EXPLANATORY STATEMENT

Select Legislative Instrument 2011 No. 263

Tobacco Plain Packaging Act 2011

Tobacco Plain Packaging Regulations 2011

The *Tobacco Plain Packaging Act 2011* (the Act) is a crucial part of the Australian Government's comprehensive suite of tobacco control measures. The Act removes one of the last forms of tobacco advertising, the retail packaging of tobacco products, by restricting the use of tobacco industry logos, brand imagery, colours and promotional text other than brand and variant names in a standard colour, position, typeface and font size, so as to prevent them from being used as design features to detract attention from health warnings, to mislead about the relative safety of tobacco products, or otherwise to promote the use of tobacco products.

Subsection 109(1) of the Act provides that the Regulations build upon the plain packaging specifications in the Act, to further the objects of the Act.

The purpose of the Regulations is to prescribe additional, more specific, requirements for the appearance of tobacco products and the retail packaging of tobacco products.

The Act is supported by the *Trade Marks Amendment (Tobacco Plain Packaging) Act 2011.* Together, the two Acts ensure tobacco companies can continue to register, maintain and protect their trademarks in Australia. The purpose of the *Trade Marks Amendment (Tobacco Plain Packaging) Act 2011* is to provide a regulation making power in the *Trade Marks Act 1995* so that, if necessary, the Government can quickly remedy any unintended interaction between the Act and the *Trade Marks Act 1995*.

At the same time as mandating plain packaging, the Government is updating and expanding graphic health warnings on tobacco products. The Government is intending to finalise the draft *Competition and Consumer (Tobacco) Information Standard 2011*, made under the *Competition and Consumer Act 2010*, by the end of 2011.

The Government proposes to keep under review, through regular monitoring, the impact of the measures imposed under the Act, the proposed *Competition and Consumer (Tobacco) Information Standard 2011* and the Regulations.

Details of the *Tobacco Plain Packaging Act 2011* and the approach taken in the Regulations are at <u>Attachment A</u>.

Details of the Regulations are set out in Attachment B.

The Act specifies no conditions that need to be satisfied before the power to make the Regulations may be exercised.

The Regulations are a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

The Regulations commence on the commencement of sections 17 to 27A of the Act, which will be on 1 October 2012.

Consultation

The Government consulted broadly on the plain packaging measure, including the specifications in the Regulations.

The Preventative Health Taskforce conducted extensive public consultations in developing and testing its recommendations, including its recommendation to implement plain packaging. Following the release of the Preventative Health Taskforce's final report in September 2009 and the Government's response in May 2010, the Department of Health and Ageing (Department) conducted targeted consultations with relevant stakeholders, including with the tobacco industry about possible anti-counterfeiting measures that might be included in the packaging design, and with retailers on concerns about the handling of plain packaged products in a retail setting.

A public consultation process on the exposure draft of the Bill and an accompanying Consultation Paper commenced on 7 April 2011 and ended on 6 June 2011. The Consultation Paper contained many of the plain packaging specifications that were subsequently incorporated into the Regulations. 265 submissions were received in response to the public consultation process, from a range of stakeholders including public health organisations, non-government organisations, the tobacco industry (manufacturers and importers), tobacco retailers and interested individuals.

The Department also had a number of meetings with cigarette manufacturers and importers in May and June 2011, to discuss the plain packaging specifications included in the exposure draft of the Bill and in the Consultation Paper. Issues raised in submissions to the public consultation and in the Department's meetings with industry informed the drafting of the Regulations.

An initial draft of the Regulations was tabled in the House of Representatives on 6 July 2011, enabling public comment. Following the tabling of the draft Regulations, in August and September 2011 the Department had a number of additional meetings with cigarette manufacturers and importers to discuss plain packaging generally and in particular the specifications contained in the draft Regulations. The Department addressed a number of the issues raised by the cigarette manufacturers in an updated draft of the Regulations tabled in the House of Representatives on 22 September 2011.

Following the tabling of the updated draft, several cigarette manufacturers raised further concerns and the Department again met with those companies to discuss the plain packaging specifications, including the draft Regulations. The Government considered the issues raised by cigarette manfacturers in finalising the Regulations as they relate to cigarettes, and in proposing amendments which were incorporated into the *Tobacco Plain Packaging Act 2011*.

