

**Imperial Tobacco Australia Limited
("ITA")**

**Submission to the
Standing Council on Environment and Water
in relation to the
*Packaging Impacts Consultation
Regulation Impact Statement ("PICRIS")***

30 MARCH 2012

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1 EXECUTIVE SUMMARY

Imperial Tobacco Australia (“ITA”) welcomes the opportunity to provide a submission to the Standing Council of Environment and Water (“SCEW”) regarding the *Packaging Impacts Consultation Regulatory Impact Statement* (“PICRIS”) December 2011.

ITA is a wholly owned subsidiary of Imperial Tobacco Group PLC (ITG). Imperial Tobacco is a leading international tobacco company with brands available in 160 countries worldwide. In Australia, ITA has a share of approximately 20.5% of the total tobacco market and approximately 60% of the fine cut tobacco market. Our leading brands include Horizon and Peter Stuyvesant cigarettes, Drum and Champion tobacco, and Tally Ho papers.

On review of the PICRIS, ITA has identified four areas to be addressed in the final approach to regulation.

i. Evidence based policy

ITA supports regulation based on sound reasoning, factual evidence and fair application. ITA therefore supports regulation that is proportionate and evidence-based, reasonable and practicable in relation to tobacco packaging and products.

The tobacco industry is highly regulated and taxed in Australia and ITA appreciates the opportunity for consultation and engagement for new policy development affecting the tobacco industry.

ITA has stated previously that it is remiss of policy and law makers and others to draft legislation and scope activities about tobacco without prior engagement with the tobacco industry. The industry, and ITA, retains knowledge and expertise in both a commercial and technical sense about our products and the international tobacco trade that stakeholders should draw upon when considering tobacco related challenges.

ii. Inclusive Policy of All Stakeholders

ITA continues to seek participation in constructive and effective dialogue with regulatory authorities, other industries and stakeholders and to work with them to develop sound positions and programs for better environmental and social outcomes. However, variations in attitudes, priorities and timing, educational campaigns, infrastructure placement and willingness to work with the tobacco industry are quite extensive and prevent a united approach to tackling issues addressed by the PICRIS.

It is for this reason that any options to improve outcomes in both these areas are inclusive of the tobacco industry and other stakeholders.

iii. Better Alignment and Integration of Government Regulation and Action

The lack of cohesive approach by jurisdictions and agencies at the federal, state and local level is problematic in a number of areas such as conflicting objectives related to packaging design and consumer education under the *Australian Packaging Covenant Sustainable Packaging Guidelines* and the *Tobacco Plain Packaging Act 2011*.

Additionally, disparity in local council anti-littering messages and placement / removal of litter reduction infrastructure contradicts proactive support by tobacco companies to reduce litter and increase resource recovery.

ITA feels that a more cohesive approach to regulation at all levels of government should be a priority for new regulation including action related to product stewardship.

iv. Litter: Packaging VS Product

The PICRIS is primarily focused on driving packaging recycling outcomes with a view that improved recycling outcomes will also result in better packaging litter reduction outcomes. It is also highlighted in the PICRIS that cigarette butts are prevalent in the litter stream. ITA is aware of the reports indicating the prevalence of tobacco packaging and cigarette butts in the litter stream, however it is important to note that cigarette butts are not packaging and are therefore not within the scope of the PICRIS.

Conclusion

In relation to the options addressed under the PICRIS, it is reported that the current model is resulting in an increase in recycling and litter reduction. ITA believes that the problems outlined in the PICRIS can be addressed and progressed without significant regulatory changes.

On review of the cost benefit analysis, as stated in this assessment Option 2a presents a financially sound approach to the problems identified and the scope to address them. With improved transparency around the process and progress in relation to free-riders, ITA cannot foresee, based on the information contained in the PICRIS, any major concerns for our business. ITA will support an APC based framework as per current requirements or as restructured per the outline of option 2a within the PICRIS.

2 INTRODUCTION

Imperial Tobacco Australia (ITA) supports regulation based on sound reasoning, factual evidence and fair application. ITA therefore supports regulation that is proportionate, evidence-based, reasonable and practicable. Tobacco itself is a legal product enjoyed by a proportion of Australian adults.

Regulation of the tobacco industry in Australia is significant - the industry has always been highly regulated in this country. There has been legislation focused directly on tobacco and indirectly affecting the industry since 1901 when the first excise tax legislation was introduced in Australia.

ITA entered the Australian market in September 1999 under the supervision of the Australian Competition and Consumer Commission (ACCC) to ensure that competition was maintained, following the global merger between British American Tobacco ("BAT") and Rothmans International. At the time of ITA's entry into the Australian market, state and federal legislation regulating tobacco and prohibiting or restricting the advertising, marketing and sale of tobacco products to Australian consumers, had been in place for almost a decade.

From the time excise tax regulations were introduced in 1901, the industry has been exposed to prescriptive regulations. More recently, this legislation:

- Applies restrictions to tobacco advertising – introduced in 1992
- Requires display of tobacco health warnings – introduced in 1995
- Requires packaging product stewardship – introduced in 1999
- Restricts retail display of tobacco products and tobacco retailing – introduced in 2008
- Requires consumer product safety standards warnings and reduced fire risk cigarettes – introduced in 2010
- Promotes packaging labels to encourage correct disposal and anti-littering behaviour – introduced in 2010
- Requires plain packaging – introduced in 2011 (to be implemented in 2012); and
- Requires product stewardship – introduced in 2011.

Legislation related to product stewardship seeks to focus attention on designing potential impacts out of products. For example, selecting more sustainable materials; manufacturing product in a manner that is less impactful to the environment; ensuring that products and packaging are recyclable or otherwise disposed of responsibly; and facilitating responsible consumer behaviour in the purchase, use and disposal of products and their packaging.

Consumers of tobacco products likewise have also experienced increasing regulation related to where they can smoke and littering, in particular. ITA believes the decision to enjoy tobacco products is a matter of informed adult choice and that youth access to tobacco and youth smoking are of concern to government, tobacco companies and society at large. Similarly, in relation to littering, ITA believes that the ability to choose to smoke comes with responsibility and this responsibility extends to making informed and responsible decisions about the disposal of cigarette butts and tobacco packaging.

Despite strong regulation of the industry the illicit tobacco market in Australia is significant with chop chop (fine-cut) tobacco, and counterfeit and contraband products able to find markets around the country.

ITA believes that it is the role of governments to provide tobacco consumers with clear and consistent messages about the health, social and environmental impacts of their choices. We do not challenge those messages. We agree that, in general, with regard to matters of social and environmental concern, some individuals may require support in their decision making, but this should be achieved in ways which are educative and enabling, rather than disproportionate, stigmatising, unproven and unnecessary.

With regard to ensuring consumers are able to make informed choices, currently graphic health warnings occupy 60% of the two main surface areas of a cigarette pack. There is also an explanatory message which occupies one complete side of the pack. Since March 2010, all cigarettes manufactured and imported into Australia are also required to comply with the Trade Practices (Consumer Product Safety Standard) (Reduced Fire Risk Cigarettes) Regulations 2008 which means the retail package of cigarettes has to carry the statement "Australian fire risk standard compliant. Use care in disposal".

Further to these warnings and statements, additional consumer and commercial information is printed on tobacco packaging, including the name and address of the manufacturer or importer together with a consumer number and a barcode. Historically ITA has also printed an anti-litter "Tidy man" logo on all packs as part of our anti-littering message. The amount of surface area of packs currently available to tobacco companies in Australia for additional messages including those associated with branding or better environmental outcomes is already extremely limited.

The implementation of the *Tobacco Plain Packaging Act 2011* will remove the ability to make any statement in support of the environmental education and awareness of consumers and therefore to facilitate improvements in responsible behaviours. Owing to the broad prohibition of "marks" on retail packaging other than as permitted by the Regulations, the Act and Regulations prohibit important devices, such as the Tidy-man logo, which encourages consumers to carefully dispose of tobacco packaging.

In addition, the removal of the "tidy-man" logo is at odds with Australia's obligations under Article 18 of the *Framework Convention on Tobacco Control* which requires that the parties "have due regard to the protection of the environment..." ITA is proud to display the "tidy-man" symbol on its products and supports the responsible disposal of tobacco packaging and refuse.

The *Tobacco Plain Packaging Act* has also restricted sustainable design innovation opportunities with prescriptive requirements and therefore inherent limitations related to pack design.

3 BACKGROUND

Imperial Tobacco Australia (ITA) is a wholly owned subsidiary of Imperial Tobacco Group PLC (ITG). Imperial Tobacco is a leading international tobacco company with brands available in 160 countries worldwide. Based in the United Kingdom and with key operations in Europe, USA, Morocco, Russia, Ukraine, Taiwan and Australia, ITA has 50 manufacturing sites located around these regions and employs 38,000 people.

Internationally, ITG key strategic brands include Davidoff, Gauloises Blondes, West and JPS and fine cut tobacco and rolling papers brands include Golden Virginia, Drum and Rizla. ITG also produce a range of mass market cigars. Our world-leading cigar position includes a 50 per cent interest in Habanos, the exclusive worldwide distributor of premium Cuban cigar brands such as Cohiba and Montecristo. Our products also include snus which is a smokeless tobacco product that is popular with consumers in Sweden and Norway. Our growing snus business includes the Skruf brand.

ITA maintains leading local brands including Horizon, Peter Stuyvesant, Escort, Brandon, Davidoff and JPS cigarettes; Drum Champion and White Ox fine-cut (roll-your-own) tobacco; and Tally-Ho rolling papers. In addition, ITA imports and distributes Camel and More cigarettes for Japan Tobacco International. In Australia, ITA has a share of approximately 20.5% of the total tobacco market and approximately 60% of the fine cut tobacco market. It is important to note that the illicit trade in tobacco in Australia is the equivalent of an estimated 15.6% of the legal market.¹

ITA continues to operate and grow the business in Australia in a challenging regulatory environment. ITA employs approximately 400 people locally as well as being a significant contributor to the Australian economy, delivering over \$1.7 billion annually to the Federal Treasury through excise duties on tobacco products and GST. In addition, ITA makes further contributions to government through corporate taxation, employment taxes and other revenues of approximately \$35 million annually.

¹ *Illicit Trade of Tobacco in Australia*, June 2011 update (June 2011) Deloitte

4. KEY CONCERNS IN RELATION TO PICRIS AND PRODUCT STEWARDSHIP REGULATION

4.1 REASONABLE PROPORTIONATE AND EVIDENCE BASED REGULATION

The tobacco industry in Australia is highly regulated and highly taxed. The regulations extend beyond competition and corporate law to include brand and product related constraints and laws that restrict sale and use of tobacco products.

ITA supports regulation that is reasonable, proportionate and evidence based. ITA has stated previously that it is remiss of policy and law makers and others to draft legislation and scope activities about tobacco without prior engagement of the tobacco industry. The industry and ITA retain knowledge and expertise in both a commercial and technical sense about our products and the international tobacco trade that all stakeholders should draw upon when considering tobacco related challenges.

ITA seeks constructive dialogue in order to support reasonable, proportionate and evidence based regulations. The tobacco industry is a responsible industry with a legitimate and legal business and to this extent adult consumers of legal tobacco products are well informed and are able to choose to smoke or not and make informed choices about how they dispose of their tobacco packaging after use. Consumers of tobacco products are also directly regulated particularly in relation to where they choose to smoke and in relation to littering. Increasing controls in, for example, public places have stigmatised smoking and restricted access to infrastructure that encourages responsible disposal of cigarette packaging and butts.

4.2 PICRIS IS PRIMARILY ABOUT PACKAGING RECYCLING OUTCOMES

The PICRIS is primarily about driving packaging recycling outcomes with a view that improved recycling outcomes will result also in better packaging litter reduction outcomes. Cigarette butts are prevalent in litter and this is noted within the PICRIS and supporting documents, however it is relevant to note that cigarette butts are not packaging and therefore not within the scope of the PICRIS.

