SELECT COMMITTEE ON PERSONAL CHOICE AND COMMUNITY SAFETY

INQUIRY ON PERSONAL CHOICE AND COMMUNITY SAFETY

TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 27 FEBRUARY 2019

SESSION TWO

Members

Hon Aaron Stonehouse (Chairman)
Hon Dr Sally Talbot (Deputy Chair)
Hon Dr Steve Thomas
Hon Pierre Yang
Hon Rick Mazza

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Hearing commenced at 11.22 am

Ms TAMMY CHAN
Managing Director, Philip Morris Limited, sworn and examined:

Dr MICHAEL FRANZON
Senior Medical Advisor, Philip Morris International, sworn and examined:

The CHAIRMAN: On behalf of the committee, I would like to welcome you to the meeting. Before we begin, I must ask you to either take the oath or affirmation.

[Witnesses took the oath.]

The CHAIRMAN: You will have signed a document titled "Information for Witnesses". Have you read and understood that document?

The WITNESSES: Yes.

The CHAIRMAN: These proceedings are being recorded by Hansard and broadcast on the internet. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you refer to during the course of this hearing, for the record. Please be aware of the microphones and try to speak into them; ensure you do not cover them with papers or make noise near them. I remind you that your transcript will become a matter of public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise you that publication or disclosure of the uncorrected transcript of evidence may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege.

Would you like to make an opening statement to the committee?

Ms CHAN: Yes, I do. Thank you for the opportunity to address you this morning. According to the national health survey data released by the Australian Bureau of Statistics in December 2018, the long-term downward trend in the smoking prevalence rate in this country has slowed and is now at 13.8 per cent. This is only slightly down on the 2014–15 figure of 14.5 per cent. In other words, despite the world's strictest tobacco control measures, the smoking rate, as the Bureau of Statistics has said, remained relatively similar in recent years.

Clearly, the best thing smokers can do for their health is to quit smoking altogether, but, despite the known risks, it is equally clear that many smokers will continue to use cigarettes. So, in the context of how to meaningfully reduce the smoking prevalence in Australia, we are now faced with a critical choice—continue pursuing the same policy responses or to take a fresh approach. This fresh approach is in the form of legalising smoke-free products, which include heat-not-burn products, e-cigarettes and personal vaporisers. From the UK to Canada, New Zealand and Japan, like-minded countries have embraced smoke-free products as a way to get smokers off cigarettes and switch to alternatives that are scientifically substantiated as a better option than continuing to smoke cigarettes.

At Philip Morris we are committed to a smoke-free future, where smoke-free products will one day replace cigarettes. Indeed, in countries where these products are available, it is clear that with the

right regulatory and fiscal framework, and appropriate knowledge sharing, smokers who would otherwise continue to smoke will embrace smoke-free products as a way to give up cigarettes. In Japan, for example, more than 20 per cent of the market is now in the form of smoke-free, heat-not-burn products. Cigarette sales, on the other hand, are experiencing significant year-on-year decline. It is clear that when smoke-free alternatives are available, smoking rates can be meaningfully reduced. It is our ambition that at least 30 per cent of those adult smokers who would otherwise continue to smoke, switch to smoke-free products by 2025.

Measures to prevent initiation and encourage cessation are key, but in any given year, a large population of existing adult smokers continue smoking. They deserve a sensible plan. Regulators can do so much for these men and women by designing frameworks that enable accurately informed consumer choice and incentivise complete switching. Here in Australia today, it is still illegal to sell e-cigarettes and personal vaporisers that contain nicotine. This means that everyday smokers who are looking for better alternatives have no option other than to order products from overseas, which may not be subject to any safety standards and/or oversight from competent authorities in the country from which they are sourced. We are ready to play our role and collaborate with both the commonwealth and state governments to build a regulatory environment that will allow adult smokers to have access to a range of products that are less harmful than cigarettes and in turn meaningfully reduce smoking rates.

Our commitment and vision is based on our belief and science behind our smoke-free products. To explain that in greater detail, I would now like to hand over to Dr Franzon.

Dr Franzon: I have been working close to 30 years for companies like Pharmacia, Johnson and Johnson, and Pfizer with the main mission of making a difference to one of the world's most intractable health problems—reducing the risk of smoking-related disease. I have authored about 40 scientific peer-reviewed international publications, largely in neuroscience and addiction medicine, focused on tobacco harm reduction. Despite all my time in academia and pharma working on smoking cessation solutions and making them available to smokers, I realised I was not making the difference that was needed to actually make a dent in the smoking epidemic.

[11.30 am]

So, in 2015, I made an extraordinary decision, as many of my PMI science colleagues had done before me: I went to work for the research and development arm of the largest tobacco company in the world—the main reasons being the company's commitment to develop smoke-free products that have the potential to be less harmful than continued smoking, advanced and complete scientific programs, transparently sharing our research, and to be an integral part of transforming the tobacco industry.

