

## Public Accounts and Estimates Committee – Inquiry into Vaping and Tobacco Controls

BAT Australia responses to questions taken on notice on July 15<sup>th</sup> 2024 public hearing

### Question One:

**Bev McARTHUR:** Okay. Do you have any evidence that shows that vaping leads to smoking cessation?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** From a BAT Australia perspective, we do not generate such evidence. I understand the group would be looking at similar areas, but I think in terms of what can be observed – and that is smoking incidence both in Australia and in comparable countries which do have a regulated retail model for vaping products – is a decline in smoking incidence despite an increase in vaping incidence. So just even at a population data level in Australia based upon last year's Cancer Council Victoria report into incidence for the Commonwealth government, vaping grew from 1.4 per cent in 2018 to 8.9 per cent in 2023, which is an over 500 per cent growth, whereas smoking remained relatively stable at 12.3 per cent, declining to 11.8 per cent over the same time period. These data sources are reflected in the UK, the USA and New Zealand as well, so at a population level there does not seem to be a link between the two. However, I will need to come back to the committee on further details as BAT Australia does not commission such research.

### Response:

We would refer the Inquiry to the 2022 Cochrane Review, which found high certainty evidence that nicotine e-cigarettes are more effective than traditional nicotine-replacement therapy (NRT) in helping people quit smoking.

The review looked at 78 studies (40 of which were Randomized Control Trails) involving 22,052 participants and found that nicotine vapes were 1.63 times more likely to achieve quit rates than NRT, 1.94 times more likely than non-nicotine vapes and 2.66 times more likely than behavioural support or no support.

Link: <https://www.cochrane.org/news/latest-cochrane-review-finds-high-certainty-evidence-nicotine-e-cigarettes-are-more-effective>

### Question Two:

**Bev McARTHUR:** Okay. So what evidence does BAT have that shows vaping is healthier than smoking tobacco?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** Again, BAT Australia supports the findings of other comparable countries, which do state publicly that vaping products are a reduced-risk product in comparison to combustible tobacco products.

**Bev McARTHUR:** Okay. So you are just relying on other reports and data?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** To my knowledge, at a group level we do undertake scientific research into our products; however, I do not have those details available to me. They are publicly available on our group website, but I am happy to provide those to the committee for their consideration.

Response:

A full list of the BAT Group's scientific publications can be found at [www.bat-science.com](http://www.bat-science.com)

Question Three:

**Bev McARTHUR:** Thank you very much. That would be very helpful. Can you tell us what impact nicotine has on the developing brain?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** BAT Australia is clear that nicotine is addictive, which is why we believe the sale of any nicotine product should be age restricted and strictly controlled as an adult consumer product only. In regard to other research, BAT Australia does not undertake such research, but again, I am happy to come back to the committee based upon research the group may have undertaken above market.

Response:

BAT Australia is not aware of the BAT Group undertaking any research on this matter. However, our position remains that nicotine is addictive and, therefore, the sales of any nicotine product should be restricted to adults over the age of 18.

Question Four:

**Michael GALEA:** Thank you. What is the reason why a tobacco company has invested in a wellbeing drink?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** Thank you for the question. It is part of our diversification beyond nicotine, to my understanding. I am not closely involved with the distribution or sales of Ryde. It is another entity that to my understanding we have a distribution agreement with – the other entities within the BAT group of companies – but I do not directly work with that entity in Australia.

**Michael GALEA:** Thank you. If you could take any details on that on notice, I would appreciate it. And perhaps as well, in a similar vein, are any profits or any revenue from these other products, such as Ryde wellbeing shots, used in any way to support research, marketing, production or any other uses toward cigarette or nicotine production?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** Not to my knowledge, but I can come back to the committee with further detail.

Response:

Ryde is developed and manufactured by The Water Street Collective Limited, a wholly owned subsidiary of British American Tobacco p.l.c.

The Water Street Collective Limited is a stand-alone company that is managed separately from the main BAT business. It has clear corporate governance structures in place to maintain its independence. It is not involved in the tobacco or nicotine portion of BAT's business.

