## Departmental Disclosure Statement

Smoke-free Environments (Tobacco Plain Packaging) Amendment Bill

#### 2013 No 186

The departmental disclosure statement for a government Bill seeks to bring together in one place a range of information to support and enhance the Parliamentary and public scrutiny of that Bill.

#### It identifies:

- the general policy intent of the Bill and other background policy material;
- some of the key quality assurance products and processes used to develop and test the content of the Bill:
- the presence of certain significant powers or features in the Bill that might be of particular Parliamentary or public interest and warrant an explanation.

This disclosure statement was prepared by the Ministry of Health.

The Ministry of Health certifies that, to the best of its knowledge and understanding, the information provided is complete and accurate at the date of finalisation below.

5 December 2013

### **Contents**

Contents	2
Part One: General Policy Statement	3
Part Two: Background Material and Policy Information	6
Part Three: Testing of Legislative Content	9
Part Four: Significant Legislative Features	12
Appendix One: Further Information Relating to Part Two	14

### **Part One: General Policy Statement**

The Bill gives effect to the Government's decision of 18 February 2013 to introduce a plain packaging regime for tobacco products in New Zealand.

The specific objective of the legislation is to-

- reduce the appeal of tobacco products and smoking, particularly for young people:
- further reduce any wider social acceptance and approval of smoking and tobacco products:
- increase the noticeability and effectiveness of mandated health warning messages and images:
- reduce the likelihood that consumers might acquire false perceptions about the harms caused by tobacco products.

Since the implementation of extensive restrictions on traditional forms of advertising for tobacco products (including through the Smoke-free Environments Act 1990), tobacco companies have increasingly sought to modify and diversify the design and appearance of products and packaging as a way to make the products more desirable and to promote their use.

Tobacco packaging has been used as an effective form of tobacco marketing, supported by innovations in tobacco product design and appearance. The legislation seeks to remove what is in effect the last major promotional mechanism available to the tobacco industry.

The design and appearance of cigarettes and other tobacco products, and in particular the way they are packaged, influence people's perceptions about tobacco products and the desirability of smoking.

Brand imagery and other marketing devices used in tobacco product packaging demonstrably increase the appeal of tobacco brands to youth and young adults. This helps attract new smokers and also creates wider perceptions of social approval for tobacco use and smoking behaviour. It also serves to reinforce the appeal of tobacco products to existing smokers, who might otherwise be persuaded to quit by friends, family, or medical practitioners, or as a result of other tobacco control measures such as tobacco excise increases.

The colouring and wording used on tobacco packaging has been shown to create the misperception that tobacco products are less harmful and easier to stop using than is the case. Evidence also shows that unregulated tobacco packaging colours and imagery counter the deterrent effect of graphic health warnings, because the warnings are perceived by users as less serious than when the same warnings are presented on plain packs.

The intention of the legislation is to prevent the design or appearance of any form of tobacco product packaging (including the design and appearance of the tobacco products themselves) from having any effect, visual or otherwise, that might-

- serve to advertise or in any other way promote the desirability of tobacco products, or the use of tobacco products, or of smoking behaviour in general; or
- be capable of undermining the effectiveness of public health policies and programmes, including any measures taken in pursuit of the goal of making New Zealand an essentially smoke-free nation by 2025.

The harms from tobacco use are well-established. Between 4500 and 5000 New Zealanders die each year from smoking or exposure to second-hand smoke. It is estimated that half of all long-term smokers die of a smoking-related illness, losing on average 15 years of life. The broader purpose of the legislation is to improve public health in New Zealand through its contribution, in combination with the other elements of a comprehensive programme of tobacco control measures, to-

- discouraging people from taking up smoking or using tobacco products:
- encouraging people to give up smoking and to stop using tobacco products:
- discouraging people who have stopped smoking, or no longer use tobacco products, from resuming smoking or tobacco use:
- reducing people's exposure to smoke from tobacco products:
- supporting New Zealand in meeting its international obligations and commitments under the WHO Framework Convention on Tobacco Control.