As our tobacco heating system—THS—is probably less known to many of you, and furthest in development with a comprehensive scientific assessment program, I would like to present some of our data around this product. There are 1.1 billion smokers today and there will be the same number by 2025 according to the World Health Organization—WHO. Every year, only approximately five to six per cent of smokers quit smoking to achieve long-term abstinence for one year or more. With these numbers, it seems clear we need an approach for all adult smokers who will otherwise continue to smoke. Harm reduction is the single biggest opportunity for our generation and we, as a company, are committed to addressing the impact of smoking on health. We have a range of smoke-free products in various stages of development, scientific assessment and commercialisation. Because our products do not burn tobacco, they produce far lower quantities of harmful and potentially harmful compounds than are found in cigarette smoke.

When we began the approach to harm reduction over 25 years ago, the main question was: where does the harm from cigarette smoking come from? Harm comes primarily from burning the tobacco, and experts agree that nicotine, while addictive, is not the primary cause of smoking-related disease. The primary cause is the harmful constituents found in cigarette smoke, most of which are associated with burning and combustion. By reducing the temperature from up to 850 degrees Celsius during a puff on a cigarette down to 350 degrees below the level of combustion, we can significantly reduce the number and levels of harmful and potentially harmful constituents that are linked to smoking-related disease. It is important to underscore that this product is nevertheless not risk-free. The best way to reduce the risk of smoking is to never start and for smokers to stop.

We have conducted 18 non-clinical and 10 clinical studies on THS to date and found that THS generates no combustion and no smoke, and the aerosol contains, on average, 90 per cent lower levels of harmful constituents compared to combustible cigarette smoke. Laboratory studies confirm that these lower levels of toxicants result in the aerosol being significantly less toxic than cigarette smoke. Our clinical trials show that reduced exposure to harmful compounds measured in adult smokers who switched to THS approached the effect observed in smokers who quit smoking for the duration of the clinical trial. Our most recent clinical study measuring the biological response of smokers who switched to THS for six months compared with continued smoking successfully met its objective. The study showed improvement in all eight measures of biological response, with statistical significance in five. These results show that switching to THS is likely to reduce the risk of smoking-related disease, as the product is actually used by subjects. All of this is, of course, based on our own science. In addition, there is also a large number of third party research around both vaping products in general and THS in particular. For THS, five government reports and over 20 independent research publications are available. This independent research generally confirms that THS produces significantly lower levels of harmful chemicals compared with cigarettes.

In summary, the totality of the evidence, comprising aerosol chemistry, a complete toxicology program, 10 clinical trials, nine perception and behavioural studies including 11 000 subjects, as well as a large post-marketing surveillance program, shows that THS has the potential for substantial risk reduction compared with continued smoking. We are committed to offering a portfolio of products that will replace cigarettes and can improve the health of adult smokers who switch completely. However, we cannot do this alone. People who smoke are looking for better alternatives and governments can help facilitate informed choices.

Ms CHAN: Before we take any questions that you may have, we would like to table a few documents for your attention which we think may be helpful for the whole discussion. The first document is our scientific brochure that will have a lot of scientific data that we are very willing to share. The second report is on sustainability—a report from PMI which contains lots of information on what we are doing around the world in terms of sustainability. The third document came out just last week—actually a few days ago—which summarised the key findings in terms of potential country-level health and cost impacts of legalising domestic sales in New Zealand. The study actually has been done by independent academic and health experts, with a lot of involvement from Australia as well. The next one contains lots of data which we find might be helpful pointing to the correlation of electronic cigarette use in the general population and amongst smokers. The final one is a study which came out a few weeks ago from the UK pointing to the direction of e-cigarettes being twice as effective to help smokers quit smoking. I hope that this information will be useful to the committee for consideration.

The CHAIRMAN: Thank you, Ms Chan, and thank you, Dr Franzon. The committee has heard that there is a strong link between smoking rates and factors of disadvantage amongst smokers. In fact, I think in Australia, Aboriginal and Torres Strait Islander people are 2.6 times more likely to smoke

than non-Aboriginal people and 41 per cent of Aboriginal and Torres Strait Islander people aged 15 and over smoke on a daily basis according to the Cancer Council Victoria. Are you doing anything to address the higher rates of smoking amongst your disadvantaged customers or to encourage disadvantaged smokers to switch to e-cigarettes or heat-not-burn products?

Ms CHAN: Yes, you have pointed to a very important thing. I think all smokers, be they Aboriginal or Australian smokers in general, are quite different. It points to the fact that having one policy probably may not be as effective to help specific groups, like Aboriginal people, to quit smoking. Unfortunately, here in Australia, we are not allowed to do anything because, as you very well know, to sell products—e-cigarettes—with nicotine is not legal. It is our hope to be able to do something to help them, because we know from all the research that we shared before, and now, that it is effective to help people like them to quit smoking as well. So we just want to see, hopefully, that being available to them. That would be able to help them.