Question Five:

**Aiv PUGLIELLI:** Thank you, Chair. Just back to tobacco pouch products – given that you are British American Tobacco Australasia, with respect to the operations that you have outside Australia itself, what proportion do the pouches represent in terms of your overall sales?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** I thank you for your question. I am a representative of BAT Australia Ltd. I understand there is another entity that sits above BAT Australia that operates over a number of markets, which I am not employed by. To my knowledge I do not believe nicotine pouches are for sale in any markets under the Australasia banner; however, I am happy to come back to the committee to confirm, as I am not absolutely confident.

Response:

No. BAT Australia Ltd or its related bodies corporate do not sell nicotine pouches in Australia, New Zealand or the South Pacific.

Question Six:

**Aiv PUGLIELLI:** Thank you. That would be much appreciated. I would like to go to one of the questions that was just put to you earlier: could you describe what you would term an ‘adult flavour’? It would just be good to get a bit of a breakdown – what differentiates a flavour that you would deem adult from another flavour, perhaps one that is less adult, in your words?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** I think in terms of what is currently in the illegal market and is readily available, confectionery type of flavours or dessert flavours are clearly targeted at a certain cohort which would certainly include under-age consumers, which we believe should be prohibited outright and should be enforced. In terms of adult flavours, I would draw the committee to the New Zealand government’s regulations around this area, which are factual based upon the descriptors of those flavours and the naming conventions that the New Zealand government permits for vaping products.

**Aiv PUGLIELLI:** You spoke about the illicit market just then. With respect to the legal market beyond Australia, would that imply that there are non-adult flavours being sold in other jurisdictions?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** To clarify, by BAT or by other entities?

**Aiv PUGLIELLI:** By British American Tobacco, yes.

**BRITISH AMERICAN TOBACCO AUSTRALIA:** BAT views the flavour range in markets that permit legal sales as adult flavours; however, again, given that I work for BAT Australia, which does not sell any vaping products in Australia at this point in time, I am happy to come back to the committee with further details.

Response:

BAT’s global position is that vaping products should be available in a range of adult relevant flavours, including traditional tobacco, mint, menthol and fruit flavours.

We believe that flavours in vaping products play a crucial role in ensuring that smokers find them a satisfying alternative to cigarettes, preventing them from returning to smoking.

We also support regulations that seek to ensure flavoured vaping products are marketed responsibly. This includes requiring factual naming conventions that do not have overt youth appeal, e.g., using plain language flavour descriptors such as 'Strawberry' rather than 'Strawberry Gummy Bear'.

Question Seven:

**Aiv PUGLIELLI:** Sure. If possible, could you provide a breakdown of donations that you have made to political parties in Australia in the last 10 years – or from your affiliates, I should point out.

**BRITISH AMERICAN TOBACCO AUSTRALIA:** Yes. All this information would be publicly available on the Australian Electoral Commission disclosure website. I am happy to come back to the committee. I will pull those reports and provide them back to the committee.

Response:

BAT Australia Ltd or its related bodies corporate have not made any donations to political parties in Australia in the past 10 years.

BAT Australia Ltd purchased an annual subscription for \$55,000 from Laneway Assets Pty Ltd as Trustee for the National Policy Forum Trust, an Associated Entity of the National Party of Australia, in 2022-23.

Question Eight:

**Meng Heang TAK:** Thank you. I heard your answers for the previous questions. I understand that BAT does not conduct scientific research, but does BAT fund scientific research favourable to its business interests?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** Thank you for your question. Apologies – to clarify, BAT as a group does undertake scientific research. This research is published on our group website, and I will provide the committee with this research as well. I am happy to provide that. At a BAT Australia level, we do not undertake scientific research, but I will make sure to provide the committee with the research that has been commissioned and published by the group and that is available publicly.

Response:

A full list of the BAT Group's scientific publications can be found at [www.bat-science.com](http://www.bat-science.com)

Question Nine:

**Meng Heang TAK:** Thank you. We will be looking forward to that research. So how much has been spent on these categories over the last financial years?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** Thank you for your question. I am certain that our research and development investment is outlined in our annual report and is broken down. I do not have the annual report in front of me, but I will get that detail and provide it to the committee for your consideration.