The key features of the plain packaging regime include-

- prohibiting the use of tobacco company branding imagery and all other marketing devices on any form of tobacco product packaging, or on tobacco products themselves:
- allowing the brand name and certain other manufacturer information to be printed on the pack, but with tight controls (eg, over the typeface or font, size, colour and position):
- standardising all other design elements of tobacco product packaging, such as the materials, colours and typefaces or fonts that may be used:
- requiring tobacco product packaging to carry larger, more prominent, and more pertinent warning messages and graphic images:
- controlling the design and appearance of individual cigarettes and other tobacco products.

The main elements of the legislation will-

- ensure that tobacco products are not manufactured, distributed or sold unless they comply with the requirements set out in the legislation and regulations made pursuant to it:
- enable regulations to be made to set out the detailed requirements for the design and physical appearance of any packaging used or intended for use with tobacco products, and of the tobacco products themselves:
- amend existing regulation-making powers relating to health warnings on tobacco products to broaden their scope to include warnings of wider adverse social and economic effects and also to enable positive health promotion messages:
- create new offences with significant penalties to effectively deter and punish any non-compliance (and increase the penalties for existing offences related to advertising, promoting or labelling tobacco products to bring these into alignment with the penalties for the new offences):
- not have any effect on intellectual property rights to register, own and enforce trade marks and copyright in designs (as it is only the use of trade marks and copyrighted designs as promotional devices on tobacco products and packaging that is being controlled).

The model for the legislation is Australia's legislative package for tobacco plain packaging, modified to fit New Zealand circumstances.

The Bill is drafted to be brought into force either by Order in Council or, at the latest, 18 months after receiving Royal assent. This is to allow adequate time to develop and consult on the detailed regulations.

The Bill dismantles the existing regulatory framework for tobacco product labelling and health warnings, and replaces it with a new, more wide-ranging tobacco plain packaging regime. Commencement by Order in Council when the new regulations are made will enable a smooth transition.

The Bill includes transitional provisions as a new schedule to the Smoke-free Environments Act 1990. These provide for the new plain packaging requirements and offences to apply to manufacturers, importers, and persons involved in packaging on the date the amendments comes into force, but allow a period of 6 weeks for distributors to clear old stock and further 6 weeks of "wash-through" before retailers become liable for non-compliance (ie, a total lead-in time of 12 weeks).

### Part Two: Background Material and Policy Information

#### **Published reviews or evaluations**

2.1. Are there any publicly available inquiry, review or evaluation reports that have informed, or are relevant to, the policy to be given effect by this Bill?	YES
See appendix one for details.	

#### Relevant international treaties

2.2. Does this Bill seek to give effect to New Zealand action in relation to an international treaty?	YES
WHO Framework Convention on Tobacco Control	
http://www.who.int/fctc/text_download/en/index.html	
http://apps.who.int/iris/bitstream/10665/80510/1/9789241505185_eng.pdf	
Guidelines for implementation of Article 11 of the FCTC (Guidelines on packaging and labelling of tobacco products) <a href="http://www.who.int/fctc/guidelines/adopted/article_11/en/index.html">http://www.who.int/fctc/guidelines/adopted/article_11/en/index.html</a> <a href="http://apps.who.int/iris/bitstream/10665/80510/1/9789241505185_eng.pdf">http://apps.who.int/iris/bitstream/10665/80510/1/9789241505185_eng.pdf</a>	
Guidelines for implementation of Article 13 of the FCTC	
(Guidelines on tobacco advertising, promotion and sponsorship)	
http://www.who.int/fctc/guidelines/adopted/article 13/en/index.html	
http://apps.who.int/iris/bitstream/10665/80510/1/9789241505185_eng.pdf	
2.2.1. If so, was a National Interest Analysis report prepared to inform a Parliamentary examination of the proposed New Zealand action in relation to the treaty?	YES

