

D+H



Japan Tobacco International

Rt Hon Vince Cable MP
Secretary of State for Business, Innovation & Skills
Department for Business, Innovation & Skills
1 Victoria Street
London
SW1H 0ET

30th April 2012

Dear Secretary of State,

Japan Tobacco International (JTI): plain packaging and our response to comment from the Secretary of State for Health

I am writing to you to protest in the strongest terms at the comments made in The Times newspaper on 13th April 2012 by your Cabinet colleague, Andrew Lansley, Secretary of State for Health. In the Times article, a copy of which is enclosed, Mr Lansley is quoted as saying: *"We don't work in partnership with the tobacco companies because we are trying to arrive at a point where they have no business in this country"*.

This statement was made in connection with the Department of Health's consultation on standardised packaging of tobacco products published on Monday 16th April 2012. Given that the Department of Health has not issued either a clarification or correction, it must be assumed that this quote is accurate and that he is prepared to stand by it publicly.

The Health Secretary maintained in the same article that he was *"open-minded"* about the consultation, but this is hard to believe given his position that tobacco companies should have *"no business"* in the UK. Statements like this call into question whether this can be regarded as a genuine consultation exercise at all.

JTI in the UK

As a major employer in the UK, we find these comments deeply offensive and inappropriate. It will come as no surprise to you that the Health Secretary's statement has caused significant concern to all of our 1,800 UK employees.

In the UK, JTI employs around 310 people at our Weybridge Head Office, 315 in our national sales team, 73 at our distribution centre in Crewe, 205 at our Business Service Centre in Manchester, and almost 1000 highly-skilled workers at our Lisnafillan factory in Northern Ireland. Between 2007-2014, we will invest over £180 million in our manufacturing plant, providing business for in excess of 250 Northern Ireland companies, with total spending of over £30 million locally.

In 2011, JTI's tax contributions amounted to over £4 billion, including Excise Duty and income tax. Collectively, the tobacco industry helps to deliver around £12 billion a year in tax revenue to the Government.

The implication that the Government has in place a policy to eradicate both a legal product and legitimate sector that directly employs 5,000 people in the UK, and indirectly employs around 66,000 people, during an economic downturn, is frankly astonishing. This is

Gallaher Limited is the registered trading company for JTI in the UK
Registered in England number 01501573
Members Hill, Brooklands Road, Weybridge, Surrey, KT13 0QU, UK
Telephone 01932 372000 Fax 01932 372508
For more information on Japan Tobacco International visit www.jti.com

particularly the case given that the Prime Minister has made the protection of British jobs and the promotion of high levels of private sector employment a key policy objective.

We would urge the Department for Business, Innovation and Skills to take note of the many legitimate businesses - including thousands of retailers and many more businesses in the supply chain such as wholesalers, packaging manufacturers and design agencies - which have made clear their concerns regarding the potential impact of standardised packaging of tobacco products, and ensure that their voices are heard.

Impact on the illicit trade in tobacco

JTI is a partner in the Government's *Tackling Tobacco Smuggling* strategy, working with HM Revenue & Customs to develop an improved and shared understanding of the illicit tobacco market in the UK.

We are, however, extremely concerned that standardised packaging could exacerbate the illicit trade in tobacco, which is already losing the Treasury up to £3.1 billion in revenue a year. The criminals involved in counterfeiting are already capable of producing copies of branded products. It follows that plain packaging would only make this easier and cheaper to do because mastering just one design would allow the reproduction of each brand on the market for the long-term. Legitimate manufacturers such as JTI would not be able to implement any pack modifications that would normally serve as barriers to market entry for counterfeiters.

We note that there already seems to be clear tension between comments made by Anne Milton MP, Public Health Minister, stating publically in an Adjournment Debate (17th April 2012) that *"this proposal will make absolutely no difference to [counterfeiting]"*, and the Department of Health's own Impact Assessment, published alongside the consultation, which states *"it may be argued that standardised tobacco packaging would be easier and cheaper to copy, so increasing the supply of illicit tobacco"* (paragraph 78, p.20).

Non-engagement with the tobacco sector

The Health Secretary's comment that the Government does *"not work in partnership with the tobacco companies"* also calls into question the extent to which the views of companies such as JTI, its employees and related businesses in the UK will be given the consideration they deserve as part of the current consultation on standardised packaging.

