



Parliamentary Budget Office

# Tobacco and e-cigarette use

Submission to the inquiry into vaping and  
tobacco controls

## Parliamentary Budget Office

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## In brief

In this submission, we provide a contextual history of tobacco and e-cigarette regulations that the Australian and Victorian Governments have imposed to curb the prevalence of smoking and vaping in the community. We outline the trends in tobacco and e-cigarette use and detail its financial, social, health and environment impacts. We also consider the illicit tobacco and e-cigarette markets and provide an economic explanation to describe the emergence of these markets.

### Tobacco and e-cigarette regulations

The Australian and Victorian Governments are jointly responsible for regulating the use and supply of tobacco and e-cigarettes. In general, these regulations target the supply and advertising of tobacco and e-cigarettes, designate smoke-free areas and impose controls on key ingredients, notably nicotine.

Both levels of government have heavily regulated tobacco over the last half-century with the first health warning on cigarette packing in Australia appearing in 1973. Since then, the Australian and Victorian Governments have implemented various regulations and policies to curb use of and harm associated with tobacco. This includes the:

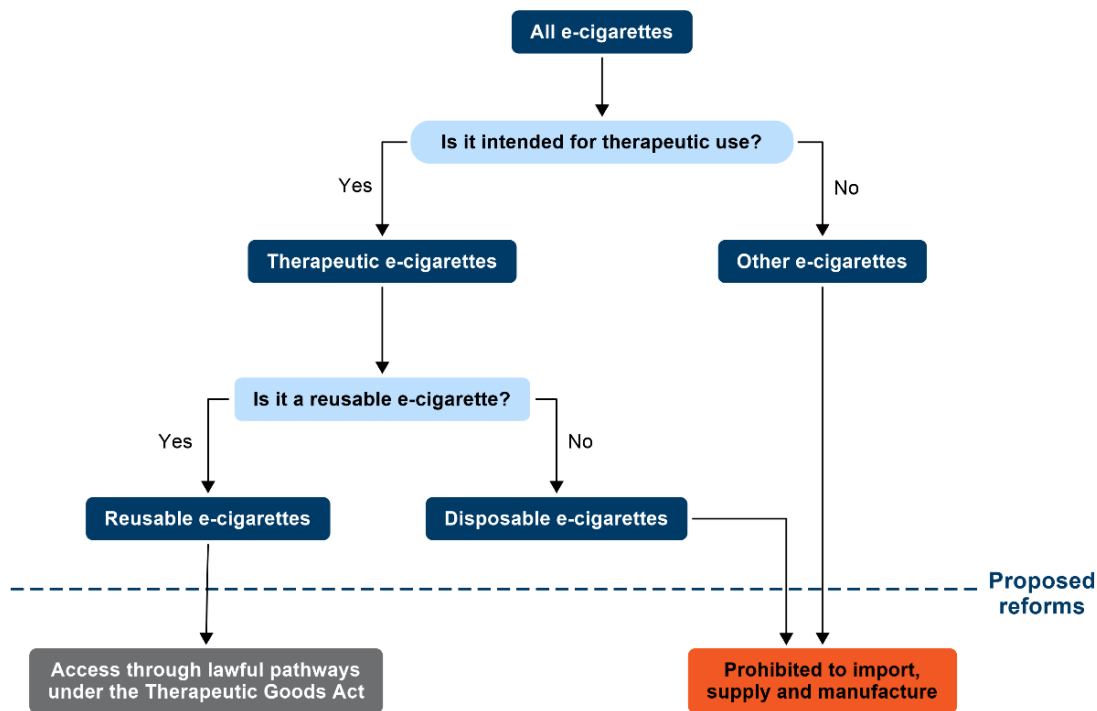
- Australian Government gradually banning tobacco advertising across radio, television, newspapers, magazines, billboards, and sponsorships from 1976 to 2012
- Australian Government imposing plain packaging on all tobacco products
- Victorian Government enacting the *Tobacco Act 1987*, which placed tougher controls on advertising, display, and sale of tobacco
- Victorian Government banning smoking in areas including enclosed restaurants, cafes and dining areas, public transport, as well as at patrolled beaches and in schools and childcare centres.

The proliferation of e-cigarettes, however, is relatively recent and rapidly growing. The Victorian Government regulation of e-cigarettes differs depending on whether they contain nicotine.

Through amendments to the *Tobacco Act 1987*, the Victorian Government has regulated non-nicotine e-cigarettes and vaping the same way as tobacco and smoking since 1 August 2017. This means that the restrictions imposed on the supply, advertising and use of tobacco also apply to non-nicotine e-cigarettes. By extension, vaping is prohibited in all designated smoke-free areas.

In Victoria, the Poisons Code lists nicotine in Schedule 4 (Prescription Only Medicine), with exceptions for common tobacco products that contain nicotine, like cigarettes. The Schedule 4 classification means that nicotine e-cigarettes are only available through pharmacies with a valid prescription for smoking cessation or the management of nicotine dependence, where clinically appropriate.

In response to the proliferation of e-cigarettes and the increase in vaping, the Australian Government has recently announced reforms which would significantly restrict consumer access to these products.

**Figure 1 – Australian Government proposed reforms on e-cigarettes**

Source: Therapeutic Goods Administration, Parliamentary Budget Office.

The Australian Government plans to ban all e-cigarettes in Australia, except for reusable therapeutic e-cigarettes, which will remain available through prescription. If implemented, these reforms will ban all other e-cigarettes (non-therapeutic and disposable e-cigarettes) by December 2024.

### Prevalence of smoking and vaping

According to the Cancer Council Victoria, the combined smoking and vaping rate among Australians 14 years and older has increased from 12.8% in 2018 to 17.0% in 2023. This reflects rapid growth in vaping more than offsetting slow decline in smoking rates. In 2023, among this population group:

- 11.8% reported being current tobacco smokers (down from 12.3% in 2018)
- 8.9% reported being current vapers (up from 1.4% in 2018).

**Figure 2 – Prevalence of current smoking and vaping among Australians 14 years and over**

	2018	2023	Difference (Percentage points)
Smoking	12.3%	11.8%	-0.5
Vaping	1.4%	8.9%	+7.5
<b>Smoking and/or vaping</b>	<b>12.9%</b>	<b>17.0%</b>	<b>+4.1</b>

Note: In this survey, the Cancer Council Victoria defined 'current' users as those who reported the use of an e-cigarette device at least once in the last month. 'Current' tobacco smokers were those who now smoke factory-made cigarettes, or in the last month have smoked any roll-your-own cigarettes of tobacco.

Source: Cancer Council Victoria; Parliamentary Budget Office.

Using data from the Cancer Council Victoria and Australian Bureau of Statistics, we estimate the value of tobacco and e-cigarette markets in Victoria. In Victoria in 2023, we estimate that value of the:

- tobacco market was \$5,996.7 million, of which \$367.7 million (or 6.1%) relates to the illicit tobacco market which evades tobacco excise
- e-cigarette market was between \$332.0 and \$545.8 million.

We provide a range estimate to account for the uncertainty in the e-cigarette market as there is limited information on consumer purchasing patterns and product prices.

### Economic causes of the illicit tobacco and e-cigarette markets

We can conceptually analyse how government policies, such as prohibition and taxation, may lead to the development of illicit markets.

Tobacco is heavily taxed in Australia with the tobacco excise accounting for around two-thirds of the cost of a packet of 25 cigarettes. The price of tobacco products has significantly outpaced incomes and general price growth – they have become less affordable for many, particularly in lower socio-economic households. Importantly, the price of legal tobacco products has also outpaced the price of illicit tobacco products and illicit e-cigarettes.

Like most addictive substances, the demand for tobacco is inelastic – demand does not respond much as price increases. With few substitutes, consumers can choose to:

- continue smoking
- smoke less or quit (which is difficult in the short run)
- substitute to the black market for either illicit tobacco or nicotine e-cigarettes, which are untaxed.

Illicit tobacco and nicotine containing e-cigarettes are cheaper alternatives to legal tobacco products, partially because they are not taxed or regulated. While price is not the only deciding factor, it provides an incentive for consumers of legal tobacco to shift to illicit markets. Given the proposed continuation of a rapidly rising tobacco excise, this price incentive to shift to illicit markets will increase over time.

E-cigarettes that contain nicotine are currently banned without a prescription. Any consumer wishing to access these e-cigarettes outside of prescription must engage with the illicit market. Some consumers report a perception that e-cigarettes are qualitatively superior to tobacco products. These consumers may prefer e-cigarettes to tobacco products if the cost of meeting their demand was the same for each product or even if e-cigarettes were more expensive.

### Impacts of smoking and vaping

#### Financial

Individual smokers and governments face financial impacts from smoking.

Smokers face significant and rapidly growing financial impacts from smoking. As the excise on tobacco products grows rapidly, this impact grows over time. Although smoking rates have decreased significantly over the last 2 decades, they remain higher for lower socioeconomic households – those least able to bear the high and growing cost. These households are spending a significantly larger portion of their disposable income on smoking and providing a growing share of the Australian Government's excise revenue. Those who are unable to quit smoking in the short term may resort to the illicit market where cheaper substitutions are readily available.

The Australian and Victorian Governments incur costs for the provision services to respond to the use and harm of tobacco and e-cigarettes. This includes hospital and healthcare services, border security and justice system costs. Furthermore, the Victorian Government funds council regulatory enforcement, and health and education campaigns to reduce the prevalence and harm associated with tobacco and e-cigarettes.

To recover some of the costs associated with tobacco use and to prevent smoking, the Australian Government imposes excise on tobacco. The duty collected forms part of the consolidated revenue of the Australian Government. The Australian Treasury estimates that revenue generated from the tobacco excise will reach \$13,950 million by 2026–27.

### Health

The health impacts of tobacco use are well-documented, extensively researched, and universally accepted. Some of the diseases linked to smoking include cancer, chronic obstructive pulmonary disease, heart disease, stroke, diabetes, fertility problems, and osteoporosis.

However, the scientific community has yet to reach a consensus on the long-term health effects of e-cigarette use, mainly because e-cigarettes are a relatively new product compared to tobacco. Some studies have indicated an association between e-cigarette use and various health conditions, but ultimately its effects on most clinical outcomes are not yet clear.

### Social

In general, there are 4 main factors that influence a person's decision to take up smoking and vaping – individual, interpersonal, community and societal factors.

Younger cohorts may be more susceptible to these influences. Vaping rates amongst Australians 14 to 17 years have increased from 0.8% in 2018 to 14.5% in 2023. Substance addiction, particularly nicotine, often begins at an early age and continues into adulthood.

### Environmental

Tobacco and e-cigarettes are a significant contributor to litter and pose potential concerns for the environment. The environmental impacts of cigarettes and e-cigarettes can impact soil, water, air, flora, wildlife, and pollution levels.

According to the Environment Protection Authority Victoria, nearly 60% of all litter consists of cigarette butts or packaging. Cigarette butts that are still lit when discarded are a fire hazard, which according to the Country Fire Authority is the cause of most human-caused fire incidents in Victoria.

E-cigarettes impact the environment in various ways, they:

- are primarily made of non-degradable plastic that is difficult to recycle.
- have electronic components which contribute to electronic waste, contain toxic substances, and can cause fires from the lithium-ion batteries.

# About this submission

## Request

On 8 February 2024, Ms. Sarah Connolly MP, Chair of the Public Accounts and Estimates Committee (the Committee), invited the Parliamentary Budget Officer to provide an independent submission to the Committee's inquiry into vaping and tobacco controls (the Inquiry).

## Inquiry terms of reference

On 5 February 2024, the Committee agreed to the following self-referral motion:

That the Committee inquire into the 2022–23 Annual Reports of the Department of Health and VicHealth regarding Victorian tobacco and e-cigarette controls, including:

- a. trends in vaping and tobacco use and the associated financial, health, social and environmental impacts on the Victorian community
- b. the causes and repercussions of the illicit tobacco and e-cigarette industry in Victoria including impacts on the Victorian justice system, and effective control options
- c. the adequacy of the State and Commonwealth legislation, regulatory and administrative frameworks to minimise tobacco and e-cigarette harm experienced in the community and control illicit trade compared to other Australian and international jurisdictions
- d. the effectiveness of current public health measures to prevent and reduce the harm of tobacco use and vaping in Victoria and potential reforms
- e. any other related matters.

