

DFWC Industry Position Paper

14/03/2018

Duty free industry supports the WHO Protocol to Eliminate Illicit Trade in Tobacco Products – duty free retailers are not part of the problem

The Duty Free World Council (DFWC) fully understands, and is committed to, the fight against the illicit trade in tobacco products.

We are fully in favour of the implementation of the provisions of the WHO protocol to eliminate the illicit trade in tobacco products (the Protocol) such as the establishment of licensing, due diligence, establishment of a tracking and tracing system, requirement of record keeping, and security and preventive measures.

The Duty Free industry has a strong record of close-cooperation and partnership with national Customs Authorities which, given the already tight regulation and procedures in place, should be built upon as any additional measures are introduced.

The Duty Free and Travel Retail Industry is frequently confused with other channels.

Duty and Tax Free sales are not 'cross border trade', are not 'duty not paid' and are not 'Free Zone sales'. Legitimate Duty Free tobacco sales take place in a highly regulated retail environment governed by customs allowances, e.g. airports, ports, ferries, cruise ships and land border shops and their operations are governed by national customs authorities.

The Duty Free industry supports the introduction of necessary measures to combat illicit trade and recognises and fully supports the need for countries to take appropriate local criminal and civil action against those who engage in illicit trade.

The purpose of this Protocol is to eliminate illicit trade in tobacco products; it should not be a vehicle for the WHO to achieve other policy objectives such as limiting the availability of legal Duty Free tobacco sales to international travellers. In the case of isolated incidences of illegal behaviour, this should be dealt with by the appropriate national law enforcement and customs authorities.

Duty free is a secure supply chain

The Duty Free industry is already subject to a number of unique and important controls that help secure our channel and contribute to the fight against illicit trade.

Our supply chain is one of the most secure in the world with processes and technologies in place to provide for verification of registration, compliance, certification, review and audit.

- Many Duty Free industry operators have introduced some of the most advanced 'track and trace' technologies to ensure that the origin, intended destination and manufacture information of tobacco products can be traced. Others are in the process of doing the same.
- Duty free retailers maintain supply chain records which are made available to Customs Authorities to review as required.
- Duty Free retailers must retain all documents relating to Duty Free retail and the movement of goods into or out of the Duty Free shop, typically for a period of five years.
- Duty free retailers are subject to substantial financial penalties from Customs Authorities should there be discrepancies in their stock control procedures.

Duty Free World Council

- Duty free retailers are subject to detailed controls by Customs Authorities worldwide to ensure that only eligible travellers are allowed to buy duty free tobacco.

Duty Free retailers are trusted partners of Customs Authorities worldwide

The DFWC is concerned at the implication in Article 13 of the Protocol that duty free sales may be a major source of international illicit tobacco trade. The duty free industry completely refutes this suggestion.

Article 13 also mandates that evidence-based research is to be conducted no later than five years after the entry into force of the Protocol to establish the extent to which the Duty Free industry contributes to the illicit trade of tobacco products.

The DFWC proposes that all the measures set out in the Protocol should be introduced in the countries of all Parties to the Protocol before the evidence-based research study into duty free is commenced. By doing so, it will ensure that the measures agreed by the Parties are given an opportunity to fully take effect before any policy changes are considered.

Duty Free retailers have a long history of full cooperation with customs authorities and should be recognised for the initiatives they have undertaken to secure their supply chain. Our industry should be a full participant in the evidence-based research study, and be given ample opportunity to provide information, data and background details on how the highly-controlled Duty Free channel is organised.

The DFWC is concerned that lack of knowledge of our highly-controlled and transparent industry and confusion with other channels such as Free Zones could lead to policy measures which will severely penalise law-abiding, responsible retailers and other stakeholders. Our industry should not be unfairly targeted as it is already the most secure and controlled retail channel for tobacco products.

Conclusion

1. The evidence-based study requested in Article 13 should only be carried out when the Protocol has been fully implemented and adequate time given for any agreed changes to industry and enforcement practices worldwide. Until then it will be impossible to ascertain if any further policy actions are required. Furthermore all signatory countries must be aligned on the methodology and scope of the study.
2. This study must be carried out in a fair and objective manner with full industry participation. The Duty Free industry has a long and exemplary history of working closely with Customs and enforcement bodies worldwide to ensure security of the industry's supply chain, activity which contributes to the elimination of illicit trade.
3. The DFWC and its members fully support the objective of the Protocol. Our retailers suffer significant economic damage as a result of illicit trade in tobacco.
4. There can be no justification for penalising legitimate, law abiding retailers under a pretext of controlling illicit trade.

About us

Duty Free World Council is the global voice for the duty free and travel retail Industry.

The industry's regional associations from around the globe have come together to form the Duty Free World Council (DFWC) in order to highlight the importance of the duty free and travel retail industry in generating significant levels of employment and in providing vital revenues for the aviation, travel and tourism and maritime sectors. Council objectives include increasing awareness and knowledge of the industry, providing support to the industry's regional associations and developing standards throughout the industry through educational activities.