It has been four years since the Tobacco Manufacturers' Association has had a meeting with officials from the Department of Health, and recent requests for a meeting on a purely scientific basis have been repeatedly refused.

In addition, the Public Health Minister recently said the following in Parliament: *"Since May 2011, Ministers at the Department have received a number of letters from tobacco manufacturers...Consistent with obligations as a party to the World Health Organisation's Framework Convention on Tobacco Control (FCTC) and in accordance with the guidelines for the implementation of article 5.3 of the FCTC, Health Ministers have not had any meetings with tobacco manufacturers."* (Hansard citation: HC Deb, 9 February 2012, c427W).

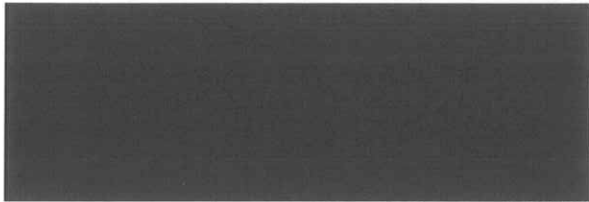
FCTC Article 5.3 says that *"in setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law."*

There is no justification for excluding the views of tobacco companies such as JTI and it is inappropriate for Article 5.3 of the FCTC to be used as a means of preventing legitimate stakeholder involvement in the regulatory decision-making process. On the contrary, Article 5.3 seeks to protect the legislative process from undue influence and provides an opportunity to improve transparency, inclusivity and integrity of the regulatory process by using principles of good governance, principles which JTI supports. Article 5.3 certainly does not call for the eradication of a legitimate business sector.

The reason for my letter is to seek confirmation that the Cabinet has not agreed the position outlined by the Secretary of State for Health as official Government policy, with the intention of ensuring JTI does not have any business in the UK; furthermore, that the commercial interests of the tobacco sector and associated businesses, which supply products and services to the sector, are fully represented in cross-Government discussions regarding the proposals for standardised packaging for tobacco products.

I look forward to hearing from you.

Yours sincerely



Head of Corporate Affairs & Communications, JTI UK

cc: Mark Prisk MP, Minister of State for Business, Innovation & Skills
Graeme Sandell, Department for Business, Innovation & Skills



Japan Tobacco International

Mark Prisk MP
Minister of State for Business and Enterprise
Department for Business, Innovation & Skills
1 Victoria Street
London
SW1H 0ET

30th April 2012

Dear Minister /

Japan Tobacco International (JTI): plain packaging and our response to comment from the Secretary of State for Health

I am writing to you to protest in the strongest terms at the comments made in The Times newspaper on 13th April 2012 by your Cabinet colleague, Andrew Lansley, Secretary of State for Health. In the Times article, a copy of which is enclosed, Mr Lansley is quoted as saying: *"We don't work in partnership with the tobacco companies because we are trying to arrive at a point where they have no business in this country"*.

This statement was made in connection with the Department of Health's consultation on standardised packaging of tobacco products published on Monday 16th April 2012. Given that the Department of Health has not issued either a clarification or correction, it must be assumed that this quote is accurate and that he is prepared to stand by it publicly.

The Health Secretary maintained in the same article that he was *"open-minded"* about the consultation, but this is hard to believe given his position that tobacco companies should have *"no business"* in the UK. Statements like this call into question whether this can be regarded as a genuine consultation exercise at all.

JTI in the UK

As a major employer in the UK, we find these comments deeply offensive and inappropriate. It will come as no surprise to you that the Health Secretary's statement has caused significant concern to all of our 1,800 UK employees.

In the UK, JTI employs around 310 people at our Weybridge Head Office, 315 in our national sales team, 73 at our distribution centre in Crewe, 205 at our Business Service Centre in Manchester, and almost 1000 highly-skilled workers at our Lisnafillan factory in Northern Ireland. Between 2007-2014, we will invest over £180 million in our manufacturing plant, providing business for in excess of 250 Northern Ireland companies, with total spending of over £30 million locally.

In 2011, JTI's tax contributions amounted to over £4 billion, including Excise Duty and income tax. Collectively, the tobacco industry helps to deliver around £12 billion a year in tax revenue to the Government.

