



## **Department of Health Consultation on the Future of Tobacco Control**

**This response is submitted by Unite the Union. Unite is the UK's largest trade union with 2 million members across the private and public sectors. The union's members work in a range of industries including manufacturing, financial services, print, media, construction, transport and logistics and local government, education, health and not for profit sectors.**

### **Executive Summary**

- The UK tobacco industry is highly profitable for the Treasury, generating tax revenue of £10 billion.
- There are currently 6,500 people working in the tobacco sector and supports a supply chain of 80,000 people in the UK alone.
- The tobacco sector is the top contributor to the UK's balance of trade, and exports goods worth £984 million.
- The illegal trade in tobacco products is costing the UK tax payer and the public sector £4.3 billion.
- Since 1970 job losses in the sector have amounted to 40,000 in the UK alone. Unite believes there would have been government intervention if this had happened in any other manufacturing industry.
- The UK has one of the highest tobacco taxation levels in the world and this is clearly driving the growth in illegal unregulated tobacco products.
- There is a clear and insidious link between the illegal counterfeit tobacco trade and organised crime.

- Unite members believe that the new proposed set of tobacco controls will not stop people buying tobacco products, they will simply buy from the cheaper, illegal and unregulated market.
- Unite believes government measures are neither logical nor strategic for protecting children and young people from tobacco products. Tobacco control measures have clearly given children and young people an alternative, cheaper and unregulated access to illegal tobacco products.

## **1 Introduction**

1.1 Unite welcomes the opportunity to respond to the Department of Health consultation on the future of tobacco control. Unite is the largest union in the UK with 2 million members across the private and public sectors. The union's members work in a range of industries including manufacturing, financial services, print, media, construction, transport and logistics and also local government, education, health and not for profit sectors.

1.2 Unite has a long history of supporting and protecting the interests of members who work for the tobacco sector. These members have seen first hand the impact of a sea change in the social acceptance of smoking and the acknowledgement by many of the health risks associated with smoking. Workers in the tobacco sector across the world are losing their jobs and their livelihoods as a result of increasing state intervention in what purports to be a global free market economy.

1.3 The consultation sets out a number of key areas around further tobacco control that the government considers need addressing. Unite would like to respond to some of these proposals and underline how these proposals will impact on our members, their jobs and the economic stability of their communities. Unite will also address how government should be prepared to effect a strategic and logical approach to the

implementation of any further controls on the tobacco industry by addressing fully the problem of illicit trade and smuggling in the tobacco market.

1.4 The UK tobacco industry employs over 6,500 people in the UK and supports a supply chain of over 80,000 jobs in packaging, distribution, retailing and sales . The industry contributes tax revenue of £10 billion , is the top contributor to the UK's balance of trade and exports goods worth £984 million . In 2005/6 non-UK duty paid (NUKDP) sales lost the Inland Revenue as much as £4.3 billion

1.5 It is clear from the above statistics that the tobacco industry contributes substantially to the UK economy, what is not clear is where the UK government will go to re-coup the loss of revenue if the proposed controls are implemented. Unite believes that government has a clear responsibility to ensure that the jobs of tobacco workers and the supply chain are taken into consideration when deciding on any further controls and also, that the fiscal impact on the Treasury and public spending are considered.

## **2 Illegal and counterfeit trade in the tobacco market**

2.1 Consumer spending on tobacco products in 2007 amounted to £12.6 billion tax revenue raised on these sales amounted to £10 billion . The total tax burden (excise duty plus VAT) accounts for 90% of the price of cigarettes on sale in the UK.

2.2 The UK experiences one of the highest tobacco taxation levels in the world. As a consequence there is a very high – and growing – level of cross border sales and illegal smuggling of counterfeit tobacco products into the UK. It is estimated that in 2007 around 27% of cigarettes and 68% of hand rolling tobacco consumption was non-UK duty paid .

2.3 A disproportionate amount of NUKDP sales come from other European Union member states where prices are significantly lower due to lower

rates of taxation. HM Revenue and Customs estimate that in 2005/6 NUKDP consumption lost the Treasury tax revenue of £4.3 billion .

2.4 However, the majority of counterfeit and illegal cigarettes come from non-EU countries, in particular Russia, China and South East Asia. Smuggling and counterfeiting is an incredibly lucrative global business, which in turn is fuelling organised crime a number of stakeholders in the UK Tobacco industry believe that the high levels of taxation in the UK are exacerbating and increasing the smuggling of tobacco products.

2.5 Unite members are clear that government has not done enough to address the problems with smuggled tobacco products and does not have a clear picture of the level of smoking in the UK because of this. They also believe that the statistical analysis government and the Department of Health have used to create the proposed new set of tobacco controls are flawed.

2.6 If the tobacco industry slides further into an illegal, unregulated market government will not be able to address the growing problems around loss of revenue, the significant health issues associated with counterfeit tobacco and the impact on manufacturing jobs, sales and retailing within the sector. It is clear that the scale of the profits to be made from cigarette smuggling is comparable with that of drug smuggling but without the risks, penalties and censure than those that apply with drugs

2.7 Unite members believe that with this new raft of controls, people will still smoke. They will simply go elsewhere for their tobacco products. The extent of illegal sales and counterfeit tobacco products seriously undermines the government's policy of setting tobacco duty progressively higher to discourage smoking and also actively forces a situation where legitimate jobs within the sector are undermined and put at risk. Unite believes this situation is untenable and government has a responsibility to do all it can to stop the illegal smuggling of tobacco products.

2.8 Government cannot be unsympathetic to the loss of jobs in the tobacco industry; current estimates put the figure of job losses since 1970 at over 40,000 in the UK alone, when they are clearly not tackling the problem of smuggling and its link to organised crime. This level of job losses would not be tolerated in any other industrial sector of UK manufacturing.

