of illicit product.   | Author is an academic expert on illicit tobacco but has worked closely with anti-smoking groups across Europe.   | Strengthened confidence                  |

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| <b>Guidelines for implementation of Article 5.3 of the WHO Framework Convention on Tobacco Control</b>   | Guidelines on the protection of public health policies with respect to tobacco control  | Focused on protecting public health   | No impact on position   |
| <b>Note of meeting Imperial Tobacco Limited and the DoH</b>  | Minutes of meeting on DoH's Impact Assessment.  | Not applicable  | No impact on position   |
| <b>Department of Health Reference: DE00000766568</b>   | Freedom of Information Act 2000 request (requestor unknown) for details of meetings between DH and Tobacco Manufacturers in 2013.             | Not applicable  | No impact on position   |
| <b>“Document 2013-05-02-110749”</b>  | Japan Tobacco International (JTI) briefing note on potential impact of standardised packaging on Government revenue and businesses in the UK. | Commissioned by JTI. Explicitly references their position on standardised packaging (“categorically opposed”)   | Strengthened confidence |
| <b>Project SUN Report</b>  | Study estimating the scale and development of the illicit cigarette market in Europe. Produced by KPMG for four main TMs.                     | Commissioned jointly by the four main Tobacco Manufacturers (JTI, BAT, PMI and ITL).<br><br>Based on a comprehensive dataset provided by all four companies.  | Strengthened confidence |
| <b>Appendix A - Selecting the Evidence to Fit the Policy - An Evaluation of the Department of Health’s Consultation on Standardised Tobacco Packaging</b><br>Rupert Darwal   | Analysis of Department of Health’s (DH) 2012 consultation on standardised packaging.  | Reports commissioned and funded by Phillip Morris International Reports incorporate an extensive range of data and information sources (e.g. industry reporting, academic material and open source) and varied collection methodologies (e.g. various surveys and expert assessment). | Strengthened confidence |
| <b>Appendix B - Alfred Kuss comments concerning “Impact of plain packaging of tobacco products on smoking in adults and children: an elicitation of international experts’ estimates”</b><br>Pechey, Spiegelhalter and Marteau | Academic evaluation of the design and results of the Pechey et al. (2013) study.  |   |                         |
| <b>Appendix C - Impact of Plain Packaging on Small Retailers, Final Report Prepared for Philip Morris Limited</b><br>Roy Morgan Research   | Assesses level of impact on small retailers in Australia following introduction of standardised packaging of tobacco products.                |   |                         |
| <b>Appendix D - Quantification of the economic impact of plain packaging for tobacco products in the UK - Report for Philip Morris Ltd</b><br>The Centre for Economics and Business Research (CEBR)                            | Estimation of the impact standardised packaging on the UK economy.  |   |                         |

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| <p><b>Appendix E - Empty Discarded Pack Collection UK Q4-2012 Market Survey Report</b></p>                                | <p>Summarises results of a survey involving the collection of discarded tobacco packs.</p>  |  |  |
| <p><b>Appendix F - The impact of standardized packaging on the illicit trade in the UK</b><br/>SKIM Consumer Research</p> | <ul style="list-style-type: none"> <li>- Evaluates the impact of the introduction of standardised packaging on the UK legal and illegal market.</li> <li>- Assesses the willingness of consumers to purchase packs from the “black market” in a standardised packaging scenario.</li> </ul> |  |  |

**Other documents**

We also reviewed a number of documents provided to Indirect Tax by the **Australian Customs and Border Protection Service**. These however related to a specific element of the impact of standardised packaging in Australia, namely risks related to duty-paid imported tobacco products that were not compliant with the Tobacco Plain Packaging Act 2011.

We also reviewed documents containing comments from **Australian Customs and Border Protection Service** and the **Australian Department of Health** to the Senate Affairs Questions on Notice about levels of illicit trade. These did not have an impact on our findings.

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