The National Interest Analysis for the WHO Framework Convention on Tobacco Control, was prepared by Ministry of Health and presented to the NZ House of Representatives in accordance with Standing Orders 384 and 385, 7 October 2003

http://www.parliament.nz/en-nz/pb/presented/papers/47DBHOH\_PAP9613\_1/new-zealand-treaty-series-who-framework-convention-on

The National Interest Analysis was subsequently published as an Appendix to the International treaty examination of the World Health Organization Framework Convention on Tobacco Control (11 December 2003) (as reported by the Foreign Affairs, Defence and Trade Committee)

http://www.parliament.nz/en-nz/pb/sc/documents/reports/47DBSCH\_SCR2638\_1/international-treaty-examination-of-the-world-health-organization

http://www.parliament.nz/resource/0000001917

#### Regulatory impact analysis

# 2.3. Were any regulatory impact statements provided to inform the policy decisions that led to this Bill?

YES

Plain packaging of tobacco products: Regulatory Impact Statement (consultation phase), March 2012

http://www.health.govt.nz/about-ministry/legislation-and-regulation/regulatory-impact-statements/plain-packaging-tobacco-products-regulatory-impact-statement-consultation-phase

Plain packaging of tobacco products: Regulatory Impact Statement (updated post-consultation), November 2012

http://www.health.govt.nz/our-work/preventative-health-wellness/tobacco-control/plain-packaging

http://www.health.govt.nz/system/files/documents/pages/plain-packaging-ris.pdf

Some material has been withheld from both regulatory impact statements above, under section 9(2)(h) of the Official Information Act 1982, in order to protect legal privilege.

# 2.3.1. If so, did the RIA Team in the Treasury provide an independent opinion on the quality of any of these regulatory impact statements?

YES

The Treasury Quality Assurance Statement for the Plain packaging of tobacco products: Regulatory Impact Statement (consultation phase), dated 20 February 2012:

"The Treasury's Regulatory Impact Analysis Team has reviewed the RIS and associated supporting material and considers that the information and analysis summarised in the RIS meets the quality assurance criteria. The process to date has not expressly sought public views on alternative options, and so these will need to be set out clearly in the consultation document."

The Treasury Quality Assurance Statement for the Plain packaging of tobacco products: Regulatory Impact Statement (updated post-consultation), dated 20 November 2012:

"The Regulatory Impact Analysis (RIA) requirements apply to the proposal in this paper and a Regulatory Impact Statement (RIS) has been prepared and is attached. This is an updated version of the RIS prepared in March 2012, including a summary of the consultation undertaken.

The Regulatory Impact Analysis Team (RIAT) has reviewed the RIS prepared by the Ministry of Health and associated supporting material, and considers that the information and analysis summarised in the RIS meets the quality assurance criteria."

# 2.3.2. Are there aspects of the policy to be given effect by this Bill that were not addressed by, or that now vary materially from, the policy options analysed in these regulatory impact statements?

NO

#### **Extent of impact analysis available**

2.4. Has further impact analysis become available for any aspects of the policy to be given effect by this Bill?	NO
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2.5. For the policy to be given effect by this Bill, is there analysis available on:	
(a) the size of the potential costs and benefits?	YES
(b) the potential for any group of persons to suffer a substantial unavoidable loss of income or wealth?	NO

See the discussion of the impacts of Option 3: Regulatory change to require plain packaging of tobacco products, beginning at page 7 of the Regulatory Impact Statements referred to in answer to question 2.3 above (updated post-consultation).

http://www.health.govt.nz/about-ministry/legislation-and-regulation/regulatory-impact-statements/plain-packaging-tobacco-products-regulatory-impact-statement-consultation-phase http://www.health.govt.nz/our-work/preventative-health-wellness/tobacco-control/plain-packaging

http://www.health.govt.nz/system/files/documents/pages/plain-packaging-ris.pdf

Some material has been withheld from both regulatory impact statements above, under section 9(2)(h) of the Official Information Act 1982, in order to protect legal privilege.