### **3 Packaging of tobacco products: the use of plain packaging.**

3.1 There are clear indications from government that the proposed introduction of plain packaging is seen as a way of reducing the attractiveness of cigarettes to children and young people. Unite sees this move by government as completely disingenuous. It is the accessibility of tobacco products, not whether they are printed on attractive glossy paper which is at the heart of the issue.

3.2 Unite believes that government has been derelict in its lack of consideration of other stakeholders in the tobacco industry, especially those in the manufacturing sector. The packaging sector in the UK has already had to invest substantial sums of money for the implementation of new legislation concerning the introduction of picture packs carrying further government health warnings.

3.3 Belgium was the first country to implement this legislation and the UK will be adopting these legislative requirements in October 2008. The current legislation means packaging companies are obliged to move to implementing additional printing units to enable them to adapt to the creation of picture packs.

3.4 The new proposals to have plain cigarette packs will not only affect the printing companies but will also have a huge impact on design, origination, cylinder production, engraving, embossing and creasing and also the distribution, palletising and transportation companies involved in the industry.

3.5 At present there are 10-12 colours on the presses; government is talking about plain packaging changes that will mean only using around 5 colours, 50% less design, origination, cylinders and engravers. 40% of the new machinery that has been invested in to provide for current legislation concerning picture packs will now be obsolete or lying idle. It should also be mentioned that this machinery is incredibly difficult to adapt for the use of any other manufacturing process.

3.6 With this level of change within the industry, Unite has serious concerns about existing tobacco companies pulling out of the UK completely and moving to positions in Central and Eastern Europe, Russia, China or the Far East. This re-positioning of the market will mean even more job losses in the UK and Europe. Unite members are also concerned that the implementation of this proposed legislation will mean existing 5 year contracts will disappear and there will be a shift to 3 year contracts because of the volatility and change going on in the industry.

3.7 Big companies will not invest in new technology, will not implement new ways of working, will ignore innovation and will refuse to train and up-skill existing workers. This is clearly unacceptable and Unite believes the accountability for this negative change can be laid squarely at the door of government and their lack of commitment to workers in the UK manufacturing sector.

3.8 There have been numerous approaches to government from the tobacco companies and trade unions about alternative ways to deal with the problems involved with smoking and young people. The introduction of plain packaging is not one of them.

#### **4 Training and skills**

4.1 Unite has consistently worked with government, employers and other stakeholders to raise the issue of skills shortages and to highlight the problems with skills and training in the manufacturing sector.

4.2 Government has acknowledged the crucial role trade unions have played in increasing workers opportunities to further their training and development with the trade union learning fund and union learning reps.

4.3 The jobs in the tobacco sector are highly skilled and often unique to the sector. Once these skills are lost it would be almost impossible to get them back. The UK has a growing skills gap and skills shortages across the manufacturing sector. The loss of jobs within the tobacco industry has created a very difficult skills retention problem for the sector.

4.4 New technology introduced because of current government legislation has created a whole new skills set, however no sooner has this work been undertaken than the industry is obliged to change the means of production to accommodate new legislation, new technology and different ways of working. This is clearly detrimental to the UK worker and UK manufacturing in general. There are clear issues with the retention of skills in the tobacco sector that need to be addressed.

4.5 Jobs within the packaging sector are also highly skilled and highly paid. If these jobs are lost they will be lost forever, the training required for these jobs is long and highly intensive. The key to the long term growth of manufacturing in the UK is the training and retention of highly skilled engineers and printing workers in the UK. In this way innovation, research and development and apprenticeships will ensure a vibrant and growing skills base is available for the coming generations of engineers, technicians and designers.

## **5 Unite recommendations**

5.1 Tobacco smuggling must be addressed by government. There is a clear and undeniable link between illegal counterfeit tobacco products and organised crime.

5.2 Government must acknowledge that the illegal tobacco industry completely undermines any proposed or existing public health initiatives.

5.3 Government must address the issue around young people and children having far greater unregulated access to smuggled and counterfeit tobacco products than those currently available in retail outlets and vending machines.

5.4 Government must act on the long term economic effects of the illegal tobacco trade on all stakeholders; from the large tobacco companies through to packaging companies, distribution companies and small retailers. This issue is much wider and no less significant than the health of the nation.

5.5 The Treasury must review the link between high rates of tobacco taxation and the growth of the illegal counterfeit market. There should also be a considered discussion about a strategic move towards European Union tobacco tax harmonisation.

5.6 The current piecemeal approach to tobacco control measures is having a negative economic impact on the wider supply chain which serves the tobacco sector. To counteract this government needs to consider all stakeholders when proposing further changes.

5.7 Unite is extremely concerned that government takes a laissez-faire attitude to the devastating effects current levels of tobacco control are having on the highly skilled jobs in the sector and ultimately in the supply chain.

5.8 Government must act on the skills shortages and issues around skills retention in the sector. Unite also has concerns about apprenticeship programmes in the sector if companies are considering off-shoring or out-sourcing.

5.9 Unite believes the statistical evidence government and the Department of Health are using to draw up future tobacco controls is flawed and needs

to be reviewed with input from all other stakeholders, including trade unions.

**Roger Jeary**  
**Director of Research**  
**Unite the Union**

**Janet Golds**  
**Research Officer**  
**020-7611-2536**  
**[Janet.Golds@unitetheunion.com](mailto:Janet.Golds@unitetheunion.com)**

**Tobacco Consultation**  
**Department of Health**  
**Room 712 Wellington House**  
**133-155 Waterloo Road**  
**London**  
**SE1 8UG**

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