Response:

Source: BAT Group Annual Report 2019-2023

Calendar Year	Research and development expenses (excluding employee benefit costs and depreciation) £mn
2023	£181
2022	£138
2021	£141
2020	£121
2019	£126

Question Ten:

**Meng Heang TAK:** Thank you. One final question from me, Chair: is BAT's funding of research in part or in full always publicly disclosed?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** Thank you for your question. BAT-commissioned research would be publicly disclosed; it is publicly published. We do have a number of R and D facilities across the world. I think our largest is in Southampton in the United Kingdom, and the reports that come out of that are published publicly with full disclosure that they have been undertaken by the BAT group, and I am happy to provide that list of scientific publications that the group has undertaken.

Response:

Scientific research undertaken by the BAT Group can be found at [www.bat-science.com](http://www.bat-science.com)

Question Eleven:

**Mathew HILAKARI:** Thank you, Witness 1; we appreciate your time this morning. I will start with some basic ones, just where your cigarettes are manufactured.

**BRITISH AMERICAN TOBACCO AUSTRALIA:** Thank you for your question. To my knowledge, and I might have to come back and confirm, they were primarily manufactured in Singapore up until recently, when the factory may have been put into care and maintenance. I think now it is potentially a split between Indonesia and South Korea, but if I could come back with the exact details as I –

**Mathew HILAKARI:** No, that is fine. Does BAT group own these facilities?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** I would imagine so.

**Mathew HILAKARI:** If you could come back on notice on that one.

Response:

Tobacco products sold by BAT Australia Ltd are produced in Indonesia and South Korea, in facilities owned by the BAT Group.

Question Twelve:

**Mathew HILAKARI:** You bring me to one of my later questions, but I will ask it now: has BAT group or BAT in Australia cancelled any of their supply relationships with any of their customers?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** Yes, we have. To my knowledge, for example, in Victoria I understand over the last 12 months 55 retail customers had supplier agreements suspended or cancelled.

**Mathew HILAKARI:** Could you provide some details on what was the basis of that ceasing supply, or could you provide them to the committee on notice?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** Of course. My understanding is that would be breaching our supply agreements with regard to the sale of illicit tobacco products, but I am happy to come back with the details.

Response:

Where BAT Australia Ltd (BAT Australia) has a supply agreement with a retailer, BAT Australia's anti illicit trade policy sets out a framework that if BAT Australia determines that the site is in possession of, selling, dealing in or otherwise exploiting or involved in the supply of any illicit tobacco, BAT Australia may take steps to address the matter which may include suspension or cancellation of the supply agreement.

Question Thirteen:

**Mathew HILAKARI:** Thank you for that answer. I am just going to take you to some other areas quickly. Has British American Tobacco undertaken, either yourself or at a group level, any research on taxes versus black market – so the increase in taxes or decrease in taxes and costs of legitimate cigarettes versus the increase in the black market – and if so, could you provide that to the committee?

**BRITISH AMERICAN TOBACCO AUSTRALIA:** Yes, of course. I believe it was last year we commissioned a UK group Independent Economics, and I think formerly they were called Llewellyn economics. We did modelling in terms of the maximum revenue point, the decreasing returns from excise, so we can provide that to the committee. That was attached to our federal budget submissions. We also have the joint industry FTI report. We certainly do have modelling with regard to excise, and I am happy to provide all of that to the committee.

Response:

BAT Australia Ltd has commissioned the following research regarding tobacco taxation and the black market:

- *Tobacco and vaping products in Australia: An updated economic assessment (March 2023). Independent Economics (attached)*
- *Tobacco and vaping products in Australia: An economic assessment (October 2022). Llewellyn Consulting/Independent Economics (attached)*

BAT Australia Ltd also jointly commissions an annual report to estimate the size of the illicit tobacco market in Australia with Phillips Morris and Imperial Brands.

- *Illicit Tobacco in Australia 2023 (May 2024). FTI Consulting Inc (attached)*