2.6. For the policy to be given effect by this Bill, are the potential costs or benefits likely to be impacted by:	
(a) the level of effective compliance or non-compliance with applicable obligations or standards?	YES
(b) the nature and level of regulator effort put into encouraging or securing compliance?	YES

See page 8 of the Regulatory Impact Statements referred to in answer to question 2.3 above. (Text is identical in both versions)

http://www.health.govt.nz/about-ministry/legislation-and-regulation/regulatory-impact-statements/plain-packaging-tobacco-products-regulatory-impact-statement-consultation-phase http://www.health.govt.nz/our-work/preventative-health-wellness/tobacco-control/plain-packaging

http://www.health.govt.nz/system/files/documents/pages/plain-packaging-ris.pdf

### **Part Three: Testing of Legislative Content**

#### Consistency with New Zealand's international obligations

# 3.1. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with New Zealand's international obligations?

The purposes of the legislation include helping give effect to New Zealand's obligations under the WHO Framework Convention on Tobacco Control (see Part One – General Policy Statement, and Box 2.2 above).

The Ministry of Health has consulted with the Ministry of Foreign Affairs and Trade during the development of the policy and proposals contained in the Bill, including analysis and advice on consistency with New Zealand's obligations under international trade and investment agreements. The Ministry of Business, Innovation and Employment was consulted on implications relating to the Trans-Tasman Mutual Recognition Arrangement.

A number of relevant Cabinet papers and background policy documents have been published on the Ministry of Health website. Some advice relating to the legal implications under international trade agreements has been withheld in accordance with section 9(2)(h) of the Official Information Act 1982, in order to protect legal professional privilege.

http://www.health.govt.nz/our-work/preventative-health-wellness/tobacco-control/plain-packaging

http://www.health.govt.nz/about-ministry/legislation-and-regulation/regulatory-impact-statements/plain-packaging-tobacco-products-regulatory-impact-statement-consultation-phase/plain-packaging-consultation-release-background-documents-and-information

### Consistency with the government's Treaty of Waitangi obligations

## 3.2. What steps have been taken to determine whether the policy to be given effect by this Bill is consistent with the principles of the Treaty of Waitangi?

Officials considered the possibility of Treaty of Waitangi implications as a normal part of the process to develop the policy and proposals contained in the Bill. None were identified.

### Consistency with the New Zealand Bill of Rights Act 1990

# 3.3. Has advice been provided to the Attorney-General on whether any provisions of this Bill appear to limit any of the rights and freedoms affirmed in the New Zealand Bill of Rights Act 1990?

YES

Advice provided to the Attorney-General by the Ministry of Justice, or a Bill of Rights Act 1990 section 7 report of the Attorney-General, is usually expected to be available on the Ministry of Justice's website upon introduction of a Bill. Such advice, or reports, will be accessible on the Ministry's website at:

http://www.justice.govt.nz/policy/constitutional-law-and-human-rights/human-rights/bill-of-rights

#### Offences, penalties and court jurisdictions

3.4. Does this Bill create, amend, or remove:	
(a) offences or penalties (including infringement offences or penalties and civil pecuniary penalty regimes)?	YES
(b) the jurisdiction of a court or tribunal (including rights to judicial review or rights of appeal)?	NO

Clause 13 amends section 36 to increase the maximum fines for certain offences and to impose different maximum fines depending on whether the person is—

- a manufacturer, and importer, or a distributor (maximum fine increased from \$50,000 to \$600,000); or
- a large retailer this is a new category of retailer (maximum fine of \$200,000)
- anyone else (maximum fine increased from \$10,000 to \$50,000).

