

Part III: PMI, Member States and European Commission (OLAF & Legal service)

Attendees:

- PMI: [REDACTED]
- KPMG: [REDACTED]
- Member States: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Netherlands, Poland, Romania, Slovakia, Slovenia, Spain, Sweden, UK;
- EU: [REDACTED]
- [REDACTED]

Agenda:

1. Welcome and introduction by [REDACTED] ^{OLAF} on OLAF reorganisation,
2. Project Star presentation by PMI and KPMG (see Annex 2),
3. Questions and answers from Member States

1. Welcome and introduction by [REDACTED] ^{OLAF} on OLAF reorganisation

^{OLAF} [REDACTED] outlined the OLAF reorganisation as from 01/02/2012. He informed the audience that, as from 01/02/2012, there was a clear distinction between investigative, policy and legal issues.

^{OLAF} [REDACTED] informed the audience about a general situation at the moment resulting in increased attention and criticism from the Members of the European Parliament on the Agreements which it initially had very much appreciated. However, the achievements of the Agreements have to be emphasised. Further to the above situation and enquiries, OLAF will provide the EP with documents related to the agreements (e.g. minutes of the annual meetings) which Members of the EP can read in a secure reading room.

^{OLAF} [REDACTED] informed the audience about the Communication on the strategy against cigarette smuggling adopted by the College on 6 June 2013. This Communication aims to tackle the increase of the overall share of consumption of illicit tobacco products in the EU.

The focus of the Strategy is made in 4 areas:

- o Decreasing the incentives underpinning the illicit trade;
- o Improving supply chain control measures (in particular, FCTC Protocol);
- o Strengthening enforcement in several areas: risk management and operational actions; IT tools and equipment; cooperation with major source and transit countries outside the EU and sharing of expertise and best practices.
- o Strengthening the disincentives (sanctions).

^{OLAF} [REDACTED] also underlined the importance of the recently finalised FCTC protocol and the involvement in the negotiation and signature process of the European Commission.

Minutes of Annual Meeting with PMI, 2 July 2013, Brussels

2. Project Star presentation by PMI and KPMG (see Annex 2)

3. Questions and answers from Member States

Question from [redacted] Member State 1

[redacted] raised the question on the reasons why this year the figures were released by PMI without consultation with Member States. The significant difference between the figures from KPMG report and MS figures was also pointed out.

PMI

[redacted] replied that in a preliminary meeting with OLAF representatives in March of this year the question of an earlier release had been raised. The reason for this request was the fact that the figures change very quickly and, in order to get the most accurate and up-to-date figures, the Project Star Report should be released much earlier. For the next year he would like produce a report with the input of the 4 manufacturers (PMI, JTI, BAT and ITL). In other words, it will be a joint report.

OLAF

[redacted] reacted to the above, saying that nothing has been agreed as a result of March meeting between PMI and OLAF. He expressed his disappointment as, in the PMI explanation letter sent to OLAF further to the incident, the initial statement from PMI mentioned that the early release was due to a mistake. It appears, after the above [redacted] declaration, that the release has been sent deliberately on this date. He reminded the audience that the initial request on disseminating the figures on around July came from KPMG as, up to them, an earlier release was difficult to be set up. Therefore, the current request for earlier release appears surprising. OLAF and MS need to get a more in-depth dialogue on the release dates. He underlined the importance of the MS's involvement in the process in absence of which the figures of Star Report will have no credibility.

In relation to the combined report from the manufacturers whatever should it be, the Commission and the Members States would have to evaluate such a proposal when it is formally made as this may affect the competition issues of stakeholders.

Member State 2

[redacted] expressed the same concerns as [redacted]

Member State 2

Question from [redacted] Member State 3

[redacted] mentioned that the report contains a warning. They requested some extra consultations to be able to address the issue. [redacted] confirmed that this always been the practice.

OLAF

Question from [redacted] Member State 4

[redacted] underlined that it is very embarrassing to learn the report results from the newspapers.

OLAF

[redacted] added to the above mentioned that the difference between the OLAF/MS and KPMG figures is huge, it represents a gap of 25 per cent. OLAF/MS figures show a decrease of 12% (around 3,8 billion cigarettes seized) while the KPMG points out the increase of 11%.

PMI

[redacted] concluded saying that the illicit trade is not only an economic but also a social issue. He highlighted the importance of a strategy to tackle this issue and the PMI commitment to share results and to continue the fight against illicit trade.