The implication that the Government has in place a policy to eradicate both a legal product and legitimate sector that directly employs 5,000 people in the UK, and indirectly employs around 66,000 people, during an economic downturn, is frankly astonishing. This is

Gallaher Limited is the registered trading company for JTI in the UK
Registered in England number 01501573
Members Hill, Brooklands Road, Weybridge, Surrey, KT13 0QU, UK
Telephone 01932 372000 Fax 01932 372508
For more information on Japan Tobacco International visit www.jti.com

particularly the case given that the Prime Minister has made the protection of British jobs and the promotion of high levels of private sector employment a key policy objective.

We would urge the Department for Business, Innovation and Skills to take note of the many legitimate businesses - including thousands of retailers and many more businesses in the supply chain such as wholesalers, packaging manufacturers and design agencies - which have made clear their concerns regarding the potential impact of standardised packaging of tobacco products, and ensure that their voices are heard.

Impact on the illicit trade in tobacco

JTI is a partner in the Government's *Tackling Tobacco Smuggling* strategy, working with HM Revenue & Customs to develop an improved and shared understanding of the illicit tobacco market in the UK.

We are, however, extremely concerned that standardised packaging could exacerbate the illicit trade in tobacco, which is already losing the Treasury up to £3.1 billion in revenue a year. The criminals involved in counterfeiting are already capable of producing copies of branded products. It follows that plain packaging would only make this easier and cheaper to do because mastering just one design would allow the reproduction of each brand on the market for the long-term. Legitimate manufacturers such as JTI would not be able to implement any pack modifications that would normally serve as barriers to market entry for counterfeiters.

We note that there already seems to be clear tension between comments made by Anne Milton MP, Public Health Minister, stating publically in an Adjournment Debate (17th April 2012) that *"this proposal will make absolutely no difference to [counterfeiting]"*, and the Department of Health's own Impact Assessment, published alongside the consultation, which states *"it may be argued that standardised tobacco packaging would be easier and cheaper to copy, so increasing the supply of illicit tobacco"* (paragraph 78, p.20).

Non-engagement with the tobacco sector

The Health Secretary's comment that the Government does *"not work in partnership with the tobacco companies"* also calls into question the extent to which the views of companies such as JTI, its employees and related businesses in the UK will be given the consideration they deserve as part of the current consultation on standardised packaging.

It has been four years since the Tobacco Manufacturers' Association has had a meeting with officials from the Department of Health, and recent requests for a meeting on a purely scientific basis have been repeatedly refused.

In addition, the Public Health Minister recently said the following in Parliament: *"Since May 2011, Ministers at the Department have received a number of letters from tobacco manufacturers...Consistent with obligations as a party to the World Health Organisation's Framework Convention on Tobacco Control (FCTC) and in accordance with the guidelines for the implementation of article 5.3 of the FCTC, Health Ministers have not had any meetings with tobacco manufacturers."* (Hansard citation: HC Deb, 9 February 2012, c427W).

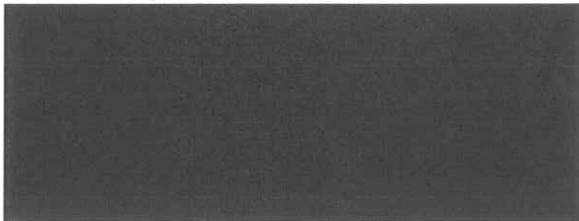
FCTC Article 5.3 says that 'in setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law.'

There is no justification for excluding the views of tobacco companies such as JTI and it is inappropriate for Article 5.3 of the FCTC to be used as a means of preventing legitimate stakeholder involvement in the regulatory decision-making process. On the contrary, Article 5.3 seeks to protect the legislative process from undue influence and provides an opportunity to improve transparency, Inclusivity and Integrity of the regulatory process by using principles of good governance, principles which JTI supports. Article 5.3 certainly does not call for the eradication of a legitimate business sector.

The reason for my letter is to seek confirmation that the Cabinet has not agreed the position outlined by the Secretary of State for Health as official Government policy, with the intention of ensuring JTI does not have any business in the UK; furthermore, that the commercial interests of the tobacco sector and associated businesses, which supply products and services to the sector, are fully represented in cross-Government discussions regarding the proposals for standardised packaging for tobacco products.

I look forward to hearing from you.