The CHAIRMAN: The committee has heard that there is increasing evidence that e-cigarettes are a precursor to young people taking up smoking—a gateway effect it has been called—in particular, the USA Food and Drug Administration report from November 2018. Can you comment on these findings in light of your position on e-cigarettes and heat-not-burn products?

Dr Franzon: Clearly, our position is that vaping should not be taken up by never-smokers and especially not by youth. I think that the manufacturers and also government oversight has a big role and responsibility in making sure that those marketing efforts do not happen. I think that is important.

Hon Dr SALLY TALBOT: So you do support advertising controls?

Dr Franzon: Yes, exactly. I would like to, if you would not mind, take us through and maybe look at some different markets when it comes to gateway. I think that could be helpful.

The CHAIRMAN: Please do.

Dr Franzon: If we start with Australia, we can do that. If we look at some of the data, first of all, there was a report coming out from Queensland University that looked at vaping.

[11.40 am]

It seemed like the results really focused on: the uptake was among smokers and former smokers predominantly. There was also a report, and I just want to quote some of the lines there. I thought this was interesting. This is from the CSIRO report from last year —

> The majority of e-cigarette use in young Australians appears to be short term experimentation out of curiosity. Most 'ever users' of e-cigarettes have used them once or twice and then not again. Only a very small percentage (about 0.5%) of current or ex-smokers of regular cigarettes had used e-cigarettes prior to their use of regular cigarettes. In Australia, only a small percentage (4%) of never smokers have reported using e-cigarettes, and most of these people have used them once or twice only. Less than 1% of never smokers have used e-cigarettes on a more intensive basis than once or twice.

That was the conclusion from this report. We should also now be aware that looking at the smoking prevalence in Australia, it has, for the last couple of years, been fairly flat. If we look at two other countries where these products are legalised—for example, I will start with the UK—we have about three million vapers in the UK as per the ASH report. Two to three per cent of them are "never" users; the rest are actually former or current smokers who are using —

Hon PIERRE YANG: Sorry, can I interject and just clarify one thing. This report is conducted in the environment that e-cigarettes are not legal in Australia; is that right?

Dr Franzon: Yes, I understand that; that is your study. I have a little spin in the answer, so just bear with me here.

The idea here is that this was in Australia—this was the data I quoted first—in an illegal environment, so to speak. Now we are looking at one or two environments where these products are legal. That is why I wanted to bring up the UK. There was this increase—we are at three million vapers in the UK currently. At the same time, the smoking prevalence is going down dramatically in the UK. The same thing is also found in the US, where we have a very large proportion of smokers who use e-cigarettes. At the same time, the prevalence even there is going down dramatically. I have to add this, because I am from Sweden originally—please do not hold that against me!—but we have an interesting product in Sweden and it is called snus. Snus is ground-up tobacco. Through the manufacturing process, the TSNAs—tobacco-specific nitrosamines—are taken down to a very, very low level. The prevalence of smoking in Sweden is five per cent. Men have migrated from smoking to this snus product, which I would call a reduced risk product or a reduced tobacco product. Nineteen per cent of men in Sweden use this snus product. Four per cent —

Hon RICK MAZZA: Was that 19 per cent?

Dr Franzon: Yes, 19 per cent. Four per cent of women use this product. If you look at the lungs, deaths from lung disease in Sweden among men is the lowest in Europe. The death rate of any cancer in Swedish men is the lowest in Europe. The death rate of cardiovascular disease linked to smoking-related disease is the lowest among men in Europe. This product can also be an example of how harm reduction can fit with tobacco control in a way to have a very positive impact on public health.

Let us go back to the Australian situation, because that is really why we are here. The question is: what would happen now if you were to legalise alternative products including e-cigarettes here? I think one positive effect of that would be that you could control illegal products coming over your borders. You can control what is in the e-liquids. You can put on child-resistant caps, so you do not have to have reporting to the poison controllers. Another positive is that you can actually educate the users on how to use these products. I think that could be a good upside of doing this. Thank you.

The CHAIRMAN: I have a couple of questions on snus. For how long has snus been available in Sweden?

Dr Franzon: I would think close to 100 years. It is what the lumberjacks used to use. My uncle used it. He slept with it in his mouth, so I think it was fairly well accepted!

The CHAIRMAN: The committee has heard previously that there is perhaps a cultural appetite for snus. Smoking rates are at five per cent; that would be among some of the lowest smoking rates in the world.

Dr Franzon: Absolutely.

The CHAIRMAN: The snus use rate—has that stayed steady, has it declined or has it increased?

Dr Franzon: I think it actually has increased. Of course, the more migration from conventional cigarettes to the snus product has happened. The snus product in the beginning was actually a wet thing that you put up under your lip. Now it comes in a little teabag, which is much more hygienic.