<u>Authority</u>: Subsection 109(1) of the Tobacco Plain Packaging Act 2011

ATTACHMENT A

The Tobacco Plain Packaging Act 2011

Chapter 2 of the Act outlines general requirements for plain packaging of tobacco products, and some specific requirements for cigarette packs and cartons. These general requirements include the prohibition on trade marks on tobacco products and retail packaging, as well as other broad limitations on the appearance of retail packaging.

Chapter 2 of the Act also provides for the Governor-General to make regulations specifying requirements for plain packaging and the appearance of tobacco products among other things, to further the objects of the Act. Many of the restrictive provisions in the Act allow regulations to be made that permit a particular feature of tobacco product appearance or retail packaging that would otherwise be prohibited by the Act. Section 27 also permits the regulations to prescribe requirements in relation to the retail packaging of tobacco products and the appearance of tobacco products to further the objects of the Act.

Section 109 of the Act provides the power for the Governor-General to make regulations prescribing matters required or permitted by the Act to be prescribed, or necessary or convenient to be prescribed for the carrying out or giving effect to this Act.

The Regulations

At this stage, the Regulations set out requirements for the retail packaging and appearance of cigarettes only. There are three main reasons for taking this approach. The first is that the Government continues to consider issues coming out of the public consultation process on the Government's proposed approach to implementing plain packaging for non-cigarette tobacco products, which closed in late 2011. In contrast, the Government completed consultations on its approach to plain packaging for cigarettes earlier in 2011.

Further, the vast majority of tobacco products sold in Australia are cigarettes. As the detailed specifications for the appearance of cigarettes and cigarette retail packaging affect the largest segment of the tobacco product market in Australia, the Government considers it important that the regulations relating to cigarettes are made as soon as possible.

Finally, most of the cigarette brands marketed in Australia are manufactured and packaged locally. This is in contrast to non-cigarette tobacco products, which are mostly manufactured and packaged overseas. For that reason, the offences for manufacture and packaging of non-compliant product in Australia, which commence on 1 October 2012, predominantly affect the cigarette market rather than the non-cigarette tobacco product market. The key compliance date for tobacco products that are imported into Australia is 1 December 2012, the date that the offences for sale of non-compliant tobacco products and tobacco products in non-compliant packaging commence. Because the 1 October 2012 compliance date will predominantly affect cigarette products, it is important that cigarette manufacturers are given early notice

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of the regulations setting out the requirements for the appearance and retail packaging of cigarettes.

The Government is finalising the specifications for plain packaging of non-cigarette tobacco products and proposes to incorporate these into the Regulations in early 2012.

The Regulations are split into three parts.

Part 1 of the Regulations sets out preliminary provisions, including the definitions of terms used in the Regulations that are not already defined in the Act, and the purpose of the Regulations.

Part 2 of the Regulations sets out additional requirements for the retail packaging of tobacco products. The Regulations specify detailed requirements for the physical features of cigarette packs and cartons. These features include maximum and minimum dimensions for cigarette packs and specifications for permitted cigarette pack linings. The Regulations also specify the required colour and finish of the inner and outer surfaces and linings of the retail packaging of cigarettes. The Regulations specify the marks that are permitted to appear on retail packaging of cigarettes, including brand and variant details, other legislative requirements, barcodes, anticounterfeiting origin marks and consumer contact telephone numbers. The Regulations also specify the permitted typeface, font size, colour and location of these marks on the retail packaging of cigarettes.

Part 3 of the Regulations sets out additional requirements for the appearance of tobacco products themselves. These include a requirement that cigarettes must be white (or white with an imitation cork tip), and a provision allowing the printing of an alphanumeric code on cigarettes.

Details of the Tobacco Plain Packaging Regulations 2011

Part 1 – Preliminary

Regulation 1.1.1 – Name of Regulations

This regulation provides that the title of the Regulations is the *Tobacco Plain Packaging Regulations 2011*.

Regulation 1.1.2 – Commencement

This regulation provides for the Regulations to commence on commencement of sections 17 to 27A of the *Tobacco Plain Packaging Act 2011* (the Act). This date will be 1 October 2012.

Regulation 1.1.3 – Definitions

This regulation contains definitions of terms used in the Regulations that are not used in the Act.