Yours sincerely



Head of Corporate Affairs & Communications, JTI UK

cc: Rt Hon Vince Cable MP, Secretary of State for Business, Innovation & Skills
Graeme Sandell, Department for Business, Innovation & Skills

2 - MAY 2012

D-OM



Japan Tobacco International

Chloe Smith MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

30th April 2012

Dear Chloe

Japan Tobacco International (JTI): plain packaging and our response to comment from the Secretary of State for Health

I am writing to you to protest in the strongest terms at the comments made in The Times newspaper on 13th April 2012 by your Cabinet colleague, Andrew Lansley, Secretary of State for Health. In the Times article, a copy of which is enclosed, Mr Lansley is quoted as saying: "We don't work in partnership with the tobacco companies because we are trying to arrive at a point where they have no business in this country".

This statement was made in connection with the Department of Health's consultation on standardised packaging of tobacco products published on Monday 16th April 2012. Given that the Department of Health has not issued either a clarification or correction, it must be assumed that this quote is accurate and that he is prepared to stand by it publicly.

The Health Secretary maintained in the same article that he was "open-minded" about the consultation, but this is hard to believe given his position that tobacco companies should have "no business" in the UK. Statements like this call into question whether this can be regarded as a genuine consultation exercise at all.

JTI in the UK

As a major employer in the UK, we find these comments deeply offensive and inappropriate. It will come as no surprise to you that the Health Secretary's statement has caused significant concern to all of our 1,800 UK employees.

In the UK, JTI employs around 310 people at our Weybridge Head Office, 315 in our national sales team, 73 at our distribution centre in Crewe, 205 at our Business Service Centre in Manchester, and almost 1000 highly-skilled workers at our Lisnaffillan factory in Northern Ireland. Between 2007-2014, we will invest over £180 million in our manufacturing plant, providing business for in excess of 250 Northern Ireland companies, with total spending of over £30 million locally.

In 2011, JTI's tax contributions amounted to over £4 billion, including Excise Duty and income tax. Collectively, the tobacco industry helps to deliver around £12 billion a year in tax revenue to the Government.

The implication that the Government has in place a policy to eradicate both a legal product and legitimate sector that directly employs 5,000 people in the UK, and indirectly employs around 66,000 people, during an economic downturn, is frankly astonishing. This is

Gallaher Limited is the registered trading company for JTI in the UK
Registered in England number 01501573
Members Hill, Brooklands Road, Weybridge, Surrey, KT13 0QU, UK
Telephone 01932 372000 Fax 01932 372508
For more information on Japan Tobacco International visit www.jti.com

particularly the case given that the Prime Minister has made the protection of British jobs and the promotion of high levels of private sector employment a key policy objective.

We would urge HM Treasury to take note of the many legitimate businesses - including thousands of retailers and many more businesses in the supply chain such as wholesalers, packaging manufacturers and design agencies - which have made clear their concerns regarding the potential impact of standardised packaging of tobacco products, and ensure that their voices are heard.

Impact on the illicit trade in tobacco

JTI is a partner in the Government's *Tackling Tobacco Smuggling* strategy, working with HM Revenue & Customs to develop an improved and shared understanding of the illicit tobacco market in the UK.

We are, however, extremely concerned that standardised packaging could exacerbate the illicit trade in tobacco, which is already losing the Treasury up to £3.1 billion in revenue a year. The criminals involved in counterfeiting are already capable of producing copies of branded products. It follows that plain packaging would only make this easier and cheaper to do because mastering just one design would allow the reproduction of each brand on the market for the long-term. Legitimate manufacturers such as JTI would not be able to implement any pack modifications that would normally serve as barriers to market entry for counterfeiters.

We note that there already seems to be clear tension between comments made by Anne Milton MP, Public Health Minister, stating publically in an Adjournment Debate (17th April 2012) that *"this proposal will make absolutely no difference to [counterfeiting]"*, and the Department of Health's own Impact Assessment, published alongside the consultation, which states *"it may be argued that standardised tobacco packaging would be easier and cheaper to copy, so increasing the supply of illicit tobacco"* (paragraph 78, p.20).

Non-engagement with the tobacco sector

The Health Secretary's comment that the Government does *"not work in partnership with the tobacco companies"* also calls into question the extent to which the views of companies such as JTI, its employees and related businesses in the UK will be given the consideration they deserve as part of the current consultation on standardised packaging.

It has been four years since the Tobacco Manufacturers' Association has had a meeting with officials from the Department of Health, and recent requests for a meeting on a purely scientific basis have been repeatedly refused.

