Implications of the agreement between the Community, Member States and Philip Morris on intensifying the fight against fraud and cigarette smuggling and progress made in implementing the recommendations of Parliament's Committee of Inquiry into the Community Transit System

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The Committee on Budgetary Control adopted the own-initiative report drafted by Bart **STAES** (Greens /ALE, BE) on the implications of the agreement between the Community, Member States and Philip Morris on intensifying the fight against fraud and cigarette smuggling and progress made in implementing the recommendations of Parliament's Committee of Inquiry into the Community Transit System.

Members asked the Commission to: 1) remedy the lack of inspections in transit; 2) consolidate databases, ensure data reliability with regard to fraud and irregularities and find a common approach to risk analysis and physical checks; and 3) continue promoting the achievements of the Philip Morris agreement at European and international level.

The Committee called on the Member States to: 1) harmonise IT applications implementing the CTS, as suggested by the Commission in its legislative proposal on a paperless environment for customs and trade ("eCustoms Decision") (please see COD/2005/0247); 2) stop, in some Member States, the ambiguous practices carried out in some Member States concerning the B accounts; and 3) address, as a matter of urgency, the shortcomings listed by the European Court of Auditors, especially as regards checks on procedure simplifications, enquiries and recoveries.

Members were alarmed by the Commission's conclusion that tobacco products are still among the goods worst hit by fraud and irregularities, as in previous years. They called on the Commission to see to it that retail prices in the now enlarged Union are brought within a narrower band which will make it less profitable to smuggle cigarettes. They also asked OLAF not only to disclose the amounts of seizures but also the brand names involved.

In order to fight more efficiently the illicit trade in cigarettes, the Committee invited the Commission to take further measures: 1) to set up a laboratory enabling law enforcement personnel to check if cigarettes are genuine or not and to collect the results of these checks in a data base of the origins of the tobacco and other components used in those cigarettes; 2) to launch a study and a possible pilot project to identify the best possible technical solution for the identification of original cigarettes which will at the same time ensure that consumers purchase genuine cigarettes and guarantee the highest possible check on fraud; 3) to propose legislation to introduce a system of licensing for the purchase of machines and other equipment for producing cigarettes, and a ban on trade in second hand machines; 4) to establish a platform for all interested parties, including industry and civil society, to find and co-ordinate more effective approaches towards combating the illicit trade of tobacco products, including counterfeit cigarettes.

The Commission was invited to present a comprehensive report on its and Member States' follow-up to this resolution to Parliament's competent committee by the end of 2008.