The CHAIRMAN: The relative harm of snus use over a lifetime—you mentioned that cancer rates in Sweden are amongst the lowest as well in Europe. What kind of health effects are there of snus use?

Dr Franzon: With snus, of course the delivery of nicotine is still there. It delivers a large amount of nicotine and of course it has the effects from nicotine that we know is the effect from any other product. Remember now it is closer to an NRT. The difference in delivery from an NRT in the snus

product versus a cigarette is that it goes in on the vena side and circulates, so it has a slower onset than if you take a puff on the cigarette—that goes down to your lungs and comes out arterially. That is really a fast onset. It is more in the camp of an NRT in the way it delivers nicotine.

The CHAIRMAN: While vaping products have been on the market for a comparatively short period of time—15 years or so—we may not understand perhaps all the effects of e-cigarettes and similar products. The effects of a reduced harm product such as snus, we can see over 100 years in Sweden that it has resulted in one of the lowest smoking rates in the world with some of the lowest cancer rates in the world as a result.

Dr Franzon: Yes.

Hon PIERRE YANG: What have been the smoking rates in Sweden, let us say 20 years ago and today—you said five per cent?

Dr Franzon: I think it was actually over 20 per cent, but I do not know exactly how much. It has gone down dramatically in Sweden, yes.

Hon PIERRE YANG: But at the same time snus has been available for over a century?

Dr Franzon: For over a century. And also, if you would not mind, I also want to add that the Nicorette NRT portfolio was invented in Sweden, so we also have a very strong smoking cessation history in Sweden. Those products are well known. The indication for NRT in Sweden, and also in the UK, is not only for cessation, it is for reduced use, quitting and also for temporary abstinence and harm reduction. That indication has actually widened over time.

Hon PIERRE YANG: I find it quite interesting that the rate of smokers has decreased so significantly but at the same time snus has been available for such a long time. I wonder what caused the reduction in smoking rates; whether there is any correlation between the availability of snus and other measures in Sweden.

Dr Franzon: First of all, snus, in the older version, was that you had to put down your fingers and pick up this wet stuff and put it under your lip, and it was all over the place. It was just a very few who kind of enjoyed that. I think very few spouses of that person enjoyed it as well! I think as the development has gone on, now they come in little bags so it is so much easier to use. I think it is all the ease of use over time of development of the product.
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Hon PIERRE YANG: The second part of my question is: you mentioned there has been a significant reduction in smoking rates in the US and UK. Are you able to tell me when e-cigarettes and related products were legalised in those countries, roughly?

[11.50 am]

Dr Franzon: Let us put it this way: as you know, the jurisdiction for tobacco products and electronic cigarettes came into the FDA in 2008–09, with the Family Smoking Prevention and Tobacco Control Act. Then they actually founded the CTP, which was a new branch—the Center for Tobacco Products. That is where you apply and submit for modified risk tobacco products, so that is where we actually have submitted our current heat-not-burn, so it is under review by the FDA. The difference now is that when I was developing nicotine replacement therapies, I had to go to SEDA, which is where the pharma submits the drug application. Medicinal nicotine that actually has a therapeutic indication goes to a different branch, but these innovative nicotine tobacco products goes now to this new group since 2008, which is CTP.

Hon PIERRE YANG: I hear what you are saying. My query—not necessarily to you, but to myself—is that across western countries we have witnessed a significant decrease in the number of people

smoking, but at the same time, in certain countries e-cigarette products are legalised, in others they are not, but the overall trend is of a decrease. I agree that we have come to a point where the rate of decrease is very, very slow, but the claim that the decrease in those countries has a significant connection with e-cigarettes—I need to see more data; I need to see more evidence.

Ms CHAN: Maybe in reference to another country where we have the heat-not-burn device, which is Japan. So Japan, since four years ago, that is when we introduced the product, along with other competition products, actually we introduced it four years ago and today it accounts for 20 per cent of the market. I think it is also important to note that smoking incidence, year-on-year, has declined by eight percentage points. So people basically actually quit smoking and only use the heat-not-burn products, which is a type of reduced risk product that we have. If I may actually draw some conclusion with what Dr Franzon was saying, I think this all points to a very important thing, which is to give the consumer, smokers, in Sweden or other countries, the choice that they can choose that will help to overall achieve the public health objective right between the two. Another thing is that innovation obviously plays a role with the appropriate regulatory framework as well, and I guess that is potentially what we wanted to discuss here in Western Australia and also the country to a large extent.

Hon Dr SALLY TALBOT: Thanks for your presentation. You are obviously both fanatical anti-smokers, which is very encouraging. What is your company's core product?

Ms CHAN: Core product, do you mean in terms of how much money we would get and all that, right? Eighty-five per cent is coming from what we call the combustible product.

Hon Dr SALLY TALBOT: What is that in English?

Ms CHAN: Which is cigarettes.

Hon Dr SALLY TALBOT: Tobacco?