## Scope

In this submission, we respond directly to the request from Ms Sarah Connolly MP, Chair of the Committee, which asked that our submission consider the Terms of Reference.

Under the *Parliamentary Budget Officer Act 2017*, we are prohibited from forming a judgement on the merits of policy. This means that we cannot provide advice on the effectiveness and adequacy of government legislation, regulation and policy in reducing tobacco and e-cigarette use and harm.

As such, we respond to the Chair's request by providing a submission on the:

1. history and overview of regulations that the Australian and Victorian Governments have imposed to limit the health impacts of tobacco and e-cigarette use
2. trends in e-cigarette and tobacco use, an estimate of their market value in Victoria, and the economic causes of the illicit tobacco and e-cigarette markets in Victoria
3. associated financial, health, social and environmental impacts of tobacco and e-cigarette use on the Victorian community more generally
4. current tobacco and e-cigarette health and education programs funded and operated by Victorian public sector bodies.

Attachment C provides page number references for the content of this submission against the inquiry terms of reference.



Throughout our submission, we refer to vapes and related vaping devices as simply 'e-cigarettes'.

## Limitations

We have relied on publicly available information to derive our estimates of the value of the Victorian tobacco and e-cigarette markets.

There is significant uncertainty around the value of the e-cigarette market, as limited information is available on the price and volume of sales of e-cigarettes in Australia. Current research on e-cigarette use consumption relies heavily on self-reporting through surveys. Determining annual expenditure on e-cigarettes is difficult due to differences in consumption behaviour which would affect the cost per user. Our estimate of the value of the Victorian e-cigarette market may differ from other research and literature.

There is also uncertainty surrounding the size of the illicit tobacco market in Victoria, mainly because illicit drug markets are inherently opaque. Our estimates rely on the Australian Taxation Office's (ATO) tax gap report, which provides an estimate of the amount of duty that was evaded through the illicit tobacco market in Australia. We use this information and apply it to the Victorian context to provide an estimate of the size of the illicit tobacco market in the state.

In some instances, state-specific data for Victoria was not publicly available. In such cases, we have undertaken analysis and made inferences based on national data. Where appropriate, we have assumed that the state-specific data for Victoria would be in line with the national data.

We prepared this submission on 28 March 2024.

# Regulation of tobacco and e-cigarettes

## In this section

In this section we outline current Australian and Victorian Government regulations to limit the health impacts associated with tobacco and e-cigarette use.

The Australian and Victorian Governments regulate tobacco and e-cigarette products by imposing controls on key ingredients – notably, nicotine – and banning certain activities that prohibit or restrict their production, supply, use and advertisement. Generally, authorised officers of Australian, Victorian, and local government agencies are responsible for implementing and enforcing such regulations and controls.

## Nicotine

Both tobacco and some e-cigarette products contain nicotine, which is a highly addictive and toxic drug. It is known to increase the risk of various health conditions, including cardiovascular, respiratory, and gastrointestinal problems.

The Poisons Standard, which is prepared by the Therapeutic Goods Administration, classifies substances according to their level of regulatory control to protect public health and safety. Under each schedule, the Poisons Standard include recommended controls on accessing the listed substances. In Australia, nicotine in preparation for human use is listed in Schedule 4 (Prescription Only Medicine) in the Poisons Standards, except where it occurs in:

- preparations for oromucosal or transdermal administration for human therapeutic use as an aid in withdrawal from tobacco smoking (such as nicotine patches); or
- tobacco prepared and packed for smoking.

State and territory governments are responsible for implementing and enforcing the Poisons Standard and can choose to vary their own legislation to classify substances differently to the standards.

In Victoria, the Poisons Code, which is prepared under the *Drugs, Poisons, and Controlled Substances Act 1981*, lists nicotine as a Schedule 4 substance, in line with the Poisons Standard, with the same exceptions.

This means that Victorians do not need a prescription to purchase tobacco products for smoking and certain smoking cessation aids. For all other uses, this makes it an offence to possess or supply products containing nicotine for human purposes without a licence or authorisation to do so.

## Tobacco

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### Australian Government regulation and taxation

#### Current regulation

The Australian Government imposes a range of laws and regulations on tobacco to limit its supply, manufacturing, and advertising. Over time, as it became increasingly clear that tobacco use increased the risk of various health problems, the Australian Government gradually introduced reforms and restrictions on tobacco to limit the impact of its use on the health of Australians.

The first health warnings on cigarette packaging appeared in Australia in 1973 warning consumers that “smoking is a health hazard”. By 1995, the Australian Government introduced nationally consistent text-only warnings for all tobacco products imported to and manufactured in Australia, and in 2006 required graphic health warnings on most tobacco products. Packaging reform culminated in the *Tobacco Plain Packaging Act 2011* and Competition and Consumer (Tobacco) Information Standard 2011, which required all tobacco products in Australia to have plain packaging in a certain colour and restricted the display of logos, brand images or promotional text.

Coinciding with these reforms, the Australian Government also placed restrictions on the advertising of tobacco products. From 1976 to 1995, the Australian Government gradually banned tobacco advertising across radio, television, newspapers, magazines, billboards, and sponsorships. The *Tobacco Advertising Prohibition Act 1992* bans any advertising in Australia that intends to promote smoking or the purchase of tobacco products, with limited exceptions. The government extended the ban in 2012 to make it illegal to publish tobacco advertising on the internet or other electronic media.

Governments designate smoke-free environments to protect non-smokers from the harmful effects of second-hand smoke. Typically, state and territory governments are responsible for regulating smoke-free environments. However, the Australian Government enacted regulations banning smoking in domestic flights in 1987 and extended this ban in 1996 to apply to all international flights operated by Australian airlines.

#### Proposed regulations

The Australian Government is currently reviewing its tobacco control laws with the passing of the Public Health (Tobacco and Other Products) Bill 2023 in both houses of Parliament on 7 December 2023.

The Bill:

- consolidates existing tobacco legislation into a single Act, with regulations to be made under the Act
- introduces new measures to regulate the advertising and presentation of tobacco and e-cigarette products
- specifies a number of requirements that tobacco products must comply with, including limitations relating to plain packaging, health warnings, brand names, and variant names of tobacco products
- enacts a permanent ban on some tobacco products
- establishes the Illicit Tobacco and E-cigarette Commissioner, which would support the development of strategies to combat the significant rise in illicit tobacco and e-cigarette products over the past decade.

## Taxation

The Australian public health community generally supports taxation as an effective way to reduce the prevalence of cigarette smoking.

The Australian Government levies tobacco excise and an excise-equivalent customs duty on tobacco products in Australia. We refer to this as simply the ‘tobacco excise’. The government began indexing excise on tobacco to consumer price index (CPI) in 1983, with indexation automatically updated bi-annually.

Since then, the tobacco excise regime has undergone various changes and tax increases:

- The government made additional increases to the tobacco excise rate by around 50% between 1992 to 1995.
- The current per-stick tax regime replaced the previous weight-based tobacco excise system in 1999.
- Between 1999 and 2010 there were no increases in tobacco excise, except for CPI indexation.
- There was a one-off 25% annual increase in 2010, followed by 12.5% annual increases from 2013 to 2016 to “battle smoking-related cancer and help return the Federal Budget to surplus”.
- This was then followed by another 4 years of 12.5% annual increases from 2017 to 2020.

These excise hikes were in addition to the bi-annual indexation of the excise, which until 1 March 2014 was indexed to CPI, but was then re-indexed to Average Weekly Ordinary Time Earnings (AWOTE).

## Victorian Government regulation

### Regulating supply and advertising

In Victoria, the *Tobacco Act 1987* along with the Tobacco Regulations 2017 are the primary legislative instruments regulating tobacco in the state.

Through the *Tobacco Act 1987*, the Victorian Government banned tobacco advertising outdoors on billboards and shops, making Victoria the first state in Australia to do so. Since then, the Victorian Government has amended the *Tobacco Act 1987* numerous times to introduce tougher controls on tobacco display, advertising, and sales, as well as the places where smoking is banned.

Other amendments include a ban on the:

- sale of tobacco from temporary outlets (2010)
- display of tobacco at point-of-sale, with limited exemptions (2011)
- inclusion of tobacco purchases in any rewards or shopper loyalty schemes that provide benefits to customers (2013).

Victoria is the only jurisdiction in Australia that does not have a licencing scheme for the sale of tobacco products. Notwithstanding, tobacco retailers must comply with the relevant laws concerning the supply of tobacco products.

### Smoke-free areas

The Victorian Government banned smoking in all enclosed restaurants, cafes and dining areas of hotels, licensed clubs and shopping centres from 2001. The government extended the ban in 2006 and 2007 to include:

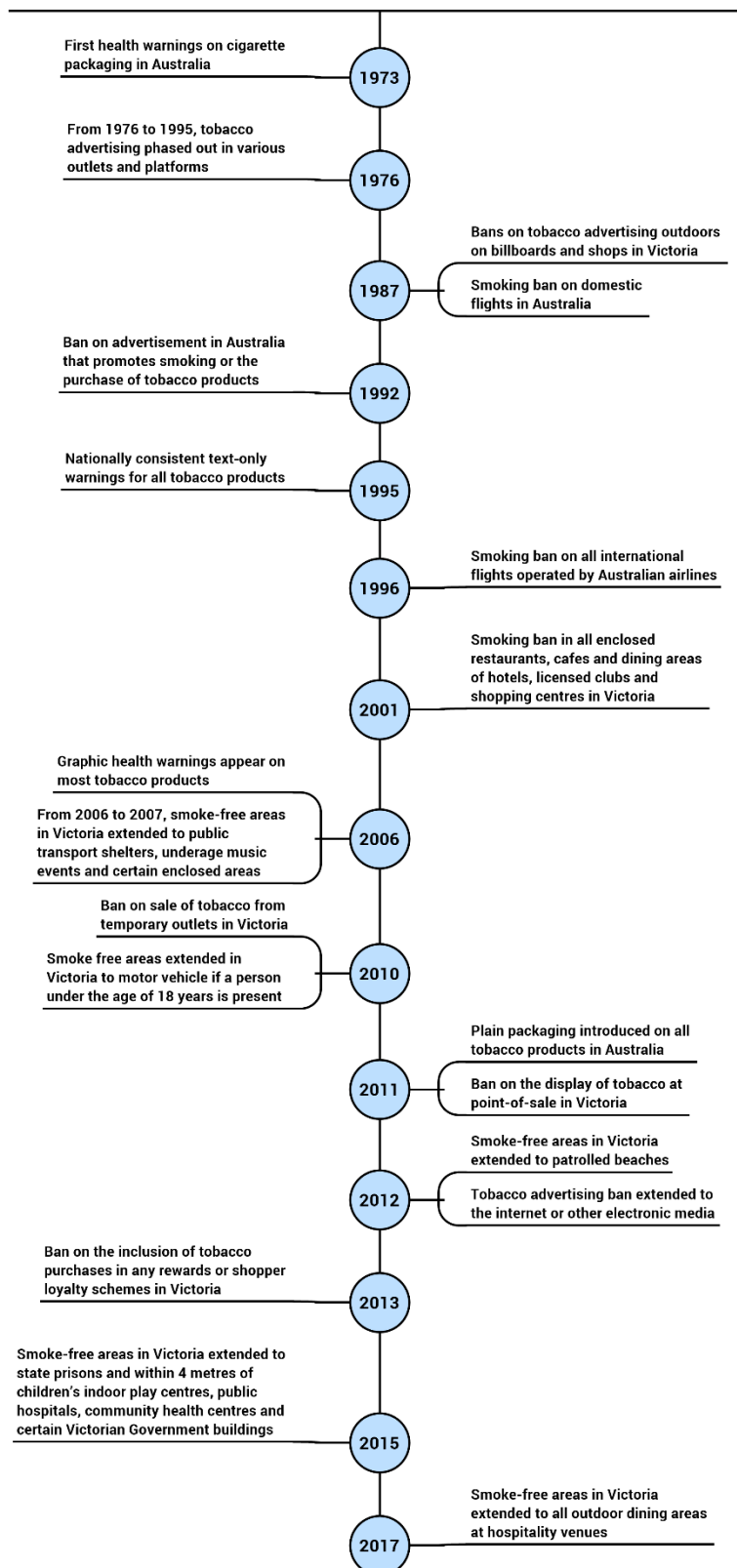
- covered areas of train platforms, tram shelters and bus shelters
- underage music events
- enclosed workplaces and licensed premises
- enclosed outdoor dining or drinking areas with a roof.

