

**Tobacco Products Directive:
The EC's Regulatory Impact Assessment is not sufficiently robust,
Oxera concludes**

Brussels, May 28, 2013 – The Regulatory Impact Assessment (RIA) undertaken by the European Commission on its proposed revisions to the 2001 Tobacco Products Directive (TPD) is not sufficiently robust when reviewed from the perspective of regulatory best practice, including the Commission's own guidelines for RIA's¹, reveals Oxera, an economics consultancy, in a report commissioned by Japan Tobacco International (JTI).

“The aim of Oxera's review was not to question the objectives behind the proposals; we support sound tobacco regulation. However, from the perspective of best practice in public policy, regulation and economic analysis, we concluded that the RIA is not sufficiently robust and contains a number of significant shortcomings”, said Dr. Gunnar Niels, Director at Oxera. “This is not to say that there is no underlying economic case for some of the proposed regulations, or other forms of tobacco regulation. However, a more robust RIA would benefit regulatory decision-making in this area”, he added.

Oxera highlights four key shortcomings:

- **Lack of clarity on the objectives:** While the overall objective of the TPD revision is said to improve the functioning of the internal market, a number of aspects of the proposed regulations seem to go against criteria that are normally considered to be part of a well-functioning market, including innovation, competition, consumer choice and cross-border trade. In fact, most elements of the RIA seem to be driven primarily by public health considerations, identified as an additional objective, rather than the internal market.
- **The baseline scenario is not clearly defined and is not based on available evidence.** The RIA assumes without any supporting evidence that the current trend towards decreasing tobacco consumption will stop if regulations remain unchanged, and that any further reduction in consumption would be attributed to the proposed regulations rather than existing regulations or other factors.

¹ See page 4 and 8 of Oxera's review.

- **Reliance on assumptions rather than evidence:** The RIA assumes that the TPD would result in a 2% reduction in tobacco consumption within five years of the proposed regulation changes. The 2% reduction in tobacco consumption is assumed rather than derived from evidence or from analysis. In addition, the cost-benefit analysis has been applied solely to the final proposed package of measures, rather than to the individual areas separately. This goes against the Commission's own guidelines.²
- **Limited reference to evidence or analysis in the RIA to support the proposals:** There is limited reference to evidence in the RIA to support the proposals on packaging; ingredients and other tobacco products; and track and trace.

Thierry Lebeaux, Head of EU Affairs at JTI, commented: "This report further demonstrates that the Proposal to revise the EU TPD has not been properly thought through. In the interest of quality regulation, we hope that Oxera's conclusions will be taken into consideration before any new measures are voted on", he concluded.

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Click [here](#) to download the review.

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About JTI

JTI, a member of the Japan Tobacco Group of Companies, is a leading international tobacco manufacturer. It markets world-renowned brands such as Camel, Winston and Mevius (Mild Seven). Other global brands include Benson & Hedges, Silk Cut, Sobranie, Glamour and LD. With headquarters in Geneva, Switzerland, and about 25,000 employees worldwide, JTI has operations in more than 120 countries. Its core revenue in the fiscal year ended December 31, 2012, was USD 11.8 billion. For more information, visit www.jti.com.

About Oxera

Oxera is an independent economics consultancy based in Oxford, London and Brussels with more than 30 years of experience in the areas of regulation, competition and finance. During this period, Oxera has built a track record and reputation in analysing public policy, price controls, developing regulatory frameworks in a number of sectors such as energy, water, transport, communications, financial services and health. Oxera has made leading contributions to the development of RIA methodologies in Europe, and has advised the European Commission, national government bodies and private sector clients on RIAs in a variety of industries.

² See page 4 of Oxera's review.