'bar code'

The reference to 'bar code' is a broad reference that is intended to capture those markings commonly known as bar codes.

'calibration mark'

A reference to 'calibration mark' in the Regulations is a reference to those marks necessary for retail packaging to be manufactured in an automated fashion. Calibration marks include those marks printed on packaging that are recognised by machinery during the manufacture process and which indicate where packaging materials should be printed, cut or folded.

'lowered permeability band'

The reference to 'lowered permeability band' in regulation 3.1.1 is a reference to a concentric band of paper or other material that is included in, or applied to, a cigarette paper in order to inhibit the burning of the cigarette. This definition is taken from the *Trade Practices (Consumer Product Safety Standard) (Reduced Fire Risk Cigarettes) Regulations 2008.* The purpose of those regulations is to prescribe a consumer product safety standard for cigarettes. Specifically, those regulations establish requirements in relation to the positioning of lowered permeability bands on cigarettes.

'origin mark'

A reference to 'origin mark' is a reference to marks on retail packaging used to distinguish the origin of the tobacco product. The definition expressly excludes a 'best before' or 'use by' date.

'primary packaging'

A reference to 'primary packaging' is a reference to packaging that falls within the meaning of paragraph (a) of the definition of retail packaging in the Act, being 'a container for retail sale in which the tobacco product is directly placed'. A cigarette pack is an example of primary packaging. This definition is for ease of reference when referring to specific categories of retail packaging.

'secondary packaging'

Similar to the meaning of 'primary packaging', a reference to 'secondary packaging' is a reference to packaging that falls within the meaning of paragraph (b) of the definition of retail packaging in the Act, being 'any container for retail sale that contains a smaller container in which the tobacco product is directly placed'. A cigarette carton is an example of secondary packaging. This definition is for ease of reference when referring to specific categories of retail packaging.

'tear strip'

A reference to 'tear strip' is a reference to the narrow plastic strip that is usually attached on the inner surface of plastic wrappers covering primary or secondary packaging. The strip is used to open the package quickly and easily. The second part of the definition is included as regulation 2.5.2 specifies a maximum width for tear strips. This ensures that the tear strip does not include any part of the plastic wrapper that comes away with the tear strip when the wrapper is opened.

Regulation 1.1.4 – Purpose

This regulation sets out the purpose of the Regulations, being to prescribe requirements for the retail packaging and appearance of tobacco products for Part 2 of Chapter 2 of the Act.

Regulation 1.1.5 – Exemption from Trans-Tasman Mutual Recognition Act 1997

This regulation provides that the Act is exempt from the operation of the *Trans-Tasman Mutual Recognition Act 1997*. The purpose of that Act is to recognise within Australia regulatory standards adopted in New Zealand regarding goods and occupations. The exemption prevents products that do not comply with the plain packaging requirements from being sold in Australia, whether or not those products are able to be sold in New Zealand.

The exemption is effective on and from 1 October 2012, being the date that the first offences under the Act commence. The exemption operates for a period of up to 12 months (see subsection 46(4) of the *Trans-Tasman Mutual Recognition Act 1997*).

Regulation 1.1.6 – Application

This regulation provides that the Regulations only apply to the retail packaging and appearance of cigarettes. The requirements for the retail packaging and appearance of other tobacco products are being developed. The Government will propose that these requirements be incorporated into the Regulations in early 2012.

Part 2 – Requirements for retail packaging of tobacco products

Division 2.1 – Physical features of retail packaging

Regulation 2.1.1 – Physical features of cigarette packs

This regulation sets out specific requirements for the physical appearance of cigarette packs, in addition to the general requirements in section 18 of the Act. Research commissioned by the Department of Health and Ageing indicates that elements of pack design such as innovative packaging shape, size and opening create strong associations with level of appeal and perceived traits associated with branding. Other research also shows that smokers' perceptions of the risks of smoking are associated with pack design.¹

The regulation excludes very small packs and tall narrow packs. As outlined below, research shows that pack design is an influential tool for promotion, especially to young adolescents. Market research conducted by the Department of Health and Ageing shows that the smaller design packs are more appealing to smokers for a number of reasons, including that they are more attractive, easier to fit into bags and pockets, and smokers feel they are more discrete when displaying cigarette packs in public. Small packs of cigarettes are particularly popular amongst teenage smokers,² in part because they are easier to fit into bags and to hide.³ In addition, cigarettes targeted at female smokers are often packed in slim, long packs to appear feminine and sophisticated.⁴

The regulation also requires the flip-top lid of a cigarette pack to be hinged at the top of the pack, and prohibits re-sealable flaps or openings under the flip-top lid. The purpose of this restriction is to ensure a uniform packaging format for cigarettes and prohibit novel opening mechanisms, and is consistent with the format of most cigarette packs currently on the Australian market.

