# VISIT TO SINGAPORE

## November 2017

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December 2017

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See Attachments - end of Report

## VISIT OBJECTIVES

The principal objectives in visiting Singapore were to present the experiences from Western Europe of the recent effect of the induction of standardised 'plain' packaging into a number of European Union countries and explain the consequence of the regulation. In addition this information would be supported by research findings from visits into the subject made to Eastern Europe, the Middle East and Australia and New Zealand over the previous 12/18 months.

## CONSUMER PACKAGING MANUFACTURERS ALLIANCE

The CPMA was established by Mike Ridgway in 2013 after 40 years' experience in the packaging manufacturing industry after retiring as the UK Managing Director of a major European Packaging Group. The Consumer Packaging Manufacturers Alliance (CPMA) was formed to act as an industry voice to support its future in the increasing world of regulation.

The CPMA is not against regulation which is effective - but against regulation which is excessive, disproportionate and ineffective.

## MEETINGS AND PRESENTATIONS

I made two keynote presentations during my visit to Singapore:-

- Facilitating a group round table discussion at the Packaging and Converting Executive Forum (PACE) on 16 November 2017 relating to the *'Evaluation and the importance of packaging as a security feature for product authenticity'*

- Presenting to the plenary session at the PACE Conference - Asia on 16 November 2017 on the subject *'Exploring Consequences of Plain Packaging on the Tobacco Industry from a packaging industry perspective'*

- Presenting to a Singapore International Chamber of Commerce (SICC) roundtable discussionon "Protecting Your Brand & Intellectual Property" on 17 November 2017 on the subject *'Issues and Concerns from a UK Packaging Industry's Perspective'*

Governmental Engagement

Unfortunately, requests for proposed meetings with officials from the Singapore Government including the Ministry of Trade & Industry and Singapore Customs were not responded to and consequently not undertaken during the visit.

## MAJOR POINTS RAISED

At the presentations made in Singapore, I covered the following points: -

Principle of Regulation

* Requirement for evidence based data to support better regulations

* Views of all stakeholders within the supply chain to be understood and considered

* Governments to consult on the position of manufacturers and the supply chain including distributors, retailers and consumers

* External pressure from tobacco control advocates and non-governmental organisations (NGO's) must not be disproportionate to the balance of the discussion

* Position of the illicit trade and general unintended consequences to business costs and financial liabilities to be assessed

* Consideration of alternative strategies

Existing Regulation

* What form does it take?

* Position to date

* Plain Packaging - role of packaging and the requirement of specification complexity

Future Trends

* What next?

* Slippery slope to consumer products in other market sectors

* Threats to Intellectual Property and the attack on brands

* Perception of national government towards more regulation to be assessed on a risk to business basis

## Key Discussion Points and Learning Experiences

Plain Packaging

The concerns about increased brand regulation for consumer products are very real and the obvious start is to examine the effectiveness is where it has already been introduced. Currently the Five Year experience in Australia (introduced in December 2012) does not support the Government intentions at the time or its stated objectives with the introduction of the regulation.

The Five Year Anniversary following the introduction of Plain Packaging for tobacco products in Australia in December 2012 has now passed and it has witnessed as being a complete failure in meeting its original objectives.

These objectives were to reduce general smoking level; to reduce the uptake of smoking by young people; and to increase the effectiveness of health warnings.

A recent published report by RMIT University of Melbourne revealed that based upon Australian evidence plain packaging has been **'Five Years of Failure'**. Recent statistics are indicating that the number of smokers is increasing for the first time since the anti-smoking campaign increased activity a generation ago. Secondly the University of New South Wales now calculates that the number of regular smokers has reached 2.4 million (up by more than 21,000) and The Australian newspaper is reporting that the nations smoking rate was now higher than in the US for the first time in a decade. (Source RMIT University/National Drug Strategy Household Survey - NDSHS).

Considering also the illicit trade largely fuelled by large tax increases now is representing nearly 14.0% of tobacco consumed and increasing in its market share by over 20% compared to pre-2012 … **the overall policy of plain packaging can only be reported as a failure.**

Within Europe the UK adopted the plain packaging proposal in May 2015 followed by France and the Republic of Ireland introducing the measure in September this year. Other EU countries who have passed the measure in their legislatures include Slovenia and Hungary with others at a various degree of consideration. Within the European Union the introduction of plain packaging has been left to individual Member States but a threat of overall harmonisation exists in the future.

Looking in detail at France the introduction of plain packaging from the end of 2016 has seen data from official sources indicating an increase of tobacco delivery to

retailers. There are admitted complications in Europe with the imposition of European Union regulations with Tobacco Products Directive (TPD2) but even with further proposed tax increases a clear picture will be difficult to assess in the immediate future.

What is clear however is the link between excessive regulation (including tax changes) and the illicit trade, and the growth that has taken place in the UK to almost 15% is supported by recent UK Government's Royal Customs (HRMC)statistics on the subject.

Plain Packaging develops on and from standard health warnings and with over 110 countries using pictorial illustrations of some degree ranging from 30% coverage to 90% a complete range of on-pack graphics exist. At the high levels of 80%/90% they are effectively plain packs with the virtual elimination of branding with pack space taken up by tax stamps and bar codes. (See attachment).