Clause 14 inserts new section 36AA which creates an offence in respect of a person who manufactures, distributes, sells, offers for sale, or otherwise supplies a tobacco product or a package for a tobacco product knowing that the product or package contravenes the relevant plain packaging requirements. The maximum fines are the same as in the amendments to section 36 (above). There is an exception for certain exports, but the defendant must prove that the exception applies.

Clause 15 amends section 38A to include contravention of the plain packaging requirements in the new section 36AA as an infringement offence, with no mental element and a maximum infringement fee of \$1,000.

3.4.1. Was the Ministry of Justice consulted about these provisions?	YES
The Ministry of Health consulted with the Ministry of Justice on the proposals reoffences and penalties. All issues raised were addressed in preparing advice to	

#### **Privacy issues**

3.5. Does this Bill create, amend or remove any provisions relating to the collection, storage, access to, correction of, use or disclosure of personal information?	NO
3.5.1. Was the Privacy Commissioner consulted about these provisions?	NO

#### **External consultation**

# 3.6. Has there been any external consultation on the policy to be given effect by this Bill, or on a draft of this Bill?

YES

The consultation document, *Proposal to introduce plain packaging of tobacco products in New Zealand* (referred to in the answer to question 2.1 above), was issued, together with the Regulatory Impact Statement (consultation phase – referred to in the answer to question 2.3 above) on 23 July 2012.

The consultation remained open until 5 October 2012. The Ministry of Health received nearly 300 substantive individual submissions. The Ministry also received over 20,000 expressions of support for, or opposition to, the proposal in the form of postcards, petitions and standardised emails and letters.

Opinions on the proposal were polarised. There was strong support from public health groups, academia, other non-governmental organisations (NGOs) and individuals. Those opposed to the proposal were tobacco companies and associated industries, retailers and international business associations, several tobacco producing countries including Nicaragua, Dominican Republic and Indonesia, and individuals.

Overall, the arguments both for and against the proposal were largely those anticipated, and considered in the policy development to that point. There was no significant new information or evidence provided to support claims in opposition to the proposal not already considered when Government agreed in principle to adopt a plain packaging regime.

Further details on the outcomes of the consultation are available on the Ministry of Health website, including a report back to Cabinet dated 27 November 2012, the updated post-consultation Regulatory Impact Statement, a Report on the Submissions Analysis, and a link to copies of the template submissions (postcards, form letters etc.) received.

http://www.health.govt.nz/our-work/preventative-health-wellness/tobacco-control/plain-packaging

http://www.health.govt.nz/publication/proposal-introduce-plain-packaging-tobacco-products-new-zealand

#### Other testing of proposals

3.7. Have the policy details to be given effect by this Bill been
otherwise tested or assessed in any way to ensure the Bill's provisions
are workable and complete?

NO

### **Part Four: Significant Legislative Features**

#### **Compulsory acquisition of private property**

4.1. Does this Bill contain any provisions that could result in the	NO
compulsory acquisition of private property?	NO

#### Charges in the nature of a tax

4.2. Does this Bill create or amend a power to impose a fee, levy or	NO
charge in the nature of a tax?	INO

#### **Retrospective effect**

4.3. Does this Bill affect rights, freedoms, or impose obligations,	NO
retrospectively?	NO

#### Strict liability or reversal of the usual burden of proof for offences

4.4. Does this Bill:	
(a) create or amend a strict or absolute liability offence?	YES
(b) reverse or modify the usual burden of proof for an offence or a civil pecuniary penalty proceeding?	YES

Clause 15 amends section 38A to include an offence against the new section 36AA (which relates to plain packaging requirements) as one of the strict liability infringement offences with a maximum infringement fee amount of \$1,000. The infringement offences in the Act carry minor penalties for minor contraventions of the requirements of the Act.