Regulation 2.1.2 – Physical features of cigarette cartons

This regulation clarifies that a carton may include a perforated strip for opening the carton which leaves serrations on the edge of a surface when removed. This regulation is included to ensure that such opening mechanisms, which are currently used on some cigarette cartons, continue to be permitted, noting that paragraph 18(2)(c) of the Act otherwise requires all edges of the carton to be straight and not shaped in any way.

Regulation 2.1.3 – Physical features of lining of cigarette packs

This regulation allows texturing or embossing of cigarette pack lining in a standardised format, where such embossing is necessary for the automated manufacture of cigarette packs or the packing of cigarettes into cigarette packs. The embossing must not form patterns, images or symbols, or constitute tobacco advertising and promotion. This regulation is included in response to representations by industry that such embossing is necessary for the cigarette packaging manufacture and packing processes.

Division 2.2 – Colour and finish of retail packaging

Regulation 2.2.1 – Colour and finish of primary packaging and secondary packaging

Section 19 of the Act requires all inner and outer surfaces of primary packaging and secondary packaging, and the lining of a cigarette pack, to be drab dark brown, unless regulations are in force prescribing a colour. This regulation prescribes specific colours for those surfaces of retail packaging and for the lining of a cigarette pack.

This regulation requires all outer surfaces of primary packaging and secondary packaging of cigarettes to be the colour known as Pantone 448C, a drab dark brown colour found in market research to be optimal in terms of decreasing the appeal and attractiveness of tobacco packaging, decreasing the potential of the pack to mislead consumers about the harms of tobacco use, and increasing the impact of graphic health warnings. Inner surfaces of primary packaging and secondary packaging of cigarettes are permitted to be white, which is the ordinary colour of the cardboard packaging material before it is printed.

The regulation also requires the lining of a cigarette pack to be silver coloured foil with a white paper backing, being the colours of the lining material in its ordinary state and consistent with the way most cigarettes are currently packed.

Division 2.3 – Trade marks or marks on retail packaging

Regulation 2.3.1 - Trade marks or marks appearing on retail packaging

Section 20 of the Act contains a general prohibition on marks and trade marks appearing on retail packaging of tobacco products, other than the brand, business or company name for the tobacco products, the variant name for the tobacco products, the relevant legislative requirements (defined in section 4 of the Act as health warnings, fire risk statements, trade descriptions and measurement marks), and other trade marks or marks permitted by the regulations.

Section 22 of the Act prohibits any mark or trade mark appearing on a wrapper covering primary packaging or secondary packaging or a tobacco product for retail sale, other than as permitted by the regulations.

This regulation sets out the marks that are permitted to appear on different categories and formats of retail packaging of tobacco products. A range of marks are permitted on primary packaging and secondary packaging of cigarettes. A more limited number of marks are permitted on wrappers that cover primary packaging or secondary packaging or cover tobacco products directly. The regulation prohibits any permitted trade marks or marks obscuring relevant legislative requirements, or constituting or providing access to tobacco advertising and promotion.

Regulation 2.3.2 – Origin mark

This regulation specifies the requirements for origin marks printed on retail packaging, including detailed requirements for the appearance of alphanumeric codes. Alphanumeric codes are limited to appearing once on the packaging, and for cigarette packs and cigarette cartons must appear on either the side without a health warning or the base of the packaging. The regulation specifies the typeface, font size and colour of alphanumeric codes.

Regulation 2.3.3 - Calibration mark

This regulation provides that a calibration mark on retail packaging must appear only as necessary for the automated manufacture of the packaging, and must be as inconspicuous as possible if visible on the packaging.

Regulation 2.3.4 - Measurement mark and trade description

This regulation specifies the requirements for measurement marks and trade descriptions appearing on retail packaging. 'Measurement mark' and 'trade description' are defined in section 4 of the Act.