In addition, the Public Health Minister recently said the following in Parliament: *"Since May 2011, Ministers at the Department have received a number of letters from tobacco manufacturers...Consistent with obligations as a party to the World Health Organisation's Framework Convention on Tobacco Control (FCTC) and in accordance with the guidelines for the implementation of article 5.3 of the FCTC, Health Ministers have not had any meetings with tobacco manufacturers."* (Hansard citation: HC Deb, 9 February 2012, c427W).

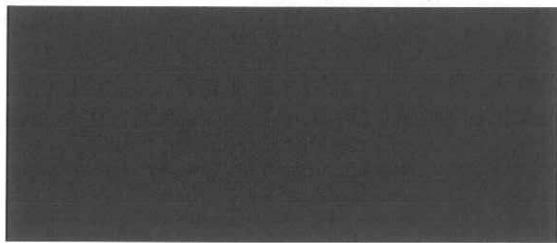
FCTC Article 5.3 says that 'in setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law.'

There is no justification for excluding the views of tobacco companies such as JTI and it is inappropriate for Article 5.3 of the FCTC to be used as a means of preventing legitimate stakeholder involvement in the regulatory decision-making process. On the contrary, Article 5.3 seeks to protect the legislative process from undue influence and provides an opportunity to improve transparency, inclusivity and integrity of the regulatory process by using principles of good governance, principles which JTI supports. Article 5.3 certainly does not call for the eradication of a legitimate business sector.

The reason for my letter is to seek confirmation that the Cabinet has not agreed the position outlined by the Secretary of State for Health as official Government policy, with the intention of ensuring JTI does not have any business in the UK; furthermore, that the commercial interests of the tobacco sector and associated businesses, which supply products and services to the sector, are fully represented in cross-Government discussions regarding the proposals for standardised packaging for tobacco products.

I look forward to hearing from you.

Yours sincerely



Head of Corporate Affairs & Communications, JTI UK

cc: Rt Hon George Osborne MP, Chancellor of the Exchequer
Christina Hart, HM Treasury
Andy Leggett, HM Revenue & Customs

Plain packs next step 'to drive out tobacco trade'

Anushka Asthana
Chief Political Correspondent

Andrew Lansley has declared that he wants tobacco companies to have "no business" in the UK, as he paves the way for plans that could strip cigarette packets of all branding.

The Health Secretary is to launch a consultation into whether plain packaging could drive down the appeal of tobacco, particularly among young people, in a move that will enrage the smoking lobby.

Mr Lansley warned that 5 per cent of 11 to 15-year-olds were regular smokers, and said that the habit was responsible for almost 100,000 deaths in the UK each year. Tackling it would be one of the best ways to boost the health of Britons. Some people thought that the smoking ban had solved the problem,

but it had only triggered a one-off reduction that was not repeated in subsequent years. "We want to go further, faster," Mr Lansley told *The Times*.

If plain packaging is introduced it will be the latest measure after the scrapping of vending machines, a ban on tobacco being displayed in large shops, a block on advertising, picture warnings on packs, and raising the age of sale to 18. There has also been a push to stop smoking in cars or in homes with children.

The consultation will set the Health Secretary on a collision course with some MPs and lobby groups, who will cite it as another example of the "nanny state". But Mr Lansley told *The Times* that, unlike in the case of alcohol and fattening food, there was "no harmless level of tobacco smoking". "We don't work in partnership with the tobacco companies because we are trying to arrive at a point where they have no business in this country," he said.

Although the habit is legal and some people actively want to smoke, Mr Lansley claimed that an "amazing" number would prefer to give up.

The consultation document, which will be published on Monday, reveals how branded tobacco packets create "smoker identity", with some seen as

"cool" and "popular". Many smokers associate popular brands with a higher quality product. Companies use colours and logos to boost profits, it adds, pointing to the £60 million increase in sales of Lambert & Butler in the UK after it introduced the Celebration Pack. Mr Lansley said that he was "open-minded" about the consultation, which would also look into whether plain packaging could boost illegal sales of cigarettes. But he claimed that attractive packaging did help to recruit smokers.

Australia has already legislated for a ban but it is not in place yet.

The Health Secretary said that tobacco companies used their brands to instigate a form of advertising, by paying money to have the colours and designs in other places to trigger a memory. "They are not advertising cigarettes but they are carrying the colour," he said.