Further to this it is estimated that approx. 24 countries are examining plain packaging introduction, with delays taking place in national parliaments or waiting the outcome of World Trade Organisation decisions expected in June 2018.

The key feature of these countries is to realise the failure of the plain packaging measure in meeting the objective of achieving a decline in smoking levels when such conflicting evidence exists.

Retailers/Illicit Trade

The retail stakeholders have major concerns with the illicit trade and the challenges brought to their business by the adoption of a secondary illegal supply chain operating at the time close to their premises. This feature was not currently seen as a major concern in Singapore but with low cost countries adjacent to the country the trend will increase as witnessed in neighbouring Malaysia with cross boarder activity from Indonesia and other close by countries.

Local retailers support a community and tobacco sales play an important part in attracting visitors to shops and maintaining a steady 'footfall' during the day into their business locations. A decline in legitimate sales will affect the future business sustainability of local businesses.

The adoption of plain packaging will also encourage counterfeiting and this is directly linked to the role of packaging in supporting authenticity with consumer branded products, ensuring quality products and maintaining integrity within countries supporting internationally branded products.

PACE CONFERENCE (15 – 16 November 2017)

- The role of Packaging in supporting Intellectual Property Rights

The Packaging and Converting Executive Forum (PACE) Conference covered a number of packaging related issues which regarding the CPMA centred on the Role of Packaging and consumer product marketing (see attachment). The round table discussion and the presentation to the plenary session covered both the subject of … *'Packaging as a Barrier to Trade in Counterfeit/Illicit Goods'* and more extensively an exploration of the consequences of Plain Packaging onto the tobacco industry and the potential of the trend of additional regulation onto other consumer branded products.

This report will not record all the specific technical features and requirements of packaging manufacturing but highlights simply the features that once complexity is eliminated from the process the ability to copy and counterfeit becomes significantly simpler and easier in support of the illicit trade.

SINGAPORE INTERNATIONAL CHAMBER OF COMMERCE

The subject surrounding the SICC's roundtable discussion on 17 November 2017titled 'Protecting Your Brand & Intellectual Property Seminar' formed the basis of this seminar (see attachment). This covered a range of issues affecting Intellectual Property values, brand protection, International Trademarks and associated legal issues. These issues are important to countries such as Singapore who reply heavily on the need for international regulations to be upheld and to provide confidence to international brand owners and investors that their product authenticity will be maintained.

Major points to be recorded from the presentation and later discussion centred upon consumers preferences for brands; the need for clear packaging to support the brand; the adverse consequence of plain packaging across the whole of business and the move of similar regulation into other sectors.

Other Information

- Unintended Consequences
- Loss of local manufacturing - Europe

Unintended Consequences and the loss of local manufacturing capabilities is a major adverse consequence with the effect in the UK on the packaging industry being dramatic which has seen the closure of three manufacturing plants producing tobacco packaging in the country. These were in Bradford West Yorkshire, Portsmouth Hampshire and in Bristol in the South West of England. The closure of

these factories has seen the loss of many hundreds of well paid jobs within the manufacturing sector including skilled apprentice trained operatives in gravure printing and other sophisticated associated processes because tobacco packaging production involves high degrees of complexity and advanced manufacturing techniques.

Regarding the Bristol closure – Amcor, an international packaging company, stated at the time … '*The proposed closure reflects the challenging economic environment, wherein tax pressure coupled with illegal trade has resulted in declining industry volume in Europe.'* It continues … *'Increased regulation has further compounded these factors with the UK, Ireland and France introducing legislation for Plain Packaging during 2017.*

The Bradford Site of MPS/WestRock (formerly Field Packaging/Chesapeake) saw the loss of 40 jobs upon closure and many others having taking place before with more following at the Portsmouth plant when its doors closed some 12 months ago.

In addition to printed hinged lid carton packaging other forms of specialised packaging e.g. pouches, flexible packs, composite cans, tin boxes and specialised printing of tobacco sticks and security tapes have also seen job reductions. These businesses producing tobacco packaging included Parkside Flexibles in Normanton, West Yorkshire and Benkert Group in Scotland - both of who have reduced employee numbers since the announcement of the introduction of Plain Packaging.

Support for the packaging industry at the time of the introduction of the plain packaging measure came from Unite The Union in efforts to protect manufacturing and other jobs and who estimated some 53,000 jobs were linked to the supply chain within the sector.

- Loss of local manufacturing - Outside Europe

Outside the UK closures are also taking place on the Continent in The Netherlands, Scandinavia, Germany and threats of closure in South Africa, Malaysia and other locations where plain packaging is under consideration in the Far East and elsewhere.

In Malaysia Tien Wah Press Holdings Bhd Company is planning to stop printing tobacco packs and in Australia the carton printer Anzrac near Melbourne has been sold with half of the staff of 75 being made redundant. The primary reason for these closures has been to exit the market with the arrival of plain packaging for cigarette cartons which rendered in the case of Anzrac 90% of the company's massive KBA press rendered unusable with now both tobacco and cigarette packaging manufacturing in Australia moving offshore to Vietnam, Indonesia and other locations. This trend has also taken place in Malaysia with manufacturing closures.

The adverse result onto business is obvious with plain packaging having very serious detrimental effects in the printing of consumer packaging manufacturing with much reduced production value and added-value opportunities. Other consequences see reduced packaging innovation and limited opportunities to introduce new brand designs and brand extensions for the brand owner with virtually no requirement for new designs and marketing support. Should this trend continue into the other consumer sectors of alcohol, confectionery and certain food products, the packaging industry would again come under pressure regarding employment and with questions over its future sustainability?

Legislators must bear in mind the unintended consequences of such excessive regulation which so far seen of limited effectiveness where plain packaging has been introduced but in the process being extremely damaging to packaging manufacturing and other supporting businesses, its employees and to individual consumer choice in the global marketplace.

- Slippery Slope into Other Market Sectors

The slippery slope regarding regulation is a well-known phrase but is worryingly highly accurate within the context of the trend in consumer product branded packaging. Recent activities on the part of NGO's and other bodies have seen this feature become increasing more acute in sectors such as alcohol, confectionery, sweets and certain food products.

Tobacco has been seen as a test bed regarding regulation and it is worth examining the regulatory trend that this sector has experienced - in the UK - in addition to general regular increases in taxation.

2002 - ban on all tobacco advertising and sponsorship
2007 - ban on smoking in public places
2008 - introduction of graphic health warnings on cigarette packs
2011 - ban on the use of tobacco vending machines
2013 - ban on display of cigarettes in large retail outlets followed by a ban in all size of shops and premises selling tobacco
2014 - ban on smoking in cars when children are present
2017 - introduction of plain packaging following a 12 month period of stock changeover

Next - further supply chain restrictions and ultimately prohibition?

A similar approach with other products is gaining political support across Europe and certain parts of the world with demands for health warnings on alcohol drinks packaging and labels; snack foods; calls for less glitzy packaging for sweets and even for soft drinks and on breakfast cereals in New Zealand and Australia respectively.

All consumer product market sectors must be aware of this trend.

- International Trade Agreements

Singapore maintains very high standards of regulation and business supervision as recently confirmed in an International Monetary Fund report. This together with internationally competitive business rates of taxation makes it attractive to inward investors. The stable political situation also attracts consumer product companies to centre themselves on using Singapore as a business hub for the South East Asian region of the world. In addition to commerce Singapore has a vibrant manufacturing sector with comparable per capita manufacturing GDP levels to that of Germany supported by a level of inward investment with a high utilisation of capital as a business feature.

All this could be threatened by excessive regulation generating a view that the country is not as business friendly as it once was and forgetting the well-used statement … '*No one owes Singapore a living*'. The economic threat from China is real and with a route into low cost areas via Hong Kong international business confidence needs to be maintained.

The adoption of Plain Packaging onto international consumer products would not support the view that Singapore 'is open for business' in the way it once was.

Further development from the World Trade Organisation (WTO) is still awaited but it has been interesting to note that the Trade Related Aspect of Intellectual Property Rights agreement declares that its purpose is to 'reduce distortions and impediments' to international trade.....Does plain packaging do this?

<u>PLAIN PACKAGING - The Alternative to Regulation</u>

What is an alternative?

The key alternative to excessive ineffective regulation is education and awareness. The German Government has developed a Prevention Strategy which has proved to have been widely successful as a programme to reduce the level of smoking generally and young people in particular. This is organised by the German Federal Centre For Health Education (Bundeszentrale fur gesundheitliche Aufklarung (BZgA) based in Berlin who found that cigarette consumption by those aged between 12 - 17 years saw a reduction of 27.5% and those who never tried to smoke rose from 40.1% to 71.7% over a 12 year period from 2001 to 2013. In addition the smoking prevalence among the age group 18 to 25 also declined during the same period from 44.5% to 36.8% (Source - Press Release German Federal Drug Commissioner).

In addition to the Health Awareness programme minimum age law requirements exist, most forms of advertising are banned with some exceptions; sales via vending machines are regulated but limited point of sale marketing is allowed.

The policy helps to focus young people in particular to build self-confidence and resist peer pressure to take up smoking. The quotation from the Director of BZgA stated … '*The policy is exemplified by the decline in tobacco consumption down to a new record low' ...* summarises the success of the policy.

Concluding Comment

Summary from a packaging industry perspective - the packaging industry has no problem with regulation and supports efforts to reduce smoking - but any new regulation must be based upon evidence and impartial assessments of effectiveness, no matter how well intentioned those are who seek to regulate without knowing or appreciating the various possible unintended consequences.

**Mike Ridgway**
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**December 2017**

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**Attachments**

- Packaging and Converting Executive Forum (PACE)
- Singapore International Chamber of Commerce (SICC)
    - Protecting Your Brand & Intellectual Property
    - Issues and Concerns from the UK Industry's Perspective
- Illustration of Packaging Graphical Health Warning with varying degrees of percentage coverage
- CPMA - Financial Times (London) Quotation - February 2017
- The Business Times – Opinion Article dated Friday 17th November 2017

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