Clause 14 inserts a new section 36AAB which creates a presumption that a defendant (who is not a manufacturer, an importer, or a distributor) is a large retailer. The defendant can rebut the presumption by raising evidence to the contrary. The reverse burden of proof was included because it will be easier for the defendant to produce its financial records in order to rebut the presumption, than it would be for the prosecution to obtain those records in advance of laying a charge.

#### **Civil or criminal immunity**

4.5. Does this Bill create or amend a civil or criminal immunity for any person?	NO
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#### Significant decision-making powers

4.6. Does this Bill create or amend a decision-making power to make a determination about a person's rights, obligations, or interests protected or recognised by law, and that could have a significant impact on those rights, obligations, or interests?	NO
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#### Powers to make delegated legislation

4.7. Does this Bill create or amend a power to make delegated	
legislation that could amend an Act, define the meaning of a term in an	NO
Act, or grant an exemption from an Act or delegated legislation?	

# 4.8. Does this Bill create or amend any other powers to make delegated legislation?

YES

Clause 16 amends section 39 to remove the regulation-making power aspects that relate to packages for tobacco products. Those aspects are now covered by the new section 39A.

Clause 17 inserts the new section 39A which allows regulations to be made that relate to plain packaging. The regulations can impose requirements or permit options for tobacco products and for packages for tobacco products. Most of the provisions relate to restrictive requirements about the appearance of the products and packages.

#### Any other unusual provisions or features

# 4.9. Does this Bill contain any provisions (other than those noted above) that are unusual or call for special comment?

YES

Clause 4 amends section 2 by inserting a definition of "large retailer" for use in the offence provisions. There was no precedent in other legislation for a definition of large retailer that would be practical for determining those retailers who come within the definition for the purpose of establishing the size of penalties for offences under the Act. The threshold for being a "large retailer" has been set at \$50 million in total annual turnover. This is based on analysis of what would be considered a typical large supermarket in New Zealand.

### **Appendix One: Further Information Relating to Part Two**

#### Published reviews or evaluations – question 2.1

Inquiry into the tobacco industry in Aotearoa and the consequences of tobacco use for Māori, Report of the Māori Affairs Committee, New Zealand House of Representatives (I.10A), November 2010

http://www.parliament.nz/resource/0000131388

Government Response to the Report of the Māori Affairs Committee on its Inquiry into the tobacco industry in Aotearoa and the consequences of tobacco use for Māori (Final Response), New Zealand Government, Presented to the House of Representatives in accordance with Standing Order 248 (J.1), March 2011

http://www.parliament.nz/resource/0000157432

Proposal to introduce plain packaging of tobacco products in New Zealand, Consultation document, Ministry of Health, July 2012

http://www.health.govt.nz/publication/proposal-introduce-plain-packaging-tobacco-products-new-zealand

(Note: Appendix 2 of the above-mentioned consultation document contains a substantial list of references to the body of international research evidence and studies related to tobacco product marketing and plain packaging which the Government drew on in forming its conclusions on the effectiveness of plain packaging.)

Plain Packaging of Cigarettes: A review of the evidence, Cancer Council Victoria, May 2011 (updated August 2011)

http://www.cancervic.org.au/plainfacts/browse.asp?ContainerID=plainfacts-evidence

Plain Tobacco Packaging: A systematic review, Moodie C, Stead M, Bauld L et al., (Public Health Research Consortium, University of Stirling) 2012

http://www.phrc.lshtm.ac.uk/papers/PHRC 006 Final Report.pdf

Plain Tobacco Packaging Research: An Update, Moodie C, Angus K, Stead M and Bauld L (University of Stirling) 2013

http://www.stir.ac.uk/media/schools/management/documents/Plain%20Packaging%20Studies%20Update.pdf

Market Research Reports on tobacco plain packaging and graphic health warnings, GfK Bluemoon, commissioned and published by the Government of Australia.

http://www.yourhealth.gov.au/internet/yourhealth/publishing.nsf/Content/mr-plainpack.