Ms CHAN: Cigarettes, as we discussed —

Hon Dr SALLY TALBOT: Eighty-five per cent?

Ms CHAN: Eighty-five per cent of the revenue. But actually we made it very clear already two years ago, it is our vision actually to eventually phase that out. The day will come when countries around the world allow the reduced risk product to be legalised. When smokers who actually want desperately to have a choice switch to this product, that is the day when we will stop selling cigarettes. We want the percentage to go to, in the case of eighty-five per cent, we want the percentage to come down very quickly, and that is our ambition.

Hon Dr SALLY TALBOT: So 85 per cent of your product is tobacco and 15 per cent is these reduced risk products?

Ms CHAN: Today, yes.

Hon Dr SALLY TALBOT: Ms Chan, you referred, I think, to the Australian smoking rate as being around 14 per cent—13 point something?

Ms CHAN: Yes.

Hon Dr SALLY TALBOT: What is it amongst under-18s?

Ms CHAN: Actually, that is government data and I believe it is based on 15 to 18. That is not our study. I think it came from the —

Hon Dr SALLY TALBOT: What is the percentage amongst —

Ms CHAN: No, we do not have the split between that.

Hon Dr SALLY TALBOT: Okay, I have some data here that says that smoking between 12 and 17-year-olds is about five per cent.

Ms CHAN: Yes. Can I know your source of data as well?

Hon Dr SALLY TALBOT: I can provide it to you afterwards; I just have my own notes.

Ms CHAN: Because actually we also look at data which, because we are concerned a lot about youth uptake as well—I mean, we share the same concern—we actually do not want kids to smoke. So I am looking at another set of data that comes from New South Wales; I am talking about students. The smoking rates are actually very low, which is very good news, and we definitely want to keep it that way.

Hon Dr SALLY TALBOT: Dr Franzon, you referred to some data that refutes the idea that e-cigarettes were a gateway to tobacco use for children and young people. As you well know—because you are obviously conversant with all the research—I can come back to you with research that contradicts your assertion. One of the most powerful ones, I think, is the ASSAD 2017 survey where they say, and I quote —

> Our findings suggest that students who experiment with e-cigarettes are more likely to later try tobacco cigarettes than those who have never vaped.

The Australian federal government is happy to put out that research. Why do you think that the precautionary principle should not apply to the use of these products, or the regulation and legalisation of these products, amongst children and young people?

Dr Franzon: It should definitely do that.

Hon Dr SALLY TALBOT: If the precautionary principle applies, then you would have to look at the science that gives you the message and findings along the lines I just read to you that it is, indeed, a gateway.

Dr Franzon: If I understand your reference here, it is primarily experimentation. I do not know if it was actually into current use. I am not sure that data does that. It is mostly around experimentation.

Hon Dr SALLY TALBOT: Yes, the research you referred to as about kids experimenting.

Dr Franzon: Yes, correct.

Hon Dr SALLY TALBOT: This research, with which I am sure you are familiar, says —

> Our findings suggest that students who experiment with e-cigarettes are more likely to later try tobacco cigarettes …

Dr Franzon: Yes, and I think it is the experimentation that you have pointed out and then it is to try. I think when we see a lot of the surveys on gateway, especially in the US, many of the questions that are asked to these adolescents is, "Have you taken one or two puffs in your lifetime?" That can —

Hon Dr SALLY TALBOT: Okay, so you think they might have just had one or two puffs of a tobacco cigarette. Then what do they do? Do they go back to e-cigarettes?

Ms CHAN: I think as we mentioned, actually, one kid smoking is one kid too many. To your point on the precautionary approach, today the product is still not legal. The precautionary approach and option would be to legalise it and make sure that the youth prevention measure will be in place so that the government can measure it, rather than—taking a bit of a hypothetical approach—banning it. That is not going to make it worse, because people are ordering it now each and every day on the internet.

Hon Dr SALLY TALBOT: Precautionary principle does not simply apply to e-cigarettes being a gateway; the precautionary principle surely applies to the safety of the product.

Ms CHAN: Absolutely, and therefore regulation —

Hon Dr SALLY TALBOT: I would suggest to you that if you were using the precautionary principle, you would have to look at disputed evidence about the safety of e-cigarettes.

Ms CHAN: Yes, and there is also a lot of evidence out there—our science, the independent ones—pointing to the direction that, with the right regulatory framework, we can achieve both, meaning to give smokers a better choice. Either they cannot quit, or if they want something —

Hon Dr SALLY TALBOT: Now you have switched your discussion to smokers, so I will just come to that. I know Mr Chair wants to move on. If I could just quickly ask you: we have this 14 per cent of the adult population who are still smoking tobacco and your claim, clearly, will be that it is less harmful for them to use e-cigarettes.

Ms CHAN: Our science supported that.

Hon Dr SALLY TALBOT: Okay. So is it a therapeutic product?

Dr Franzon: Could you please explain what you mean by that, or can I try to answer that question —

Hon Dr SALLY TALBOT: I think you know absolutely what the definition of a "therapeutic product" is.

Dr Franzon: You mean something with a therapeutic indication, right?

Hon Dr SALLY TALBOT: Yes. Is it a therapeutic product?

Dr Franzon: Exactly. A therapeutic product, the way I used to develop those products, has an indication. For example, an NRT has an indication for smoking cessation. When I do a clinical program to test that, I actually recruit smokers who are willing to quit. That is the whole premise for that study design, and I have to go to a certain branch within a regulatory authority for that. The studies we are doing, we are actually studying less harmful products, potentially, in small groups that want to continue smoking. So this will now generate a claim based on, for example, reduced exposure, reduced risk, but it does not give me a therapeutic claim in the sense that there is something I can actually put on a label and get approved—for example, smoking cessation.

[12.00 pm]

Hon Dr SALLY TALBOT: So you are not pursuing the avenue of it being a therapeutic product?

Dr Franzon: Not at this stage, no.

Ms CHAN: Not at this stage, because we are really trying to compare to the effect of continued smoking, and this is, in many countries, being regulated as a consumer product.

Hon Dr SALLY TALBOT: People who want to continue to smoke.

Ms CHAN: Yes, or want to try to use a different type of product to help them quit smoking as well.

Hon Dr SALLY TALBOT: Do you market nicotine chewing gum and patches?

Ms CHAN: For smoking cessation? No, we do not.

Hon RICK MAZZA: In your opening statement and also in your submission you talk about a smoke-free future, which is your objective. There seems to be a lot of competing research from different interest groups around vaping and e-cigarettes. As tobacco products become more marginalised and demonised, a cynical community might say: well, all tobacco companies are really after is a new market to ply their trade. What would you say to that?

Ms CHAN: I think the cynical or—if I can rephrase it: why a tobacco company like ourselves would advocate for such products, right? Is it really purely because of financial interests or survival?

Hon RICK MAZZA: Yes, absolutely.

Ms CHAN: I think I will try to address your question in two points. First of all, I think the overall perception or idea is that this is big tobacco company tricks. In fact, we had actually started to look at products like this 25 years ago, but we only recently launched it. Way before we did that, there have been many big and small players—actually, more small players—already in this space offering different solutions to the smokers who do not want to quit. I think that is the number one point: we are actually trying to catch up because of our commitment to do so, and we have the resources and the commitment to do that.

The second point I wanted to make is that if you walk outside of this building, if you come across any smokers, if you ask them what they want, I bet the majority of them will tell you that they want a better alternative. In fact, research that came out just two weeks ago by the Australasian Association of Convenience Stores confirmed that 80 per cent of smokers say that they want to have a better alternative because they know it exists elsewhere. If you go and ask their family and friends surrounding them, who are also disturbed by the second-hand smoke, and those who have actually used e-cigarettes to try to quit smoking, they will tell you the same. We know that because we hear it each and every day. That is what consumers want.

Coming back to our business, it is our ability and vision to provide something that is not only a product but with the scientific substantiation on the potential for reduced harm. We make it available to them; that is our wish. It makes perfect business sense for us to do that. So this is what the consumer wants, this is what society wants, and this is what we wanted to do. It makes perfect sense both from a business and a society perspective.

Hon Dr SALLY TALBOT: Ms Chan, Dr Franzon was referring specifically to your research work with cohorts of smokers who want to continue to smoke. Of course they say they are looking for an alternate product. What about the cohort of smokers who say they want to quit?

Ms CHAN: Yes, absolutely.

Hon Dr SALLY TALBOT: Are you working with them?

Ms CHAN: We know many of them also—smokers who, with the support and under the current tobacco control policy, have been trying to quit.

Hon Dr SALLY TALBOT: Are you working with them? Does your research include smokers who want to quit?

Ms CHAN: The research that I referred to does not actually come from us. If I refer to research that was done here in Australia, which I think is a National Drug Strategy survey, it pointed to the direction that 30 per cent of current smokers—one in three—actually said that they do not want to quit. So I guess the question is: what do we want?

Hon Dr SALLY TALBOT: Thirty per cent said that they do not want to quit, so 70 per cent do want to quit?

Ms CHAN: They wanted to try, and they are trying, because with all the measures and all the policies that the government is offering —

Hon Dr SALLY TALBOT: I think that is a little bit different to how you responded originally to Hon Rick Mazza's question.

Ms CHAN: No, I just do not want—by your own measure—there is one point. When we talk about legalising e-cigarettes or reduced-risk products, it is not mutually exclusive to the tobacco control policies that already exist.

Hon Dr SALLY TALBOT: As long as we can be clear that 70 per cent of that 14 per cent want to quit.

Ms CHAN: Yes, it is complementary. I think we do need both to achieve the public health objective that the country wanted so much to pursue.