For primary and secondary packaging, the typeface, font size and colour of the measurement mark and trade description are specified. For measurement marks and trade descriptions required on wrappers covering more than one item of primary packaging (such as a wrapper covering multiple cigarette packs), only the colour is specified.

The regulation also specifies the surfaces of the retail packaging on which the measurement marks and trade descriptions may appear, and the number of times that those statements may appear.

Regulation 2.3.5 – Bar code

This regulation specifies the requirements for the appearance of bar codes on retail packaging. Bar codes are limited to appearing once on the packaging, and for cigarette packs and cigarette cartons may only appear on the side without a health warning. The regulation specifies permitted colours for bar codes, requires bar codes to be rectangular in shape and prohibits bar codes from forming a picture, symbol or design.

The regulation allows bar codes on wrappers covering more than one item of primary packaging to be printed directly on the wrapper or printed on a label which is affixed to the wrapper, to continue to allow such bar codes to be displayed in their current range of formats.

Regulation 2.3.6 – Fire risk statement

This regulation specifies the requirements for fire risk statements appearing on retail packaging. 'Fire risk statement' is defined in section 4 of the Act.

For primary and secondary packaging, the typeface, font size and colour and permitted location of the fire risk statement are specified. For fire risk statements required on wrappers covering more than one item of primary packaging, only the colour is specified.

The regulation allows the fire risk statement to be printed on an adhesive label which is fixed to the retail packaging, where an adhesive label is permitted under regulation 14 of the *Trade Practices (Consumer Product Safety Standard) (Reduced Fire Risk Cigarettes) Regulations 2008*, or a new standard replacing those regulations made under the Australian Consumer Law.

Regulation 2.3.7 - Locally made product statement

This regulation allows the primary packaging and secondary packaging of tobacco products made or produced in Australia to include one sentence to that effect stating the product's country of origin, the country of origin for components of the product, and/or that components of the product are imported. This regulation is included to mirror the requirement that imported products be marked with a trade description, in response to requests from cigarette manufacturers. The regulation prohibits any other statement descriptive of the product or its components, such as "imported flavoured tobacco" or "premium imported tobacco and quality filters".

Locally made product statements are limited to appearing once on the packaging, and for cigarette packs and cigarette cartons must appear on the side without a health warning. The regulation specifies the typeface, font size and colour of these statements.

Regulation 2.3.8 - Marking of name and address on packaging

This regulation ensures that products packed in Australia and products packed overseas (and then imported into Australia) are treated in a consistent fashion with respect to name and address labelling.

Regulation 2.3.4 allows primary packaging and secondary packaging to include 'measurement marks', being 'any information that is required to appear on the retail packaging of tobacco products by regulations made under the *National Measurement Act 1960*' (section 4 of the Act). Regulation 4.7 of the *National Trade Measurement Regulations 2009* (made under the *National Measurement Act 1960*) requires the packaging of tobacco products to be marked with the name and address of the person who packed the product or on whose behalf it was packed. However, regulation 4.8 of those regulations exempts imported prepackaged products from the requirements of regulation 4.7.

This regulation applies only if regulation 4.7 of the *National Trade Measurement Regulations 2009* does not apply, and allows primary packaging and secondary

packaging of tobacco products to include the name and address of the person who packed the product or on whose behalf it was packed.

In line with the requirements of regulation 4.7 of the *National Trade Measurement Regulations 2009*, applicable to locally packed products, this regulation specifies that the address must be a place in Australia where a document can be served personally. This excludes post office boxes.

The regulation specifies the typeface, font size and colour of the name and address. The regulation also limits the name and address to appearing once on the side outer surface of a cigarette pack or cigarette carton that does not bear a health warning. These specifications mirror the specifications in regulation 2.3.4 for the name and address required under regulation 4.7 of the *National Trade Measurement Regulations 2009* for locally packed product.

Regulation 2.3.9 – Consumer contact telephone number

This regulation allows a consumer contact telephone number to be printed once on primary packaging in a specified typeface, font size and colour and prefaced only by the abbreviation "Phone:" or "Ph:". For a cigarette pack, the consumer contact telephone number may only appear on the side outer surface of the pack that does not bear a health warning.