Other smoke-free amendments later included a ban on smoking:

- in a motor vehicle if a person under the age of 18 years is present (2010)
- at patrolled beaches (2012)
- in all areas of railway stations and raised platform tram stops (2014)
- at outdoor public playgrounds, public swimming pools, sea baths, skate parks and children's sporting events (2014)
- in childcare centres, kindergartens, preschools, and primary and secondary schools (2015)
- within 4 metres of entrances of children's indoor play centres, public hospitals, community health centres and certain Victorian Government buildings (2015)
- in state prisons (2015)
- at all outdoor dining areas at hospitality and food venues used for eating food (2017).

Figure 3 – Timeline of Australian and Victorian Government regulations on tobacco and smoking

### Timeline of tobacco and smoking regulations



Note: Figure is a non-exhaustive list of regulatory changes. Figure excludes changes relating to tobacco excise.

Source: Parliamentary Budget Office.

## E-cigarettes

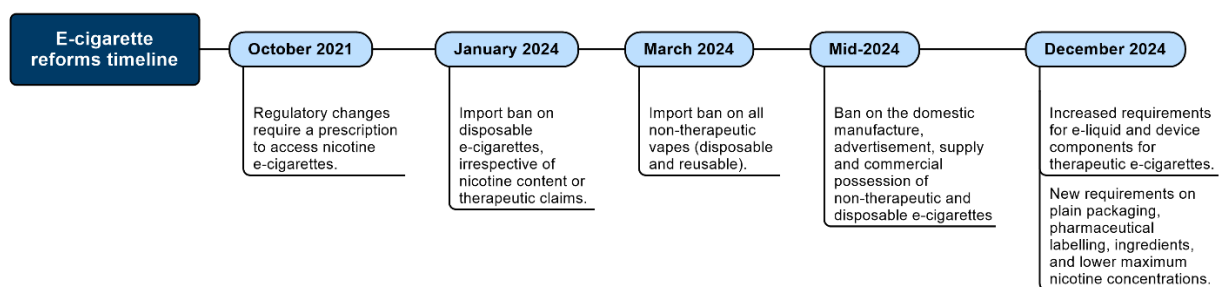
The proliferation of e-cigarettes is relatively recent and rapidly growing. In addition to regulations on nicotine and tobacco, both the Australian and Victorian Governments have introduced specific regulations to control the supply and use of e-cigarettes.

### Australian Government regulation

#### Recent regulatory changes

In response to the rise of vaping in Australia, the Australian Government announced measures to limit the supply of e-cigarette products and restrict consumer access to these products.

**Figure 4 – Timeline of Australian Government's reforms on e-cigarettes**



Note: Reforms from mid-2024 onwards are subject to legislative amendments and approval.

Source: Therapeutic Goods Administration.

In December 2020, the Australian Government re-scheduled nicotine for non-therapeutic human use from Schedule 7 (Dangerous Poison) to Schedule 4 (Prescription Only Medicine), with the re-scheduling taking effect on 1 October 2021. The result of this re-scheduling meant that:

- nicotine for human use was now a 'Prescription Only Medicine', except where nicotine occurred in tobacco products or oromucosal or transdermal smoking cessation aids
- people would require a prescription to access nicotine e-cigarettes from 1 October 2021, which essentially restricted the sale of nicotine e-cigarettes to pharmacies only.

The Australian Government banned imports of all disposable e-cigarettes from 1 January 2024, irrespective of nicotine content or therapeutic claims. This meant that patients could not import disposable e-cigarettes online from overseas, even if they had a prescription. The ban applied to e-cigarettes ordered before 1 January 2024 that had not yet arrived in Australia.

Disposable e-cigarettes imported into Australia before 1 January 2024 may continue to be lawfully supplied in Australia, subject to state or territory law and the following requirements:

- Disposable e-cigarettes containing nicotine may continue to be lawfully supplied in pharmacies to a patient with a prescription.
- Disposable e-cigarettes that do not contain nicotine may be supplied by retailers generally.

The purpose of this was to allow legitimate retailers of disposable e-cigarettes to run down their stock before the Australian Government enacted further legislative restrictions.

From 1 March 2024, the Australian Government prohibited imports of all non-therapeutic e-cigarettes (disposable and reusable), even if importers ordered those e-cigarettes before 1 March. In addition, the importation of all e-cigarettes under the Personal Importation Scheme will end on 1 March 2024, meaning from this date, patients will no longer be able to order e-cigarettes directly from overseas, even if they have a prescription.

Reusable e-cigarettes imported into Australia or manufactured in Australia before 1 March 2024 may continue to be lawfully supplied, subject to state or territory law and the following requirements:

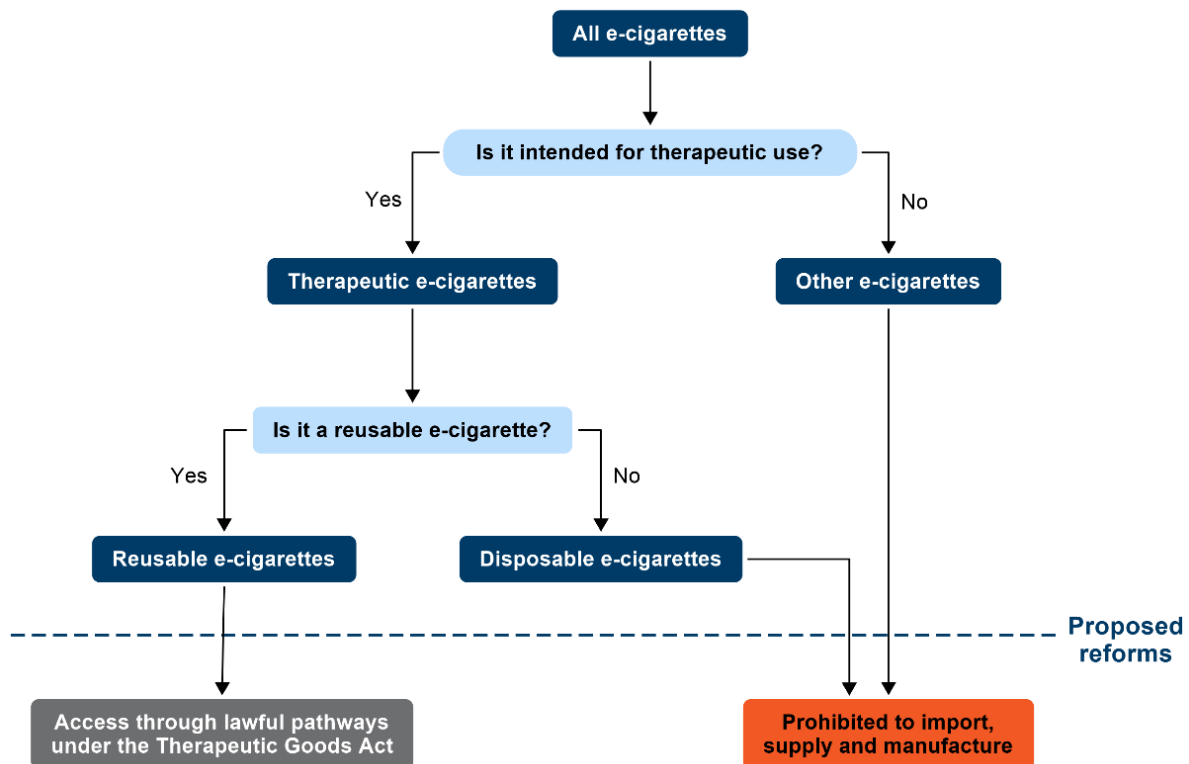
- Reusable e-cigarettes containing nicotine may continue to be lawfully supplied in pharmacies to a patient with a prescription.
- Reusable e-cigarettes that do not contain nicotine may be supplied by retailers generally.

### Proposed regulations

The Australian Government's plans to implement further changes by December 2024. Under these changes, consumers will only be able to access reusable therapeutic e-cigarettes through a prescription for smoking cessation or the management of nicotine dependence, where clinically appropriate. All other e-cigarettes (non-therapeutic and disposable e-cigarettes) will effectively be prohibited.

Therapeutic e-cigarettes refer to e-cigarettes that may help some users to quit smoking or manage their nicotine dependence. Therapeutic e-cigarettes are considered unregistered or 'unapproved' therapeutic goods, meaning that Therapeutic Goods Administration has not evaluated them for quality, safety and efficacy in smoking cessation or managing nicotine dependence.

**Figure 5 – Australian Government proposed reforms on e-cigarettes**



Source: Therapeutic Goods Administration, Parliamentary Budget Office.



Subject to legislative approval, the Australian Government plans to ban the domestic manufacture, advertisement, supply, and commercial possession of non-therapeutic and disposable e-cigarettes by mid-2024. It will also be illegal to import, manufacture or supply e-cigarettes that are not registered on the Australian Register of Therapeutic Goods or do not meet the regulatory requirements. Therapeutic e-cigarettes would remain available through pharmacies.

The last stage of the reforms involves enhancing regulatory standards and requirements. Subject to legislative amendments, this is expected to include:

- increased requirements on e-liquid and device components of therapeutic e-cigarettes
- minimum quality and safety standards such as plain packaging, pharmaceutical labelling, permitted ingredients, and lower maximum nicotine concentrations.

### Victorian Government regulation

Under the Poisons Code, nicotine e-cigarettes are subject to the same laws that apply to other Schedule 4 medicines. It is illegal for:

- businesses other than pharmacies to sell nicotine e-cigarettes
- anyone to possess nicotine e-cigarettes unless they have a prescription.

Since 1 August 2017, the Victorian Government has regulated non-nicotine e-cigarettes and vaping in the same way as tobacco products. Changes made to the *Tobacco Act 1987* harmonised the restrictions placed on tobacco and e-cigarettes with respect to their display, advertising, sale and use. By including vaping within the definition of smoking, smoke-free areas that apply to tobacco use also apply to e-cigarette use, and the restrictions on the sale of tobacco (such as the illegal selling to minors) also apply to e-cigarettes.

However, this harmonisation across tobacco and e-cigarettes also means that no licencing scheme exists for the sale of e-cigarettes and associated products in Victoria.

# Consumption of tobacco and e-cigarettes

## In this section

In this section, we:

- discuss the current trends in tobacco and e-cigarette use
- estimate the size of the tobacco and e-cigarette markets in Victoria
- outline economic causes of the illicit tobacco and e-cigarette markets in Victoria.

In this submission, we estimate the size of the tobacco and e-cigarette markets for the year ending March 2023.

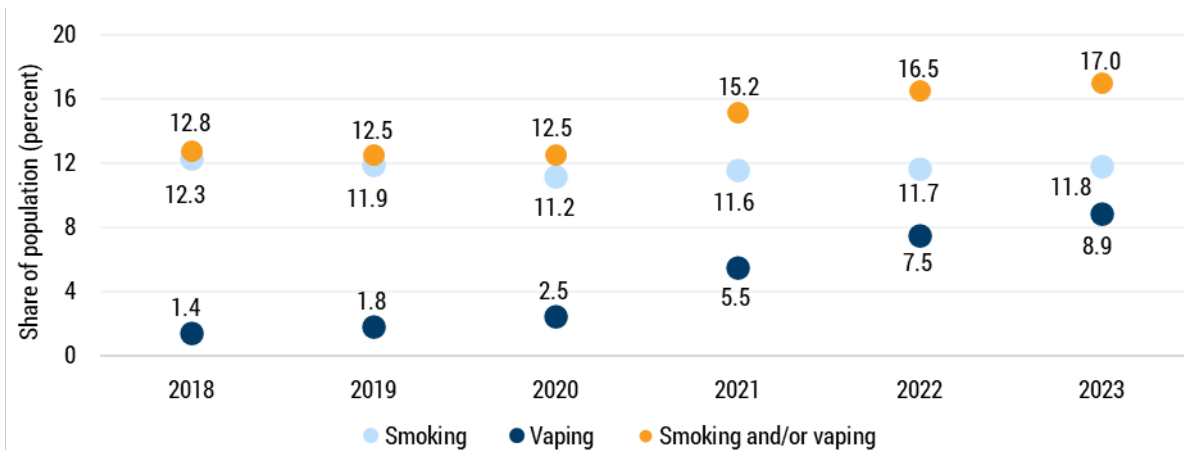
We align all information up to this date because tobacco and e-cigarette use are interdependent variables, meaning that changes in the usage rates of one variable impact the other. To align the data, we have relied mainly on Cancer Council Victoria and Australian Bureau of Statistics (ABS) data as both sources have the necessary information for March 2023.

We note that Roy Morgan, a market research firm, conducted a survey in September 2023 which suggested that e-cigarette usage rates have increased since March 2023. Using this data, we estimate that e-cigarette usage rates amongst those 14 years and older would be 8.1% in September 2023, compared with 7.1% in March 2023. While some of this increase may reflect growth in the market we have aligned to a specific point in time, we have not incorporated Roy Morgan's survey data in our analysis.

## Usage rates in Australia

Smoking rates in Australia have dramatically decreased over the past 2 decades. According to the Australian Institute of Health and Welfare, daily tobacco smoking amongst people aged 14 years and older in Australia has more than halved, decreasing from 19.4% in 2001 to 8.3% in 2022–23.

Since 2018, however, there has been a significant rise in the reported use of vaping (nicotine and non-nicotine) in Australia. Since then, tobacco smoking rates have also increased, but to a much lesser extent, indicating that Australians are now consuming more products with nicotine than they did previously.

**Figure 6 – Prevalence of current smoking and vaping among Australians 14 years and over**

Note: In this survey, the Cancer Council Victoria defined 'current' users as those who reported the use of an e-cigarette device at least once in the last month. 'Current' tobacco smokers were those who now smoke factory-made cigarettes, or in the last month have smoked any roll-your-own cigarettes of tobacco. 'Smoking and/or vaping' accounts for and removes the effects of double-counting on overall prevalence from dual users who currently vape and smoke.

Source: Cancer Council Victoria.

According to Cancer Council Victoria, 17.0% of Australians 14 years and over reported smoking, vaping or both smoking and vaping in 2023. This was up from 12.8% in 2018.

Among Australians 14 years and older, 11.8% of Australians reported vaping and 8.9% reported smoking in 2023. Between 2018 and 2023, vaping grew by an average of 44.8% per year while smoking fell by an average of 0.8% per year.

The fastest growing groups among smokers and vapers were those who:

- only vape – 5.2% in 2023 up from 0.5% in 2018
- dual users (those who both smoke and vape) – 3.7% in 2023 up from 0.9% in 2018.

Rapidly rising vaping rates have more than offset a generally slow decline in smoking. The uptake in e-cigarette use in Australia is primarily driven by a mix of users who:

- have taken up the use of e-cigarettes and are exclusively vaping
- were previously exclusive tobacco smokers but were now dual users.

## Number of users in Victoria

Due to a lack of state-specific data, we assume that the rate of tobacco and e-cigarette use amongst Victorians aged 14 and over would be equivalent to the national average. In line with the Cancer Council, we define 'current' users as those who reported the use of tobacco or e-cigarettes in the last month.

We differentiate current users by:

- regular users – those who reported daily or weekly consumption
- non-regular users – those who reported monthly but less than weekly consumption.

We use data from the Cancer Council Victoria and Australian Institute of Health and Welfare to estimate the prevalence of smoking across regular and non-regular users.

**Figure 7 – Number of current tobacco and e-cigarettes users in Victoria, March 2023**

<b>Total users</b>	<b>Usage rates (14 years and over)</b>	<b>Number of users</b>
<b>Tobacco users</b>	<b>11.8%</b>	<b>664,000</b>
Regular users	10.6%	595,000
Non-regular users	1.2%	70,000
<b>E-cigarette users</b>	<b>8.9%</b>	<b>501,000</b>
Regular users	6.6%	373,000
Non-regular users	2.3%	128,000
<b>Tobacco and/or e-cigarette users</b>	<b>17.0%</b>	<b>957,000</b>

Note: Number of users is rounded to the nearest thousand. 'Smoking and/or vaping' accounts for and removes the effects of double-counting on overall prevalence from dual users who currently vape and smoke.

Source: Parliamentary Budget Office.

In 2023, we estimate that around:

- 664,000 Victorians (or 11.8% of Victorians 14 years and over) smoked tobacco at least once per month, of which 90% were regular users
- 501,000 Victorians (or 8.9% of Victorian 14 years and over) used e-cigarettes at least once per month of which 74% were regular users
- 957,000 Victorians (or 17.0% of Victorian 14 years and over) smoked tobacco and/or used e-cigarettes at least once per month.

Although it is illegal for minors to purchase tobacco and e-cigarette products, consumers between 14 to 17 years of age accounted for around 5% and 8% of tobacco and e-cigarette users, respectively. This indicates that there exists some illegal selling of nicotine products to minors and that this represents a material share of the market.

## Value of the market in Victoria

### Tobacco

In the National Accounts data, the ABS publishes quarterly expenditure on cigarettes and tobacco consumption in Victoria. This expenditure only includes tobacco purchased in the legal market. The ABS do not attempt to include illegal purchases in their National Accounts data because adequate data across various goods and services is not available.

To estimate the value of the tobacco market in Victoria, we have augmented ABS data on cigarettes and tobacco expenditure in the legal market in Victoria with ATO tax gap estimates on the amount of duty that was evaded through the illicit tobacco market in Australia.

The ATO's tax gap measures the difference between the tax collected on tobacco excise and the amount that would have been collected if every taxpayer was fully compliant with the law. Through this, we have inferred the size of the illicit market by comparing the budgeted tobacco excise revenue with amount of duty that the ATO estimated was evaded through the illicit market.

**Figure 8 – Value of the tobacco market in Victoria, year ending March 2023**

	Market value (\$ million)	Annual average expenditure per person (\$ per capita)
Legal tobacco	5,629.0	1,000.0
Illicit tobacco	367.7	65.0
<b>Total</b>	<b>5,996.7</b>	<b>1,065.0</b>

Notes: Figure does not include illicit tobacco seized before entering the market. The value of the illicit tobacco excludes excise duty evaded. Per capita expenditure is calculated based on the population of Victorians aged 14 years and over.

Source: Parliamentary Budget Office.

We estimate that the value of the tobacco market in Victoria in 2023 was \$5,996.7 million, comprising:

- \$5,629.0 million from the legal market, which includes tobacco excise
- \$367.7 million from the illicit market, which does not include tobacco excise.

### E-cigarettes

There is significant uncertainty around the value of the e-cigarette market due to limited information on the price and volume of sales of e-cigarettes in Australia.

For e-cigarette users, their purchasing patterns are not well-defined because e-cigarettes contain different nicotine concentrations, which influence the number of times a person would need to purchase a refill. Furthermore, determining a unit price for e-cigarettes is difficult as:

- there are multiple e-cigarette devices available (i.e. disposable cartridges, vape pens, customisable vape devices, etc.), each with differing prices
- the prices of refills are largely driven by the volume of the refill rather than the nicotine concentration levels.

To account for this, we differentiate the regularity of use by user spending:

- For regular users, we estimate that they spent between \$790 and \$1,320 each on e-cigarettes in 2023. This is based on current prices and is consistent with Australian Parliamentary Budget Office estimates.
- For non-regular users, we estimate that they spent between \$300 and \$420 each on e-cigarettes in 2023. This is based on the cost of disposable e-cigarettes being between \$25 and \$35 per device. Given their infrequent purchasing patterns, we assumed that non-regular users would only consume disposable e-cigarette products and would purchase around 12 disposable e-cigarettes per year (or one per month on average).

We estimate that 501,000 Victorians were current e-cigarette users, of which around 373,000 were regular users and 128,000 were non-regular users. Using this split, we estimate the size of the e-cigarette market based on our range estimates of annual expenditure per regular user and non-regular user.

**Figure 9 – Value of the e-cigarette market in Victoria, year ending March 2023**

	Market value (\$ million)	Annual average expenditure per person (\$ per capita)
Upper estimate	545.8	96.9
Lower estimate	332.0	59.0

Note: Per capita expenditure is calculated based on the population of Victorians aged 14 years and over.

Source: Parliamentary Budget Office.

We estimate that the value of the e-cigarette market in Victoria in 2023 was between \$332.0 million and \$545.8 million. Our lower estimate reflects the lower annual expenditure estimate of around \$790 for regular users and \$300 for non-regular users. Our higher estimate reflects the higher annual expenditure estimate of around \$1,320 for regular users and \$420 for non-regular users.

## Economic drivers of the illicit tobacco and e-cigarette markets

When developing policies to regulate drugs, governments are tasked with balancing the societal costs associated with drug use – such as public health outcomes, policing and crime, expenditure on government services – and potential revenue through taxation policy.

We can analyse how government policies, such as prohibition and taxation, impact these markets through basic economic principles. When the supply of a good is restricted, either through prohibition or price control mechanisms such as taxes, a black market often emerges to satisfy the unmet demand for the good. This black market aims to circumvent prohibition by illegally supplying the banned good or providing products at a lower price to consumers by evading taxation and regulation.

The economic causes of the illicit markets, however, differ across tobacco and e-cigarettes.

In the tobacco market – which is regulated, taxed and controlled in Australia – the financial burden of the tobacco excise, particularly on lower socio-economic groups, predominately explains the resurgence of the illicit tobacco market.

By contrast, the entire market for nicotine e-cigarettes is illicit, except through a prescription. Demand for these illicit products reflects:

- price driven substitution – as consumers move away from tobacco products to e-cigarettes, which are comparatively inexpensive because they are untaxed
- product quality substitution – as some consumers report that e-cigarettes are superior to regular tobacco products.

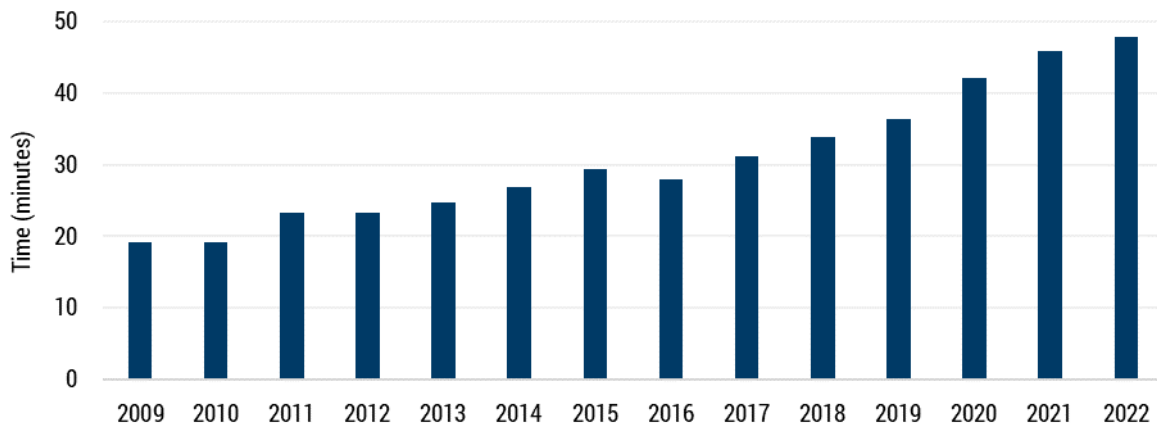
## Illicit tobacco market

Tobacco in Australia is strictly controlled and subject to substantial taxation. The latest data from the World Health Organization for 2020 indicates that the retail price of a pack of 20 cigarettes in Australia is the highest in the world.

Cigarettes became increasingly expensive in real terms and unaffordable for many. According to the Cancer Council Victoria, the price of a packet of Winfield 25s has increased from \$1.07 in 1980 to \$46.95 in 2023. If Winfield 25s had increased at the rate inflation over this period, the price of a packet in 2023 would be around \$5.50.

The significant increase in the price of cigarettes reflects consecutive increases in the rate of excise on tobacco products, in addition to bi-annual indexation. We estimate that tobacco excise accounts for around 66% of the cost of the packet of Winfield 25s. Compared to 2009, an average Australian worker would need to work 2.5 times longer in 2022 to earn enough wages to pay for the cost of a pack of 20 cigarettes.

**Figure 10 – Time taken by an Australian worker on average wages to earn 20 cigarettes**



Source: Cancer Council Victoria.

Based on Australian Government announcements, we expect that this trend will continue. Over the 3 years from 1 September 2023, the Australian Government has committed to increase the tobacco excise by 5% per year in addition to ordinary indexation.

Public health experts agree that imposing high taxes on tobacco products is an effective way to reduce tobacco use over the long term. However, this also creates a significant incentive for the illicit market.

There are 2 main forms of illicit tobacco:

- contraband cigarettes - legitimately manufactured by the trademark owner but imported illegally into Australia to evade taxes
- 'chop chop' – unbranded loose tobacco sold in bag or tubes.

Products on the illicit tobacco market are cheaper at least in part because they are untaxed. According to KPMG:

- contraband cigarettes cost 47% of the price of Winfield 25s
- 'chop chop' costs between 20% to 29% of the price of Winfield 25s, for a comparable volume.

### Responding to price increases in the legal market

Every time the price of legal cigarettes rises, broadly speaking, legal market smokers have 3 options. They can:

- continue smoking – by committing an increased portion of their real income to smoking and remain attached to the legal market
- smoke less or quit (which is difficult in the short run)
- substitute to the black market for either illicit tobacco or nicotine e-cigarettes.

Marginal smokers – those who could not commit an increased portion of their real income to smoking without affecting income they need for non-discretionary consumption – can only choose between reducing or quitting smoking, and shifting to the illicit market. For each price rise it is likely that marginal and non-marginal smokers would reduce, quit or shift to illicit markets as the price in the legal market extends beyond the price that they are willing or able to pay.

As prices in the legal market continue to grow, more smokers are faced with a price they either cannot or will not pay. For some, it will drive them to quit or reduce smoking, but for others it will push them into the illicit market. Historic and proposed rapid growth in the price of legal cigarettes can reasonably be expected to drive more consumers to the illicit market.

### E-cigarette market

Currently, illicit nicotine e-cigarettes are sold alongside legal non-nicotine e-cigarettes. The Australian Government's proposed regulations will ban all e-cigarettes except through a prescription.

When governments enact laws or regulations that prohibit or restrict certain goods or activities, it creates an opportunity for black markets to exist. The banning of non-prescription e-cigarettes causes demand in the illicit market through 2 mechanisms: price and quality.

#### Price driven substitution

Illicit e-cigarettes are a substitute for legal tobacco products because they contain nicotine and are untaxed. This makes these products cheaper than they would be in a legal and regulated market.

The price of tobacco products is likely to grow much faster than illicit e-cigarettes. As this occurs, illicit e-cigarettes will become increasingly attractive to legal tobacco consumers, resulting in continued substitution to the illicit market. However, e-cigarettes are not a perfect substitute because some consumers may have a taste preference for tobacco products or may be uncomfortable or unwilling to engage with an illicit market.

#### Quality driven substitution

Some consumers report that they feel e-cigarettes are a superior product to tobacco. These consumers report that e-cigarettes either tastes better, they are less harmful than smoking tobacco, or provide a relatively inexpensive option to quit smoking. According to the Therapeutic Goods Administration, the efficacy of e-cigarettes for smoking cessation is currently mixed and requires further research.

Nonetheless, consumers continue to perceive some benefits in increasing their e-cigarette consumption relative to tobacco. These consumers may prefer e-cigarettes to tobacco products if the cost of meeting their demand was the same for each product or even if e-cigarettes were more expensive. For these consumers, other than by prescription, there is no legal nicotine e-cigarette market to switch to.



**Figure 11 – Reasons for using e-cigarettes amongst current users 14 years and older**

Reasons	2022–23 (Percent)
Out of curiosity	38.5
I think they taste better than regular cigarettes	37.4
To help me quit smoking	31.0
They are cheaper than regular cigarettes	27.0
I think they are less harmful than regular cigarettes	24.6
To try to cut down on the number of cigarettes I smoke/smoked	24.4
To try to stop me going back to smoking regular cigarettes	22.2
They seem more acceptable than regular cigarettes	21.4
You can smoke in places where regular cigarettes are banned	17.8
Other	8.8

Note: In this survey, current user includes people who reported using e-cigarettes daily, weekly, monthly or less than monthly. Respondent could select more than one response.

Source: Australian Institute of Health and Welfare.

In our submission, we have refrained from making any judgements on the merits of government policy. As such, we have not formed a judgement on the Australian Government's recently passed and proposed regulations to prohibit e-cigarettes, and more broadly, the efficacy of supply-side interventions by governments to reduce the supply of illicit drugs.

# Impacts of smoking and vaping

## In this section

In this section, we discuss the financial, social, health and environment impacts of smoking and vaping.

## Financial impacts

### Individual and household impacts

Individuals who smoke, or households with smokers, face significant and rapidly growing financial impacts from smoking. As the excise on tobacco products grows rapidly, compared to incomes and general prices, this impact compounds over time.

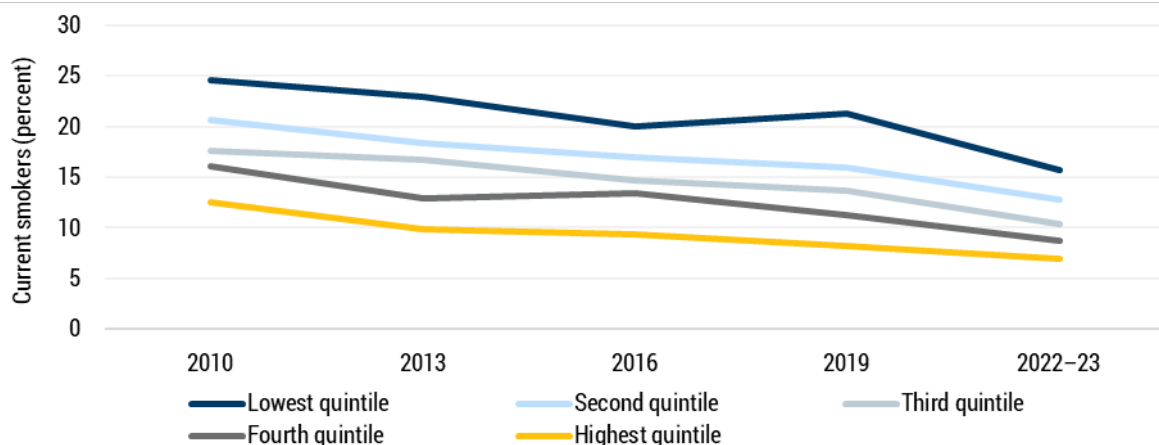
Tobacco consumption in Australia has been on a downward trend over the last 2 decades. Despite this, smoking rates remain relatively high amongst those living in the most disadvantaged areas, those with the least ability to accommodate such a rapidly increasing financial burden.

According to the ABS National Health Survey 2022, adults:

- living in areas of most disadvantage were more likely to be current daily smokers compared to those living in areas of least disadvantage
- living in regional and rural areas were almost twice as likely to be a current daily smoker compared to those living in metropolitan areas
- who were unemployed were more than twice as likely to be current daily smokers compared to those who are employed, either full-time or part-time.

In 2022–23, the current smoking rates in those living in the most disadvantaged areas (15.7%) was more than double that of those living in areas of least disadvantage (6.9%).

**Figure 12 – Prevalence of current smokers by socio-economic advantage and disadvantage**



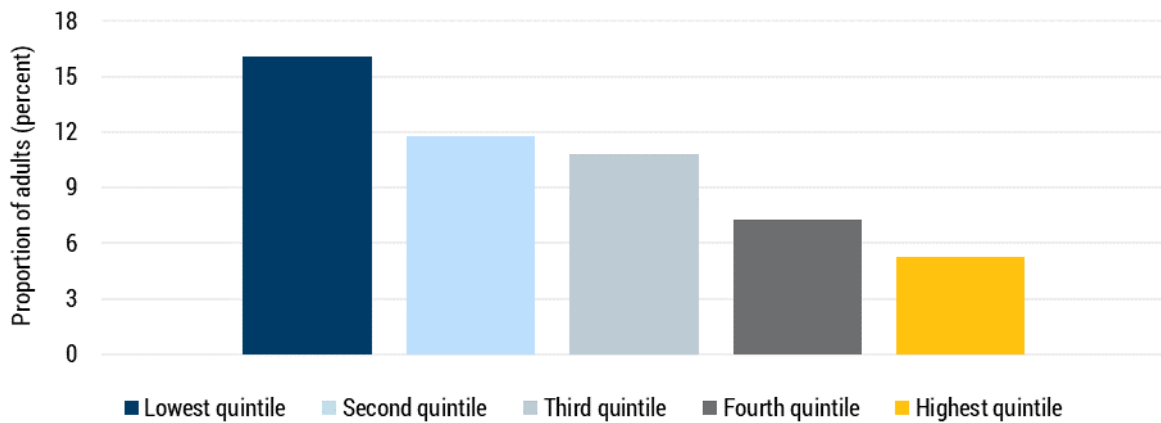
Note: Current smokers include people who reported smoking daily, weekly, or less than weekly. The lowest quintile indicates relatively greater disadvantage, whereas the highest quintile indicates a relative lack of disadvantage.

Source: Australian Institute of Health and Welfare.

Although smoking rates amongst those living in the most disadvantaged areas have decreased the most between 2010 and 2022–23, they remain relatively high compared to those living in areas of low disadvantage.

When we consider daily smokers, as opposed to all current smokers, we see the same trend – that it is more common among lower socio-economic households.

**Figure 13 – Proportion of daily smokers by socio-economic advantage and disadvantage, 2021–22**



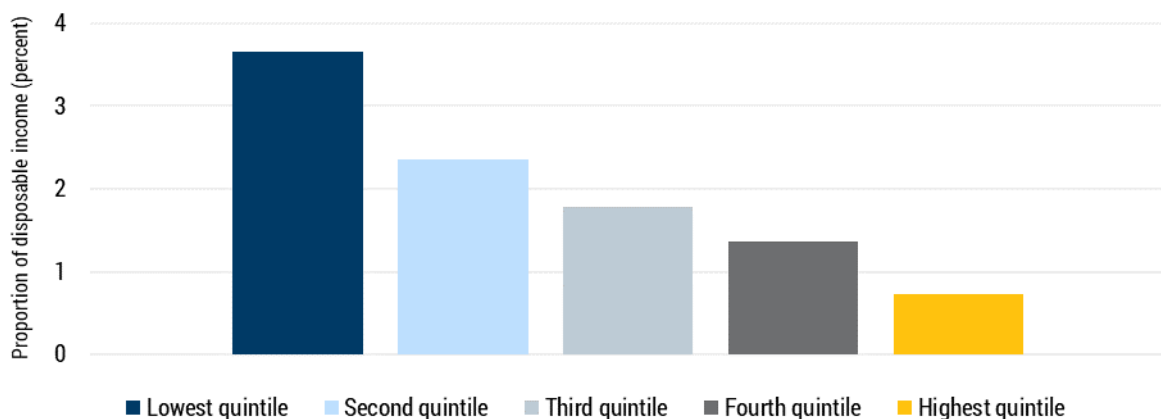
Notes: The lowest quintile indicates relatively greater disadvantage, whereas the highest quintile indicates a relative lack of disadvantage.

Source: ABS.

In 2021–22, 16.1% of adults in the most disadvantaged quintile were daily smokers compared with just 5.3% for the least disadvantage group.

Higher smoking rates amongst those who are relatively disadvantaged result in these households spending more of their disposable income on cigarettes and tobacco products.

**Figure 14 – Household expenditure on cigarettes and tobacco by income quintiles, 2021–22**



Source: ABS; Parliamentary Budget Office.

Using ABS data, we estimate that households in the lowest quintile of income spend on average 3.7% of their disposable income on cigarette and tobacco products, compared to just 0.7% for all households in the highest quintile of income.

These trends in smoking and consumption amongst disadvantaged and low-income households also hold internationally. The World Health Organization notes that around 80% of the 1.3 billion tobacco users worldwide live in low- and middle-income countries. As spending on tobacco is difficult to restrain, the addiction to the substance (specifically, nicotine) contributes to the creation of poverty by diverting household expenditure from basic needs to tobacco.

Individuals incur other financial costs as a result of tobacco use, including the loss of income from caring for a sick partner or family member with a smoking-related disease, absenteeism from work, or out-of-pocket costs associated with healthcare treatment of smoking-related disease. These costs are material in size and have broader economic implications, particularly for businesses and governments.

## Fiscal impacts

### Australian Government tax revenue

The Australian and state governments incur costs due to the use of tobacco and e-cigarette products, and its associated health-related impacts, through services, as well as a reduction in tax revenue through reduced productivity and economic output. These include:

- healthcare costs associated with the provision of hospital and other treatment services for smoking-related diseases
- border security and justice system costs, particularly concerning illicit tobacco and e-cigarette products
- reduced workplace productivity through employee absenteeism, which can reduce business and personal income.

To recover some of these costs, the Australian Government imposes the tobacco excise, which applies to the quantity of the excisable product. There are 2 broad categories for excisable tobacco, both of which are taxed according to their weight: sticks (cigarettes) and loose leaf (cigars, loose tobacco and other tobacco products).

The revenue collected from the excise forms part of the consolidated revenue of the Australian Government. The ATO collects excise imposed on tobacco produced or manufactured in Australia. An equivalent customs duty applies to imported tobacco products, which the Department of Home Affairs collects. The excise and customs duty does not apply to e-cigarettes and accessory products, including those containing nicotine.

**Figure 15 – Excise and customs duty on tobacco**

\$ million	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
Revenue	12,604	12,700	12,850	13,250	13,650	13,950

Note: 2023–24 and forward year revenue based on 2023–24 Mid-Year Economic and Economic Outlook estimates.

Source: Australian Department of the Treasury.

Despite the contraction in tobacco usage rates, the Australian Treasury estimates that revenue generated from excise and customs duty on tobacco will continue to increase to 2026–27, largely driven by the bi-annual indexation of the tax.

Illegal tobacco products, which evade the excise and customs duty, continue to pose a material concern for the collection of this tax. The ATO's latest tobacco tax gap finding for 2021–22 estimates that \$2.3 billion in revenue was evaded through the illicit tobacco market, an increase of 23.3% from 2020–21. The tax gap measures the difference between the tax collected and the amount that would have been collected if every taxpayer was fully compliant with the law. Around:

- \$1.9 billion in duty was evaded through illicit importation
- \$0.4 billion in duty was evaded through illicit domestic production.

This was equivalent to 1,466 tonnes of illicit tobacco.

The Australian Government announced in January 2024 that it would provide \$188.5 million to the Australian Border Force to develop a new compliance model in partnership with state and territory governments to deter and stop the sale of illegally imported cigarettes.

#### Victorian Government funding of health and education campaigns

Victorian public sector bodies fund and deliver campaigns to reduce the prevalence and harm of tobacco and e-cigarette use in the community.

The Victorian Government established the Victorian Health Promotion Foundation (VicHealth) in 1987 through the *Tobacco Act 1987*. At the time, the Victorian Government funded VicHealth through a levy on top of tobacco fees.

In 1997, a High Court decision reaffirmed its position that the Australian Government could only impose duties of excise on goods, thereby invalidating most state-levied taxes, including state-levied tobacco taxes. As a result, the Victorian Government has since funded VicHealth through consolidated revenue as part of the state's annual budget.

VicHealth is responsible for various health promotion strategies and has 5 strategic areas, one of which includes preventing tobacco use. In 2022–23, VicHealth provided \$3.7 million in funding for campaigns to prevent tobacco and e-cigarette use.

**Figure 16 – VicHealth funding for programs to prevent tobacco and e-cigarette use**

\$ million	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23
Annual funding to prevent tobacco and e-cigarette use	5.1	5.0	6.1	6.1	5.9	3.7

Note: VicHealth notes that wages and on-costs for health promotion delivery are reported separately from grant funding and program costs and are therefore not included in the above funding. In line with Australian accounting standards, VicHealth's employee expenses are disclosed in their financial statements as a separate line item within total expenses. VicHealth's funding agreement with Quit is on a calendar year basis, which accounts for the variation for 2022–23 compared to other financial years.

Source: VicHealth.

Recently, VicHealth has delivered various campaigns to curb the use of tobacco and e-cigarettes in Victoria, including:

- partnering with Quit Victoria on Victoria's first and Australia's largest awareness campaign about the harms of e-cigarette use
- implementing an awareness campaign about the dangers of e-cigarette use, which included an installation at Scienceworks in the form of a vape cloud showcasing 10 toxic chemicals commonly found in e-cigarettes
- providing \$5.5 million in 2021–22 and \$3.0 million in 2022–23 to Quit Victoria (a program of the Cancer Council Victoria) to reduce the uptake of smoking among Victorians.

This recent funding is for programs and initiatives such as community engagement and public education campaigns using mass and digital media to increase their reach and impact in the community, particularly in communities where smoking rates remain high.

The Department of Health also provides funding to organisations (namely, VicHealth and Cancer Council Victoria) to deliver campaigns to reduce the use and harm associated with tobacco and e-cigarettes.

We provide a list of initiatives funded by VicHealth and the Department of Health from 2017–18 in 0.

The Department of Education does not currently deliver any student-facing programs to raise awareness of the harms of using tobacco and e-cigarette products. Rather, the department delivers general student drug and alcohol education as part of the Health and Physical Education curriculum. The department also provides information about policies on smoking and vaping in schools and makes these policies available for schools. The latest policy provides information to schools on:

- where smoking and vaping bans apply in and around school premises
- resources for preventing and managing smoking and vaping in schools, including support for staff
- how schools can support students to stop smoking and vaping.

### Regulatory impacts

At the local level in Victoria, councils are responsible for enforcing the provisions of the *Tobacco Act 1987*. The Victorian Government, through the Department of Health, provides funding to the Municipal Association of Victoria (MAV), which then disburses funds to councils for specific education and enforcement activities.

Under the agreement between the Department of Health and the MAV, councils are required to:

- undertake a designated number of education visits to tobacco and e-cigarette retailers, eating and drinking areas and outdoor locations where smoking bans apply
- undertake test purchases in shops that sell tobacco and e-cigarettes, including testing for the illegal selling of these products to minors.
- respond to complaints made by members of the public.

Environmental Health Officers employed by councils administer and enforce provisions that relate to tobacco retailers, outdoor dining, and smoking restrictions in enclosed workplaces. The Department of Health determines funding using an activity-based formula based on the hourly labour rate of a mid-level Environmental Health Officer. The department is responsible for providing all funding related to these control activities. Each council's service agreement sets out certain targets that they are required to meet to receive the full allocated funding amounts, such as the target number of days of test purchasing.

**Figure 17 – Funding provided to councils for tobacco and e-cigarette control activities**

\$ million	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24
Funding	1.4	1.4	1.4	1.4	1.5	1.5

Source: Department of Health.

Department of Health funding for local councils to undertake tobacco and e-cigarette control activities has remained relatively constant since 2018–19, which is now at around \$1.5 million. The MAV reports annually on the tobacco control activities undertaken by councils under the program.

**Figure 18 – Enforcement actions for tobacco retailers, e-cigarette retailers and specialist tobacconists**

	2020–21	2021–22
Total visits	2,291	2,506
Verbal warnings	151	234
Written warnings	50	67
Fines issued	-	4
Prosecution	-	-

Source: MAV.

In 2021–22, local councils conducted 2,506 visits to tobacco and e-cigarette retailers, of which around 9% resulted in a verbal warning and 3% in a written warning. The total number of warnings (verbal and written combined) increased by around 50% from 2020–21 to 2021–22; however, no prosecutions were made over this period.

## Health impacts

### Tobacco use

The health impacts of tobacco use are well-documented, extensively researched, and universally accepted. Since the landmark report of the United States Surgeon General published in 1964, which documented the health consequences of smoking tobacco, medical studies on the hazards of tobacco use have advanced our understanding of the impacts of tobacco and confirmed its detrimental effects.

The World Health Organisation estimates that tobacco kills more than 8 million people each year.

The Australian Department of Health and Aged Care states that smoking is the leading cause of preventable disease and death in Australia. Tobacco smoke contains more than 100 dangerous chemicals that can damage the human body. Among these chemicals and their physiological impacts include:

- nicotine – which narrows the veins and arteries and subsequently leads to heart damage and lowers blood circulation
- carbon monoxide – which displaces oxygen in the blood, thus depriving vital organs, such as the heart and brain, of oxygen

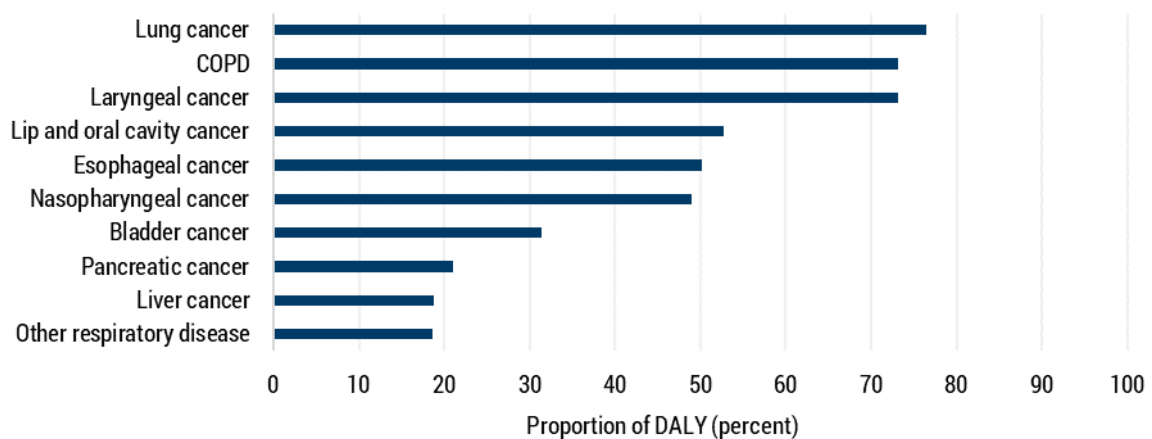
## Tobacco and e-cigarette use

- tar – which coats the inside of the lungs in a sticky layer, potentially leading to lung damage, lung cancer, emphysema, and other lung-related health problems
- various cancer-causing chemicals – which make cells grow too fast or abnormally and can result in cancerous cells.

Smoking tobacco is known to reduce life expectancy and quality of life. Some of the diseases known to be linked to smoking include cancer, chronic obstructive pulmonary disease (COPD), heart disease, stroke, diabetes, fertility problems, and osteoporosis.

The disability-adjusted life years (DALYs) is the standard measure of assessing the disease burden that is attributable to tobacco use. DALY measures the years of healthy life lost from premature death and illness across various disease. In effect it, it roughly shows what proportion of diseases can be attributable to tobacco use.

**Figure 19 – Percent of disability-adjusted life years (DALYs) due to tobacco use, 2018**



Source: Australian Institute of Health and Welfare.

According to the Australian Institute of Health and Welfare, tobacco use contributes to health burden more than any other risk factor and is estimated to be responsible for 77% of the total disease burden due to lung cancer and 73% of the burden due to COPD.

Tobacco use not only impacts users themselves but also non-smokers who are exposed to second-hand smoke. Much like the direct impact on smokers, non-smokers may experience negative effects from exposure to second-hand smoke.

The United States Centers for Disease Control and Prevention states that there is no safe level of exposure to second-hand smoke and that even brief exposure can cause harm to people. Similar to direct tobacco use, second-hand smoke exposure can cause a variety of health problems and diseases.

The World Health Organisation estimates that around 1.3 million non-smokers die each year globally due to exposure to second-hand smoke. While it is illegal in Australia to sell tobacco to minors, the impact of tobacco use is not limited to adults. Second-hand smoke exposure also adversely affects children and can cause respiratory infections, ear infections, asthma attacks, and sudden infant death syndrome (SIDS) in babies.



## E-cigarette use

Being a relatively new product in comparison to tobacco, the scientific community has yet to reach a definitive consensus on the long-term health effects of e-cigarette use. Research and assessment of long-term impacts is limited, given the relatively recent adoption of e-cigarettes. Although some studies have indicated an association between e-cigarette use and various health conditions, ultimately its effects on most clinical outcomes are not yet clear.

In 2018, the CSIRO undertook a literature review which found that carcinogenic compounds and carcinogenic metabolites arising from e-cigarette use were detected in e-cigarette users. The review noted that e-cigarette use may impair lung function but that the CSIRO was unable to independently attribute this to e-cigarettes due to the confounding effects of the dual use of tobacco and e-cigarettes. At the time, the CSIRO also indicated that, due to a lack of long-term studies, there was no evidence of e-cigarette use being associated with cardiovascular disease.

Researchers at the Department of Pharmacology at the University of Valencia conducted a 2021 study which found that e-liquids and e-cigarette devices contain hazardous chemicals and materials that are potentially released and consumed through the heating and smoking process. These include:

- propylene glycol
- glycerol
- nicotine
- propylene oxide
- acetaldehyde
- formaldehyde
- metal particles, specifically copper, nickel and silver.

The chemicals and materials found in a typical e-cigarette device – composed of the liquid, heating element, and resulting aerosol – are known to cause harmful effects on the human body. However, typical of other research, the paper notes that most studies on the matter have only investigated the short-term effects of e-cigarettes and that the long-term impacts on human health are still unclear and require further investigation.

A 2022 study from the National Centre for Epidemiology and Population Health at the Australian National University (ANU) provided some further evidence of the negative health impacts of e-cigarettes. The centre reviewed current global evidence, finding identified health risks associated with e-cigarettes, including:

- addiction due to nicotine consumption
- intentional and unintentional poisoning
- lung injury
- acute nicotine toxicity, which can cause nausea, vomiting, seizures and bradycardia (lower than normal heart rate).

Less direct evidence also indicates that there are adverse effects on cardiovascular health markers (such as blood pressure and heart rate), lung function and adolescent brain development and function. Despite this growing evidence base, the 2022 ANU study emphasised that the effects of e-cigarettes on most other clinical outcomes are unknown:

*No or insufficient evidence was available on the health effects of e-cigarettes in relation to cardiovascular disease, cancer, respiratory conditions other than lung injury, mental health, development in children and adolescents, reproduction, sleep, wound healing, neurological conditions other than seizures, and endocrine, olfactory, optical, allergic and haematological conditions.*

However, this should not be interpreted to mean that e-cigarettes do not increase the risk of developing these conditions. Rather, no causal link could be established at the time as most of the studies included in the review were generally small in scale and short-term. This prevented reliable conclusions from being drawn regarding the relationship between e-cigarettes and the risk of developing certain long-term health outcomes.

## Social impacts and drivers

### Interpersonal influence

Numerous factors influence a person's decision to take up tobacco or e-cigarette use. Since tobacco has been readily available for longer than e-cigarettes, the studies on what influences people to use tobacco are more robust. In analysing these factors, the United States Institute of Medicine produced the following 4 categories of influence:

- individual factors – which include biological characteristics and personal history
- interpersonal factors – which include interactions with peers, intimate partners, and family
- community factors – which include schools, workplaces, and other organisations where social relationships can occur
- societal factors – which are social and cultural norms such as social policies, religious and cultural beliefs.

For both tobacco and e-cigarettes, long-term use often begins in a person's teens or early adulthood. From 2018 to 2023, the Cancer Council Victoria reports that the prevalence of smoking and vaping has increased significantly amongst Australians between 14 and 17 years of age.

**Figure 20 – Prevalence of current smoking and vaping amongst minors in Australia, 14 to 17 years**

	2018	2023	Difference (Percentage points)
Smoking	2.1%	12.8%	+10.7
Exclusive smoking	1.9%	2.0%	+0.1
Vaping	0.8%	14.5%	+13.7
Exclusive vaping	0.5%	3.8%	+3.3
Dual use	0.3%	10.7%	+10.4

Source: Cancer Council Victoria.

The growing literature on what influences e-cigarette use shows similar contributors to that of tobacco. Citing multiple studies, the Cancer Council Victoria states that a young person's peer group plays an important role in their likelihood of using tobacco and other substances, including e-cigarettes. Social factors, such as having friends who use e-cigarettes, is a greater predictor of e-cigarette use than genetic factors.

A recent study published in the International Journal of Environmental Research and Public Health found that friends were the most common source of a person's first interaction with e-cigarettes, with most respondents reporting having tried their first e-cigarette product while 'hanging out with friends'.

## Addiction

Tobacco and e-cigarettes both contain nicotine, which is a highly addictive substance. The addictiveness of nicotine is well-documented and extensively researched. Although users experience the addiction individually, its impacts cut across all levels of society, including at the family and community levels.

At the individual level, those addicted to smoking have reported several negative impacts on their wellbeing and behaviour. Research published in the Harm Reduction Journal found that individuals addicted to tobacco or other nicotine products reported:

- feeling hostage to the addiction by the constant obsessions and cravings, which worsened their perceived sense of control or willpower, often resulting in feelings of weakness and inadequacy
- altering their activities and decision-making, including withdrawing from social events where smoking was not permitted or interrupted their work to have a smoke
- the fear of experiencing withdrawal symptoms when attempting to quit smoking
- reduced levels of physical activity and ability.

Research published in the peer-reviewed Journal of Food and Drug Analysis suggests that the economic burden of substance addiction, particularly for low-income households, create added stress on the family system and its members, including children.

Ultimately, substance addiction can impact communities. Tobacco use is more widespread amongst Aboriginal and Torres Strait Islander communities, the reasons for which are complex, but include increased exposure, socio-economic disadvantage, uptake at early ages, and cultural norms around sharing, which often involve tobacco products. According to the Department of Health and Aged Care, tobacco use is responsible for around 20% of deaths in Aboriginal and Torres Strait Islander communities and is directly responsible for one-third of cancer and cardiovascular diseases.

Researchers from the National Centre for Epidemiology and Population Health and the Menzies School of Health Research note that premature deaths of community members, especially Aboriginal Elders and older community members materially impact the connectedness and cohesiveness of the community and culture. This not only causes grief and loss through the community but also prevents the transfer of generational knowledge, kinship, language, customs, and law.

## Targeted marketing

Historically, tobacco advertising and marketing campaigns targeted specific groups to build cultural consensus around the practice of smoking. The process of ‘denormalisation’ of smoking, however, progressively thwarted the marketing and public relations campaigns of tobacco companies. Denormalisation describes the decline in smoking prevalence and the change in social norms achieved through increased scientific research on the health impacts of smoking, funding of health and education campaigns, increased regulations in terms of advertising and smoke-free areas, and taxation policy.

The gradual prohibition of tobacco advertisement and sponsorship across Australia greatly limited consumer exposure to tobacco and e-cigarette products. Nowadays, with social media and other online platforms, tobacco companies have adopted new approaches to tobacco and e-cigarette marketing.

The Truth Initiative, a non-profit organisation established in response to the 1998 Tobacco Master Settlement Agreement that curtailed or ceased certain tobacco marketing in the U.S., notes that tobacco companies are using social media to promote their products by:

- using embedded marketing (product placement)
- shaping online discourse through unpaid organic posts and generating word-of-mouth content
- using influencers to promote branded content despite violating the policies of these platforms.

The Guardian Australia reported on a recent example that included an initiative of British American Tobacco Australia, which operates the website Responsible Vaping Australia that advocates for the “responsible regulation of nicotine vaping products”. In early 2023, Responsible Vaping Australia’s Facebook page published a post that called for the removal of e-cigarette products from children and in schools, and which also included a link to a campaign to legalise vaping in Australia.

Meta (which owns Facebook) stated that it had removed several ads published by Responsible Vaping Australia on Facebook for breaching its policies as the ads did not contain a disclaimer disclosing who had paid for them. However, Meta did not remove ‘organic’ posts (i.e. posts that are not paid ads) made by Responsible Vaping Australia as the platform allows for the discussion of vaping products on their platforms so long as it is in line with their community standards.

## Environmental impacts

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The environmental impacts of cigarettes and e-cigarettes are well-documented in terms of their effects on soil, water, air, flora, wildlife, and pollution levels. Ironically, however, as humans interact and depend on the environment, discarded cigarettes and e-cigarettes leak pollutant chemicals into the environment which are known to cause health problems and illness, including cancer, respiratory, cardiovascular, and autoimmune diseases.

Tobacco and e-cigarettes are a significant contributor to litter. According to the Environment Protection Authority Victoria (EPA):

- approximately 73% of all EPA litter fines are for discarded cigarette butts
- nearly 60% of all litter consists of cigarette butts or packaging.

Discarded cigarette butts pollute Victoria's roadsides and waterways, thus potentially impacting drainage which can contribute to flooding. Furthermore, cigarette butts that are still lit when discarded are a significant fire hazard, which can start small fires in bins and much larger fires such as bushfires. The Country Fire Authority (CFA) notes that lit cigarette butts are the cause of most human-caused fire incidents in Victoria. According to Dan Stephens, former Chief Officer of Melbourne Metropolitan Fire Brigade (now superseded by Fire Rescue Victoria), each month firefighters in metropolitan Melbourne respond to more than 10 fires caused by recklessly discarded smoking materials.

The environmental impacts of e-cigarettes are a growing concern and an increasingly large contributor to pollution. According to VicHealth, many e-cigarette pods and devices, which are primarily made of non-degradable plastic, are difficult to recycle and contribute to the growing amount of plastic waste found in the environment, including in the ocean. Unique to e-cigarettes is its contribution to electronic waste through circuit boards and batteries. Not only are batteries toxic, but the improper use and disposal of e-cigarettes can cause fires due to lithium-ion batteries contained in the reusable devices.

Furthermore, e-cigarettes, along with discarded cigarettes, can impact aquatic life by leaking into the marine environment and causing harm to aquatic life, the impacts of which can include:

- the accumulation of toxic materials
- microplastic shedding in the ocean
- ingestion by marine fauna.

The impact of discarded cigarettes and e-cigarettes is not limited to the ocean and waterways. A study in the International Journal of Environmental Research and Public notes that cigarette butts, once broken down by sunlight, also become diluted in soil. Among the toxic chemicals found in cigarette butts are known carcinogens and chemicals classified by the World Health Organisation as public health concerns. Once these chemicals are absorbed into the water or soil systems of a community, the resulting bioaccumulation can impact the food chain and water quality, thus posing a further threat to human health.

# Attachment A – Tobacco and e-cigarette health and education campaigns

## Department of Health

Figure 21 provides a list of tobacco and e-cigarette health and education campaigns funded by the Department of Health.

**Figure 21 – Tobacco and e-cigarette campaigns and initiatives funded by the Department of Health**

Financial year	Agency	Campaign	Description	Funding (\$ million)
2017–18	Cancer Council Victoria	Quit Victoria (Stroke campaign, Win campaign, Always on, Aboriginal campaign)	Anti-tobacco campaigns (with TV, social, digital, videos) to encourage quitting, with the aim of motivating smokers between 18 to 49 years of age to make a quit attempt now.	1.80
2018–19	Cancer Council Victoria	Quit Victoria (various)	Continue to run a mix of 'emotional' mass media campaigns in combination with positive 'how to quit' messages. Campaign targeting low socio-economic Victorian smokers between 18 to 49 years of age in metropolitan and regional Victoria.  Anti-smoking campaigns work in three ways to reduce smoking prevalence: 1. Motivate smokers to quit. 2. Discourage uptake of smoking by young people. 3. Prevent relapse by those who have quit smoking.	2.00
2019–20	VicHealth	Prevent tobacco use	Funding provided to VicHealth to support Quit Victoria, a program aimed at reducing the health, financial and social inequities caused by smoking.	4.90
2019–20	VicHealth	Quit Victoria Review Taskforce	Research to increase tobacco cessation with a focus on	0.50

Financial year	Agency	Campaign	Description	Funding (\$ million)
			marginalised population groups where smoking remains high, such as people experiencing mental illnesses and/or drug and alcohol dependency.	
2020–21	Cancer Council Victoria	Quit Victoria (Voice Box & Confidence to Quit)	'Voice Box' raises awareness of the link between smoking and cancers of the voice box and aims to motivate people to stop smoking now. 'Confidence to Quit' aims to build smokers' belief in their ability to stop smoking.	0.95
2020–21	Cancer Council Victoria	Quit Victoria (Always On)	Ongoing digital campaign targeting current quitters, across a combination of online media channels to drive visitation to support services such as Quit.org.au.	0.32*
2020–21	Cancer Council Victoria	Quit Victoria (Sticky Blood)	Health effects campaign focusing on the immediate health effects of smoking, such as sticky blood and the increased risk of heart attack and stroke. Targeting Victorian smokers between 25 and 54 years of age.	1.20*
2020–21	Cancer Council Victoria	Quit Victoria (Re-run)	Re-run of how to quit campaign. targeting Victorian smokers between 25 and 54 years of age.	1.20*
2020–21	Cancer Council Victoria	Quit Victoria (Positive campaign)	No details provided by the department but likely relates to mass media campaign on positive 'how to quit' messages.	1.20*
2020–21	VicHealth	Prevent tobacco use	Funding provided to VicHealth to prioritise preventing the uptake of tobacco use and help people to quit by providing strong public health leadership and continuing the shape and fund Quit Victoria.  Quit Victoria to run a campaign highlighting the health impacts of smoking. Concurrently, Quit Victoria will evaluate the Quitline to ensure it is an effective service that meets user	5.00

Financial year	Agency	Campaign	Description	Funding (\$ million)
			expectations and supports them to quit.	
2020–21	VicHealth	Partnership Grants	VicHealth's mechanism to provide funding opportunities for a diverse range of organisations to promote community wellbeing and health promotion initiatives to achieve outcomes that directly contribute to VicHealth's Action Agenda.	0.13
2020–21	VicHealth	Research	Evaluate the efficacy of the Quitline service in consultation with the Department of Health and Human Services and VicHealth.	0.30
2021–22	Cancer Council Victoria	Quit Victoria ('Sticky Blood' & 'Quite a Difference')	The campaign aims to motivate smokers to quit, and to do sooner rather than later by informing smokers that there can be immediate effects of smoking, not just long-term harms. Also to build smokers' capacity that they can quit by increasing their understanding and perceptions of Quit as a supportive service.	1.10
2021–22	Cancer Council Victoria	Quit Victoria (Always On)	The campaign aims to raise awareness of Quit website tools and resources for those wanting to quit smoking; and re-engage previous web visitors to encourage and assist progression through the multiple phases of the process of quitting and staying quit.	0.32
2021–22	Cancer Council Victoria	Quit Victoria (Always On and Aboriginal Quitline)	The campaign aims to help and support Aboriginal and Torres Strait Islander people who smoke, utilising community specific messaging and targeted media channels to reach smokers in the quitting cycle.	0.04
2021–22	Cancer Council Victoria	Quit Victoria (LGBTIQ+)	The campaign promotes Quitline 13 7848 as an inclusive and safe service for LGBTIQ community.	0.04



Financial year	Agency	Campaign	Description	Funding (\$ million)
2021–22	Cancer Council Victoria	Quit Victoria ('Sponge' and 'Quite a Difference')	'Sponge' aims to motivate smokers to quit, and to do so sooner rather than later by reminding and reinforcing the short-term health effects of smoking. 'Quite a Difference' aims to build smokers' capacity that they can quit by increasing their understanding and perceptions of Quit as a supportive service.	1.20
2021–22	VicHealth	Quit Victoria (various)	Funding provided for: <ul style="list-style-type: none"> <li>a campaign that aims to motivate smokers to quit, and to do sooner rather than later by informing smokers that there can be immediate effects of smoking, not just long-term harms</li> <li>developing and testing messaging and delivery channels to assess whether public education campaigns can be developed and delivered effectively to targeted priority groups</li> <li>co-developing with VicHealth a vision statement and preliminary concept for supporting public housing tenants to become smoke-free</li> <li>implementing a three-step brief advice model within primary care settings, in particular general practice, pharmacy and community health settings</li> <li>advice and advocacy for further legislative reform for tobacco packaging</li> <li>monitoring e-cigarette supply and use and develop advocacy responses where required.</li> </ul>	5.00

Financial year	Agency	Campaign	Description	Funding (\$ million)
2022–23	Cancer Council Victoria	Quit Victoria (Always On)	The campaign aims to raise awareness of Quit website tools and resources for those wanting to quit smoking; and re-engage previous web visitors to encourage and assist progression through the multiple phases of the process of quitting and staying quit.	0.43
2022–23	Cancer Council Victoria	Quit Victoria (The Con that Kills)	The campaign aims to correct the misperceptions regarding tobacco products and harm. The campaign will highlight the use of additives and other product modifications by tobacco companies to hide the feeling of harshness experienced when smokers inhale the smoke.	1.20
2022–23	Cancer Council Victoria	Quit Victoria (16 Cancers)	This campaign highlighted both the common and lesser-known cancers that can be caused by smoking. It emphasised the immediate and long-term consequences as well as the debilitating impact these cancers can have on a smoker's life.  "16 Cancers" has previously aired three times in Victoria: 2015, 2016 and 2019.	0.47
2022–23	Cancer Council Victoria	Quit Victoria (Quite a Difference)	This campaign highlighted Quit Victoria's support services, particularly the Quitline and website, available to people who smoke and are considering quitting or actively trying to quit.	0.04
2022–23	Cancer Council Victoria	Quit Victoria (Harms of Vaping)	This campaign raised awareness that e-cigarette aerosols contain poisonous chemicals. It will be digitally-led along with other online channels to de-normalise vaping in the community.	0.36
2022–23	VicHealth	Reducing Tobacco use	Funding provided to VicHealth to prioritise reducing tobacco use through a longstanding financial and governance partnership with Quit	5.00

Financial year	Agency	Campaign	Description	Funding (\$ million)
			Victoria. This partnership will continue to work across community programming, social marketing, public health surveillance and policy. Investment in Quit Victoria to increase the reach and impact of smoking cessation with high smoking rate populations.	

Notes: \* denotes funding amount in the original submission as the department could not provide approved funding amount at the time of publication. The department advised that funding provided to the Cancer Council Victoria in 2019–20 and funding provided to VicHealth in 2017–18 and 2018–19 was unavailable.

Source: Department of Health.

## VicHealth

Figure 22 provides a list of tobacco and e-cigarette health and education campaigns funded by VicHealth.

**Figure 22 – Tobacco and e-cigarette campaigns and initiatives funded by VicHealth**

Financial year	Agency	Campaign	Description	Funding (\$ million)
2017–18	Cancer Council Victoria	Quit Victoria (various)	Campaigns and initiatives to reduce the incidence and impact of smoking, including delivering a Tackling Tobacco in Mental Health Service pilot project.	4.70
2017–18	Miscellaneous	Other campaigns and initiatives	Research grants for cessation and relapse rates in marginalised groups who are more likely to smoke, including adult smokers leaving prison.	0.41
2018–19	Cancer Council Victoria	Quit Victoria (various)	Activities included mass media and digital media campaigns, including the You Quit, You Win television campaign.	4.70
2018–19	Miscellaneous	Other campaigns and initiatives	Including work with the Royal Australian College of General Practitioners to produce updated smoking cessation guide and research into smoking cessation for vulnerable communities.	0.34
2019–20	Cancer Council Victoria	Quit Victoria (various)	Quit ran a series of campaigns including 16 Cancers anti-smoking campaign. Funding also included initiatives to educate the public about the impact of smoking during	5.82

Financial year	Agency	Campaign	Description	Funding (\$ million)
			the coronavirus pandemic and advocating for the inclusion of vaping in local smokefree areas.	
2019–20	Miscellaneous	Other campaigns and initiatives	Including supporting the work of Tobacco Free Portfolios to implement tobacco-free finance policies, spanning lending, investment and insurance.	0.33
2020–21	Cancer Council Victoria	Quit Victoria (various)	Investing in policy and research programs to build the capacity of the health promotion sector to understand and counter harmful industry activity and reform on digital marketing of harmful tobacco products, with a particular emphasis on marginalised populations.	5.95
2020–21	Miscellaneous	Other campaigns and initiatives	Including behavioural messaging research to inform social marketing campaigns to reduce tobacco use.	0.16
2021–22	Cancer Council Victoria	Quit Victoria (various)	<p>Campaigns and initiatives to reduce tobacco use including:</p> <ul style="list-style-type: none"> <li>▪ 'Sticky Blood', which highlighted how deadly cigarette smoke is for the heart and the link between smoking and heart disease</li> <li>▪ publishing resources for the Health Promotion sector including an evidence-informed Health Promotion Framework for Action to guide planning, implementation and evaluation of community-level initiatives aimed at reducing tobacco-related harm.</li> </ul>	5.45
2021–22	Miscellaneous	Other campaigns and initiatives	Including allocations in the Victorian Local Government Partnership program and the Population Health Surveillance and research to reduce tobacco use.	0.46
2022–23	Cancer Council Victoria	Quit Victoria (various)	Partnered with Quit on Victoria's first and Australia's largest awareness campaign about the dangers of e-cigarettes.	2.95
2022–23	Miscellaneous	Other campaigns and initiatives	Including investment into Museums Victoria and a Scienceworks installation showcasing 10 toxic chemicals commonly found in e-cigarettes as well as supporting	0.71

Financial year	Agency	Campaign	Description	Funding (\$ million)
			the capacity of councils to increase smokefree environments in their communities through the Victorian Local Government Partnership program.	

Note: VicHealth's funding agreement with Quit is on a calendar year basis, which accounts for the variation for 2022–23 compared to other financial years. Figure may not sum due to rounding.

Source: VicHealth.

## Attachment B – Assumptions and approach

In this section we provide the assumptions and approach we used to estimate the number of users and size of the tobacco and e-cigarette markets.

### Assumptions

When preparing this submission, we made the following assumptions:

1. The rate of tobacco and e-cigarette use amongst Victorians aged 14 and over would be equivalent to the national average.
2. The annual expenditure per regular user of e-cigarettes would increase in line with Melbourne CPI.
3. Non-regular users would only consume disposable e-cigarette products and would purchase 12 disposable vapes per year.

### Approach

When preparing this submission, we:

- determined the number of people aged 14 years and over who use tobacco and e-cigarettes in Victoria on a regular and non-regular basis
- determined the value of the legal tobacco market in Victoria using consumption data from the ABS
- estimated the value of the illicit tobacco market in Victoria using tax gap data from the ATO and applying this to the Victorian market
- estimated a range for the annual average expenditure per regular and non-regular user of e-cigarettes in Victoria
- estimated the lower range of the value of the e-cigarette market in Victoria by applying the estimated number of regular and non-regular users to the respective lower range of annual average expenditure per user
- estimated the upper range of the value of the e-cigarette market in Victoria by applying the estimated number of regular and non-regular users to the respective upper range of annual average expenditure per user.

## Attachment C – Reconciliation

Inquiry terms of reference	Addressed in submission
Trends in vaping and tobacco use and the associated financial, health, social and environmental impacts on the Victorian community	Usage rates in Australia (pp. 15-16) Number of users in Victoria (pp. 16-17) Financial impacts (pp. 23-28) Health impacts (pp. 28-31) Social impacts and drivers (pp. 31-33) Environmental impacts (pp. 33-34)
The causes and repercussions of the illicit tobacco and e-cigarette industry in Victoria including impacts on the Victorian justice system, and effective control options	Illicit tobacco and e-cigarette markets (pp. 19-22)
The adequacy of the State and Commonwealth legislation, regulatory and administrative frameworks to minimise tobacco and e-cigarette harm experienced in the community and control illicit trade compared to other Australian and international jurisdictions.	Regulation of tobacco and e-cigarettes (pp. 7-14)
The effectiveness of current public health measures to prevent and reduce the harm of tobacco use and vaping in Victoria and potential reforms.	Victorian Government funding of health and education campaigns (pp. 26-28) