

PHILIP MORRIS LIMITED

Submission to the Standing Council on Environment and Water Secretariat Packaging Impacts – Consultation Regulation Impact Statement 30 March 2012

Philip Morris Limited (PML) began operating in Australia in 1954 when it established its factory in Moorabbin, Victoria. PML employs approximately 700 people across Australia, with the majority based at the Moorabbin site.

PML places a strong emphasis on implementing initiatives that reduce its environmental footprint. In recent years, PML has achieved significant gains in resource efficiency, particularly as a signatory to the National Packaging Covenant (NPC) from 2000 to 2010 and the Australian Packaging Covenant (APC) from 2010. Since 2004, PML has reduced its waste generation by 61.6% and continues to drive down its environmental footprint under the Covenant¹.

As demonstrated throughout this submission, two key challenges will limit PML's capacity to advance on these gains:

1. Since 2006, AQIS has required PML to treat tobacco and non-tobacco materials under quarantine rules. As a result, PML cannot recycle 470 tonnes of its packaging waste within Australia.
2. As of 1 October 2012, PML will be required to produce plain tobacco packaging, which no longer permits display of the Tidyman symbol.

This submission is drafted on the understanding that the consultation is focused on packaging, not the product. The following does not, therefore, address cigarette butt litter.

PML's topline achievements under the Covenant

PML is proud of its achievements in resource reduction and supports self-regulatory efforts that encourage an industry role in reducing resource use. As demonstrated by PML's 61.6% reduction in waste generation since 2004, arrangements under the Covenant help achieve that purpose.

PML recognises the need for continuous improvement and is determined to achieve further success during the course of its commitments under the Covenant up until 30 June 2015.

¹ NPC and APC together referred to as "the Covenant" throughout

Two key challenges will impact on PML's ability to deliver further reductions in the future

AQIS requirements conflict with requirements under the Covenant

In October 2006, AQIS informed PML that the import conditions for raw and sun-dried tobacco had changed and that the Moorabbin site needed to become a Quarantine Approved Premise ('QAP'). PML appreciates that there are legitimate quarantine risks to tobacco leaf imported into Australia but questions why quarantine requirements extend to packaging. In practice, AQIS requires approximately 80% of PML's total waste to be handled and disposed of under quarantine conditions, including both tobacco and non-tobacco materials.

These materials need to be disposed of by methods that are approved by AQIS, including deep burial in landfill. Recycling and re-use within Australia are not typically AQIS-approved methods for disposal. As a result, many of PML's recycling programs undertaken as a signatory to the Covenant have been negatively impacted, as reflected in PML's more recent Covenant reports.

PML has keenly sought and investigated alternative means of disposal or re-use for those items of packaging waste affected, and has achieved some important outcomes. Most notably, since 2009, PML is diverting up to 320 tonnes per year of used cardboard C48 leaf cases from landfill to an international affiliate within Philip Morris International Inc ('PMI'), where the cases will be re-used.

Packaging waste generated on our manufacturing floor is also required to be disposed as quarantine waste, resulting in up to a further estimated 150 tonnes per annum of recyclable material continuing to go to landfill. We do not believe this packaging presents a quarantine risk – in fact it is no different to the packaging that is sold as finished product at retail in Australia every day.

PML is continuing to work with AQIS to address this issue. Despite these challenges, the total quantity of all wastes generated at PML's Moorabbin site decreased over the period 2004–2010, from 2,820 tonnes in 2004 to 1,084 tonnes in 2011, a reduction of 61.6%. Similarly, despite the limitations on recycling, we have recently achieved substantial improvement in our waste recycling rate KPI from 15.0% in 2008 (at the height of AQIS impact) to 26.8% in 2011.

Plain packaging eliminates PML's ability to communicate and innovate

In November 2011, the Federal Government legislated plain packaging for tobacco products. The legislation bans the use of company branding, logos and colours on packaging, other than the brand name, variant name and company name which may be printed only in specified locations and in uniform font.

All tobacco products manufactured in Australia must be compliant as of 1 October 2012 and all products on sale must comply from 1 December 2012. From that point on, PML will no longer be able to incorporate the Tidyman symbol on packaging across its product range. This symbol provides a well-known reminder to consumers that they should dispose of the packet responsibly. It was, indeed, one of the few ways that PML could communicate with its consumers on this important issue.

Furthermore, plain packaging will limit PML's ability to innovate in an effort to reduce the environmental footprint of the pack. The regulations mandate numerous specifications for the pack, leaving the manufacturer and brand owner no capacity to use alternative packaging options for cigarettes.

Conclusion

Any additional regulation needs to:

1. Establish a means by which the Covenant can help navigate issues of conflict with other government departments, such as the AQIS example above; and
2. Recognise the new limitations placed on the tobacco industry following the Federal Government's passage of plain packaging legislation.

Having achieved a range of successful outcomes relating to packaging and packaging waste as a signatory since 2000, PML is well placed to assert that the existing arrangements under the Covenant work.

PML, therefore, recommends that the existing arrangements continue. However, we can see that Option 2a might help strengthen the Covenant's existing provisions through co-regulation under the Product Stewardship Act.