The regulation provides that the telephone number must not be false, misleading or deceptive or likely to create an erroneous or false impression, and must not represent or be linked or related in any way to the emission yields of the cigarette or the brand or variant name of the cigarette. The note under the regulation refers readers to subregulation 2.3.1(4), which prohibits any marking on retail packaging constituting or providing access to tobacco advertising and promotion. These limitations have been included for consistency with the WHO Framework Convention on Tobacco Control Guidelines for Implementation of Article 11, which provides guidance on developing effective packaging and labelling restrictions.

Division 2.4 - Brand, business, company and variant names

Regulation 2.4.1 – Appearance of names on retail packaging of cigarettes

Section 21 of the Act sets out requirements for the appearance of brand, business, company and variant names on cigarette packs and cigarette cartons, including the surfaces on which the names may appear and where the names may appear on those surfaces. This regulation adds to those requirements, and specifies the typeface, font size, colour and capitalisation of the brand, business, company and variant names.

Division 2.5 – Wrappers

Regulation 2.5.1 – Mark on wrapper to conceal barcodes

Currently, multiple cigarette packs are often wrapped together in a clear plastic wrapper, forming a 'bundle'. This bundle, like a cardboard carton, can be sold at retail level as a single unit containing multiple cigarette packs. As the plastic wrapper is transparent, the bar codes of the individual cigarette packs are visible (and can be scanned) through the wrapper. This regulation allows the bundle wrapper to be marked with a solid black rectangle to cover the bar codes of the cigarette packs underneath, a technique that is currently used by some cigarette companies. This prevents the individual pack barcodes from accidently being scanned at the point of sale.

Regulation 2.5.2 – Tear strips on wrappers

This regulation allows wrappers that cover retail packaging or tobacco products to continue to include a tear strip for ease of opening the package, and specifies the permitted shape, colour and positioning of the tear strip.

Part 3 – Requirements for appearance of tobacco products

Division 3.1 – Appearance of cigarettes

Regulation 3.1.1 – Paper casing for cigarettes

This regulation provides that the paper casing of cigarettes, and any lowered permeability band, must be white. An imitation cork tip, defined in the Act as the part of the paper over the filter tip of the cigarette that is printed brown to resemble cork, is also permitted. These options are consistent with the colours of most cigarettes currently on the Australian market.

Regulation 3.1.2 – Alphanumeric code on cigarettes

This regulation permits an alphanumeric code to be printed on cigarettes. The regulation specifies that the code must only appear once on the cigarette in a specified position close to the non-burning end of the cigarette, and also specifies the permitted typeface, font size and colour of the code.

This regulation is included in response to representations by cigarette manufacturers that a unique identifier on the cigarette itself is critical for product identification during the manufacture, handling and packing process on the factory floor, and that it may assist as part of anti-counterfeiting strategies.

The regulation provides that the alphanumeric code must not constitute or provide access to tobacco advertising and promotion, must not be false, misleading or deceptive or likely to create an erroneous or false impression, and must not represent or be linked or related in any way to the emission yields of the cigarette or the brand or variant name of the cigarette. These limitations have been included for consistency with the WHO Framework Convention on Tobacco Control Guidelines for Implementation of Article 11, which provides guidance on developing effective packaging and labelling restrictions.

Regulation 3.1.3 – Colour of filter tip of cigarettes

This regulation requires filter tips of cigarettes to be white, consistent with the ordinary colour of filter tips of cigarettes currently on the Australian market.

¹ Hammond, D., and Parkinson, C. (2009) *The impact of cigarette package design on perceptions of risk.* Journal of Public Health.

² Wilson, D., Wakefield, M., Esterman, A., and Baker, C. (1987). *15's: They fit in everywhere – especially the school bag: a survey of purchases of packets of 15 cigarettes by 14 and 15 year olds in South Australia*. Community Health Studies XI (1) p. 16-20.

³ Chapman, S., and Reynolds, C (1987). *Commentary: Regulating tobacco – the South Australia Tobacco Products Control Act 1986. Its development and passage through parliament.* Community Health Studies XI (1) p. 9-15.

⁴ Wakefield, M., Morley, C., Horan, J., Cummings, K., (2002). The cigarette pack as *image: new evidence from tobacco industry documents*. Tobacco Control. Available from <u>http://tobaccocontrol.bmj.com/content/11/suppl_1/i73.full</u>