Studies conducted by Butt Free Australia^{2,3} indicate that the attitudes in relation to cigarette butts differ from (for example) cigarette packaging and that littering is associated with complex behaviours. Littering is a behavioural problem, not a packaging or cigarette butt problem. Littered items are a consequence of this behaviour.

ITA acknowledges that tobacco packaging and cigarette butts are present in the litter stream, and agree that consumers have the responsibility to properly dispose of their litter, no matter what the source.

The current approach to regulation and enforcement around Australia in relation to the issue of litter and littering behaviour is inconsistent and challenges industry efforts in relation to litter reduction education and infrastructure. For example inconsistencies in council approach including placement and then removal of litter reduction infrastructure provides inconsistencies in messaging to consumers.

We believe the best approach to tackling litter is for key stakeholders, such as the tobacco industry, government, environmental bodies, business and local communities, to work together to educate and change people's behaviour.

Cigarette and tobacco packaging is not currently recycled. Where infrastructure design and placement does not consider recovery and recycling of items like tobacco packaging – i.e. it continues to focus on beverage and other rigid containers, it is difficult to make the connection that improvements in recycling of those items will translate to improvements in recycling for other poorly recycled items or improvement in litter reduction for other prevalent

² [http://www.buttfree.org.au/images/stories/2.3 Causes/fact sheet causes of butt littering.pdf](http://www.buttfree.org.au/images/stories/2.3_Causes/fact_sheet_causes_of_butt_littering.pdf)

³ <http://www.buttfree.org.au/research.html>

littered items. It is for this reason that any options to improve outcomes in both these areas are inclusive of the tobacco industry and others.

4.3 FUNDING PRODUCT STEWARDSHIP

The tobacco industry is highly taxed by way of Excise Duties and the Goods and Services Tax (GST). As a highly taxed industry it contributes significantly to Federal Treasury income. Any further taxes, levies or the like affecting the industry, particularly in the area of product stewardship, should be carefully considered.

A large percentage of the total tobacco market in Australia is illicit trade which represents the equivalent of approximately 15.6 per cent of the legal market.⁴ ITA is totally opposed to illicit trade and is committed to working with governments and their agencies to tackle the problems of illegal and counterfeit product. Tax increases, and likewise additional costs on tobacco products, encourage illicit trade by making illegal products more financially attractive to criminals and potentially to cash-strapped consumers. These markets are uncontrolled and unaccountable and undermine programs targeting responsible sale and use of tobacco products. This is further reason to avoid further tax or levy related approaches to packaging particularly for tobacco products.

4.4 ROLE OF MARKETING AND ADVERTISING IN RELATION TO INFORMED DECISIONS

Legal and genuine tobacco products are manufactured and sold in a controlled manner against stringent standards and comply with all regulatory requirements.

Marketing and advertising of tobacco products in Australia has been limited since the early 1990's. ITA is committed to responsible advertising and complies with the regulation and requirements of the countries in which its products are sold. ITA adheres to International Marketing Standards that detail our commitment and establish clear guidelines, which are published on ITA's corporate website www.imperial-tobacco.com. The company adheres to these standards at all times, wherever we operate, unless local laws require otherwise. Encouraging responsible consumer behaviour is becoming a greater challenge in Australia as local regulations become more stringent related to the marketing advertising and display of tobacco products.

Plain packaging in the Australian market will restrict opportunities for better product stewardship outcomes. It is contrary to approaches being encouraged by government agencies focused in this area that seek to better use packaging for consumer awareness through behavioural motivators to address environmental and societal problems of litter and resource recovery.

ITA supports reasonable legislation and as above industry self-regulation and we encourage governments to respect the principles of adult choice and freedom of competition when regulating tobacco products. We are opposed to regulation that restricts or prohibits retailers from displaying tobacco products at the point of sale, and likewise restrict the ability to better inform consumers, and encourage them to adopt responsible behaviour in all matters including, for example, correct disposal choices for packaging and anti-littering.

4.5 A COHESIVE INCLUSIVE APPROACH TO PROBLEM SOLVING

ITA continues to seek participation in constructive and effective dialogue with regulatory authorities, other industries and stakeholders and to work with them to develop sound positions and programs for better environmental and social outcomes.

The lack of a cohesive approach by jurisdictions and agencies at federal, state and local level is problematic in a number of areas. There is inconsistency, for example, regarding dealing with illicit trade in tobacco through to whether or not to provide infrastructure for the responsible disposal of cigarette butts. Consistency would naturally benefit better outcomes.

⁴ *Illicit Trade of Tobacco in Australia*, June 2011 update (June 2011) Deloitte

In order to gain traction on issues related to packaging litter and product stewardship there are a number of concerns that need to be addressed in any final approach including:

- Competing and conflicting objectives of jurisdictions at all levels and between agencies
- Inconsistent educational messages
- Inconsistent approaches to provision of infrastructure such as butt litter bins as well as the infrastructure appearance and placement,
- Lack of a coordinated and national anti-litter program recognised and supported by all Stakeholders including state jurisdictions; and
- Lack of a consistent, recognised product stewardship labels or symbols that provide information and or instruction related to resource recovery and anti-littering.
- Health and environmental agencies at federal level have conflicting objectives and competing priorities. For example the plain packaging legislation vetoes the use of tobacco product packaging to encourage anti-littering behaviours. The National Environment Protection (Used Packaging Materials) Measure, which supports the Australian Packaging Covenant and Sustainable Packaging Guidelines, encourage brand owners to use packaging as a medium for environmental education of consumers.
- In addition public place butt litter smoking restrictions, for example, are enforced to different levels by local councils, which also have different approaches to anti-littering strategies. The stigma related to smoking created by the anti-smoking lobby has caused a few councils to go to the extent of removing butt litter bins and public education programs from public places.

These key concerns are influential in guiding ITA's response to the questions raised in the PICRIS.

4.6 FUTURE CHALLENGES FOR TOBACCO PACKAGING AND PACKAGING WASTE

Imperial Tobacco Group prescribes international branding guidelines for all products sold in the Australian market. This coupled with international manufacturing operations requires ITA to manage strategically any opportunities and requirements for change.

An international supply chain and global management structures add a measure of complexity and longer lead times for ITA, impacting the ability to respond quickly to change. Any measures and timelines for change necessarily need to be factored into consultation and regulation.

As international supply chains become more common, so do issues around illegitimate imported products and packaging. Previous failure to adequately address these issues results in an uneven playing field for local manufacturers and legitimate business, including the tobacco industry, diluting efforts to improve product recovery rates.

4.7 PACKAGING RESOURCE RECOVERY AND LITTER MANAGEMENT PROBLEMS NOT IDENTIFIED IN THE PICRIS

Current litter index reports focus too heavily on the number and type of litter disposed of rather than the source of the problem related directly to individual attitudes and behaviours. It is for this reason that the issue of cigarette butt litter and packaging litter are not differentiated. Research of the Butt Littering Trust indicates that attitudes and behaviours in relation to littering are not necessarily aligned.

Existing material recovery facilities are designed to recover rigid packaging. The majority of product recovered is beverage and grocery packaging items and paper and cardboard. It has been recognised in the PICRIS that current efforts to reduce environmental impacts include designs and materials that encourage flexible resin packages. Cigarette packets are smaller

than most grocery packages and are unlikely to be recovered in the current facilities. It is not an option to increase the size of cigarette packaging to any great extent.

The “Tidy Man” logo is one of the few environmental labels used by brand owners consistently. It is generally well recognised by Australian consumers and widely applied. Restrictions on the use of a “Tidy Man” label on tobacco product packaging under the *Tobacco Plain Packaging Act 2011* are aimless and misdirected. Current legislation surrounding the tobacco industry prohibits tobacco advertising, marketing and packaging graphics, limiting the ability to directly educate consumers on correct disposal of product and packaging. The *Tobacco Plain Packaging Act 2011 and Regulations* also prescribe aspects of packaging design, materials and graphics for tobacco packaging sold in Australia. Some aspects of these regulations are contrary to the direction being taken in relation to product stewardship.

ITA understands that with regard to litter management expansion and improvement in the municipal sector it cannot be assumed that the current approach will continue. This is demonstrated by the removal of butt litter management infrastructure in local government areas. With this, new laws for smokers restricting areas in which they can smoke could make it easier or more difficult to target butt littering behaviour. It is therefore important to have local government and industry working together to develop and implement solutions supported by all stakeholders.

4.8 FRAGMENTED AND INCONSISTENT FRAMEWORKS

The tobacco industry is restricted in the ability to associate any activity to educate consumers on recycling, litter prevention and responsible behaviour with the tobacco product, brand or company under the advertising and marketing restrictions placed on the industry. Other industries and companies are not restricted in this way and are able to gain recognition for any proactive approach they take to litter management and packaging resource recovery.

Conflicting objectives of different agencies create compliance difficulties. For example, the *Tobacco Plain Packaging Regulations 2011* restricts any labelling on tobacco packaging that does not relate to product or the health impacts of tobacco. However, there are contrasting objectives under the Sustainable Packaging Guidelines of the Australian Packaging Covenant which encourages brand owners and manufacturers to better label packaging to include environmental messaging regarding material content, recyclability and anti-littering messaging to encourage responsible consumer behaviours.

ITA has made a number of submissions outlining its objections to the *Tobacco Plain Packaging Act 2011*, including:

- ITA’s submission dated 6 June 2011 to the DoHA regarding the Tobacco Plain Packaging Bill 2011 (Exposure Draft) and Consultation Paper;
- ITA’s submission dated 22 July 2011 to the House Standing Committee on Health and Ageing regarding the Inquiry into Plain Tobacco Packaging (“ITA’s second submission”);
- ITA’s submission dated 2 September to the Senate Legal and Constitutional Affairs Committee regarding the Inquiry into the Trade Marks Amendment (Tobacco Plain Packaging) Bill 2011 (“ITA’s Trade Marks Amendment submission”); and
- ITA’s submission dated 17 October 2011 to the Australian Competition and Consumer Commission regarding the Consultation Paper - *Proposed Tobacco Labelling (Graphic Health Warnings) Mandatory Standard* (“ITA’s Graphic Health Warning submission”);
- ITA’s submission dated 20 January 2012 to the DoHA regarding the Draft Tobacco Plain Packaging Amendment Regulations 2012 for non-cigarette tobacco products.

The legislation is currently the subject of a legal challenge to be heard in April 2012.

Local councils and State and Territory governments maintain significant variations in their approach to litter management. Variations in attitudes, priorities and timing, educational campaigns, infrastructure placement and willingness to work with the tobacco industry are large and prevent a united approach to litter management across Australia.

ITA suggests more consistent labelling and messages are more likely to support packaging stewardship programs and better environmental outcomes as compared to the confusion currently associated with an increasing number of independent labels and logos created to compete with one another. A nationally recognised labelling system is preferred.

Removal of cigarette butt bins and the resulting increase in cigarette butt litter lead by anti-tobacco initiatives contradicts proactive support by tobacco companies to reduce litter and increase resource recovery. It is important for smokers and general litterers to have access to consistent litter reduction infrastructure, messages and enforcement of anti-littering laws to make behavioural changes.

4.9 PROJECTED LITTER REDUCTION RATES

It is ITA's corporate position that:

"All consumers have a responsibility to properly dispose of their litter, whether this is cigarette butts and product packaging, chewing gum, drinks' cans, fast food containers or any other items.

We believe the best approach to tackling litter is for key stakeholders, such as the tobacco industry, government, environmental bodies, business and local communities to work together to educate and change people's behaviour.

We support local initiatives that seek to educate consumers and change their behaviour and attitude to littering, for example, we provide funding to KESAB (Keep South Australia Beautiful), an organisation that runs a number of campaigns aimed at improving the Australian environment. KESAB's "Please Butt It, Then Bin It" campaign involves councils, businesses and local communities in a co-ordinated approach to minimising butt litter by encouraging behavioural change and through improving the provision of signage and cigarette butt bins."⁵

Litter counts, such as the National Litter Index Reports by Keep Australia Beautiful, require improvement to better monitor and measure the attitudes and behaviours of individuals who litter. Research directed at better understanding the variety of attitudes and complex nature of the behaviour would enable targeted programs. Changes in behaviour is the required outcome for all litter reduction activities and this behavioural change is also needed to support better away from home recycling outcomes.

Furthermore, current litter measurements are based on the number and volume of items in the litter streams. For example the national litter index and branded litter studies indicate that cigarette butts are approximately 50% of the total of littered items. By volume they are not significant. However, other waste and recycling measures are based on weight. Adopting a weight based measurement as part of current monitoring and reporting would allow litter to be viewed as part of the holistic waste and recycling problem and therefore also enable a holistic view of the solution.

4.10 THRESHOLDS FOR THE TOBACCO INDUSTRY

ITA would support a 'no threshold' approach for the tobacco industry. The illicit market is a significant issue for the industry and the government, and the problems stated within the

⁵ <http://www.imperial-tobacco.com/index.asp?page=42&issue=8>

PICRIS are not restricted to the legal market and brand owners in this case. Currently the National Environment Protection (Used Packaging Materials) Measure (the NEPM) and Australian Packaging Covenant (APC) threshold ensures that the three largest tobacco products companies in the Australian market are captured by this co-regulatory measure. Others in the industry, legal or otherwise, are outside the scope of the APC and NEPM.

4.11 OPTIONS WITHIN THE PICRIS

The PICRIS states that progress is being made in relation to litter reduction and resource recovery. The options are structured to achieve results that go beyond APC achievements. Option 2 represents approaches that place the APC under the *Product Stewardship Act 2011*. With the progress made by the APC model to date, ITA suggests this model is well placed to continue to achieve positive and progressive product stewardship outcomes. The problem statement attached to this PICRIS nominated a number of issues which can be addressed within this framework.

ITA prefers the current model. The problems outlined in the PICRIS can be addressed and progressed without significant regulatory changes provided all jurisdictions and relevant stakeholders make the necessary commitment to consistent goals, programs, and agreed outcomes.

ITA has considered the current APC model against other PICRIS options and is of the view that there is only one option that makes sense. This is Option 2a which is the APC regulated under the *Product Stewardship Act 2011*. With improved transparency around the process and progress in relation to free-riders, ITA cannot foresee, based on the information contained in the PICRIS, any major concerns for our business. Option 2a provides the clearest benefit after the APC followed by Option 1 based on the information and analysis within the PICRIS.

Option 1 is a non-regulatory option. The fact that the data available presents Option 1 as a better financial investment than option 2b and 2c and the regulatory options 3 and 4, suggests that where a non-regulatory option provides a better net present value outcome as per the cost benefit analysis, then the argument for increased regulation to achieve better outcomes is perhaps a moot point.

As mentioned previously ITA supports regulation that is reasonable, proportionate and evidence based and there appears to be no reason to remove a legislative framework that can demonstrate traction and improved environmental outcomes such as the APC has since it commenced in 1999. ITA will support an APC based framework as per current requirements or as restructured per the outline of option 2a within the PICRIS.

Given that ITA continues to make additional financial contributions outside the APC, ITA will also continue to explore opportunities to further enhance its product stewardship initiatives in line with the objectives of the APC and Sustainable Packaging Guidelines. This includes additional financial contributions to projects linked directly to better product stewardship outcomes particularly in relation to litter reduction and resource recovery.

5.CONCLUSION

In relation to the options addressed under the PICRIS, it is reported that the current model is resulting in an increase in recycling and litter reduction. ITA believes that the problems outlined in the PICRIS can be addressed and progressed without significant regulatory changes.

On review of the cost benefit analysis, as stated in this assessment Option 2a presents a financially sound approach to the problems identified and the scope to address them. With improved transparency around the process and progress in relation to free-riders, ITA cannot foresee, based on the information contained in the PICRIS, any major concerns for our business. ITA will support an APC based framework as per current requirements or as restructured per the outline of option 2a within the PICRIS.