Dr Franzon: Can I make a comment and add to that. We are looking at the consumer who wants to continue smoking but is looking for a less harmful product to do so. If you ask me, we do develop these for people who want to quit, but we are also looking at some of the undesirable effects. We do not want people who were never smokers; we do not want people who are former smokers to pick up this product. In the same way, if someone is already on the road to quitting, we do not want to provide a product to them or derail them from their journey where they have already started to quit. I think that is also an important point to make.

Hon RICK MAZZA: Just one more question, Chair. Obviously your company would do a lot of market research in this space. What does your research suggest the potential value of the Australian market might be?

Ms CHAN: We have not actually done it, simply because it is not even legal, so anything like that would be hypothetical.

Hon RICK MAZZA: That surprises me somewhat. I would have thought that if there was a potential for the market to be legalised for vaping, companies would have been prudent to work out what the potential value of that may be.

Ms CHAN: Yes, but my point would be that we want to make it available to any smokers who want a reduced-risk product. I think it makes sense to do it, regardless of market size, because every smoker is important.

Hon RICK MAZZA: Thank you, Chair.

Hon PIERRE YANG: Ms Chan, you mentioned the year-to-year decrease in Japan, which I think is about eight per cent, if I recall that correctly. Do you know what the smoking rate is in Japan overall?

Ms CHAN: I think recently it was 16. I do not have the exact number, but it was really high, smoking prevalence.

Hon PIERRE YANG: Sixteen is probably not that high, comparatively.

Ms CHAN: No, sorry, I think I do not have the latest numbers. What I notice is that it is an eight per cent reduction, depending on what time you mentioned. I recall, around four years ago, back then it was pretty high. That is what I can confirm, because smoking prevalence in Japan was quite high.

Hon PIERRE YANG: Yes, in what range roughly, 16 to 25?

Ms CHAN: Can I take it on notice? I will get back to you.

The CHAIRMAN: You can, yes. We will take that on notice. If we can add to that perhaps the smoking rate in Japan with the prevalence of reduced-harm products use in Japan, that would be very helpful. Supplementary to that, if you have any information about the tobacco controls in Japan, that would be helpful too. It seems across the Anglosphere there are very stringent controls on tobacco products, tobacco excise taxes, advertising et cetera. Some of those controls seem to me not to exist in the East Asia or South-East Asia regions, so I would be interested if you can provide some information on tobacco controls there.

Ms CHAN: Yes, I will get back to you. What I can say is that actually, as far as Japan is concerned, the environment between what we have as a heat-not-burn product and cigarettes are pretty similar. Yes, but on other details, definitely.

Hon PIERRE YANG: Yes, so that we can make that comparison. We can see from your evidence that there is a significant decrease year-on-year, but we need to know the basis for that, whether that is comparable to western countries.

Ms CHAN: Yes. Sorry, if I can add one thing. In Japan this product is made available without any health claim, so actually we are not saying that this is a reduced-risk product. We have design and all that to back it up, but it is really purely on convenience or other benefits for the smokers.

The CHAIRMAN: It seems you make a distinction between what is a therapeutic good that makes specific therapeutic claims and what is merely a reduced-harm product, if I can summarise perhaps some of the testimony you have given us so far. I was wondering, under the current regime in Australia, various states' poisons acts prohibit liquid nicotine. As I understand it, federal government polices the importation of liquid nicotine, and then various states have different approaches towards the devices. In Western Australia the devices are illegal. Anything that simulates smoking is prohibited; you cannot sell it. Despite that, there are still plenty of people vaping, using electronic cigarettes.

If you walk around Perth, you can probably see a few of them on the street at any given time. You alluded to this a little bit earlier, I think, Dr Franzon—the concern around this unregulated black market of e-cigarettes. What type of regulatory framework would you like to see here in Australia? We have one avenue where products could be submitted to the TGA for approval, but you make no therapeutic claims. What then would be the approach for state or federal governments to take, in your view?

[12.10 pm]

Ms CHAN: In fact, it is actually in our submission as well. I think it is very important to be able to cater for innovations that are not really making therapeutic claims as well. The proposal that we have—and, in fact, we also offer some reference in terms of what other countries, like the US, are doing in order to support that legalisation. But it is very important to make this product available and ensure that the manufacturer, before they put it in the market, is subject to certain product standards and security measures so that the government, or the competent authority, will have an oversight. The other thing is it should have the regulation—proper regulatory measures—in such a way that would allow smokers to get to make informed decisions, because these are very new things as well, but at the same time, with strict control in terms of youth access. If I can point to New Zealand, that is actually the Ministry of Health direction as well. It is how we enable on one hand to know what is happening in the market and make the manufacturer accountable to make sure that the minister himself is aware of what is happening.

The CHAIRMAN: Just to jump in on the point about youth access, in the current unregulated black market of liquid nicotine and of e-cigarette devices, there is no policing of who has access to these devices, really. The stores that I visited that sell accessories and devices sort of self-regulate access for children. They say, "No-one under 18 can access these products", but there is nothing stopping less scrupulous store owners or vendors from selling these products to young people. So, you are saying you would like to see a regulated market —

Ms CHAN: Yes.

The CHAIRMAN: — where access for children can be restricted and enforced?

Dr Franzon: Monitored.

Hon Dr SALLY TALBOT: Would that include advertising curbs?

Ms CHAN: Advertising, I think, is a broad term, but, it needs to allow, to my point, certain communication channels—it can be one-on-one—for the smokers that ask for information. I mean, we need to be allowed, or the retailer needs to be allowed, to be able to communicate it. But of course do not talk to youth and any non-smokers as well, but this is exactly what the regulatory framework has to do to make sure that happens, because today it is simply not enforceable.

Hon Dr SALLY TALBOT: Did Philip Morris support any of those tobacco control policies that have been introduced thus far for tobacco, like advertising curbs, the graphic health warnings, the plain packaging, the increase in tobacco tax? Did you advocate in favour of those measures?

Ms CHAN: I think you point to the fact that on occasion, over a very long history, that Philip Morris, or another tobacco company, challenged. Based on that time, I do not have all the knowledge in terms of the relevance of a particular piece of legislation at that time.

Hon PIERRE YANG: How long have you been working for Philip Morris?

Ms CHAN: I have been working for 22 years.

Hon Dr SALLY TALBOT: That would encompass at least plain packaging and the tax increase.

Ms CHAN: Yes. On plain packaging specifically, we basically challenged or, I mean, we brought to attention the fact that there had been lack of evidence to support that plain packaging would achieve this intended objective. We raised our concern. As much as on tax as well, we raised our concern on the unintended consequence on the illicit trade.

Hon Dr SALLY TALBOT: We would have fewer people smoking if we had lower taxes, cheaper cigarettes, lots of advertising and —

Ms CHAN: No. As I earlier mentioned, I think all the tobacco control policies have been working until lately to drive down the smoking prevalence that we are seeing here today.

Hon Dr SALLY TALBOT: And yet Philip Morris opposed all those measures when they were brought to you.

Ms CHAN: Yes. I am not actually here to argue or to defend that what happened in the past was right. By no means I wanted to do this; however, what I actually wanted to refer to is that all this accumulated the history, the very particular history, that the industry has and we do not want to go down that path again. We took a very bold move to communicate our vision publicly, because I think it is only working together through conversations like this, and then to listen to what we have to contribute, not only our knowledge on the product, but our scientific evidence that may support it, to be part of the solution instead of continuing to be part of the problem.

The CHAIRMAN: Just on the regulatory framework that we could approach, you talk about innovation in the space. If I understand you right, you are talking about a light regulatory touch to allow for some innovation there. Are you alluding to, I suppose, the ability to make convenient products for consumers? Dr Franzon, you mentioned earlier that smoking rates in Sweden did not decline until snus became a convenient and attractive product to an extent to people who were looking to switch from smoking to another product.

Dr Franzon: That is correct. I think also, as I mentioned earlier, when the product got easier to use, it also came down on the smoking prevalence. It has to be an accessible product to use.

The CHAIRMAN: An element of people switching from combustible cigarettes to reduced-harm products is that these reduced-harm products are convenient for them to use, they are at an attractive price point, I suppose, and they are somewhat accessible; is that right?

Dr Franzon: Yes, that would be my recommendation. If I can quickly comment on something else. We are looking at the smoking prevalence in Australia going down initially and now flattening out. What I think we see in many other countries where that happens is that you get almost a skimming, so the people who managed to quit are the people who are less dependent on the cigarettes, and what you have left are smokers with a high dependence on smoking, and they are hard work—recalcitrant and harder to move—so I think especially for that group to have something that could turn up and could be helpful.

The CHAIRMAN: The documents you provided, these are all publicly available documents, are they?

Ms CHAN: Yes.

Hon PIERRE YANG: What is the rate in Sweden for the usage of electronic cigarettes, like heat-not-burn and all the other vaping devices?

Dr Franzon: I think heat-not-burn is fairly low in Sweden and e-cigarettes as well are fairly low. You need to get into a market where this old product is so established, if you know what I mean.

Ms CHAN: We launch it based on the principle that we want them to have choices.

The CHAIRMAN: That is all the time we have. Thank you for attending today. A transcript of this hearing will be forwarded to you for correction. If you believe that any corrections should be made because of typographical or transcription errors, please indicate these corrections on the transcript. The committee requests that you provide your answers to questions taken on notice when you return your corrected transcript of evidence. If you want to provide additional information or elaborate on particular points, you may provide supplementary evidence for the committee's consideration when you return your corrected transcript of evidence. Thank you.

Hearing concluded at 12.18 pm

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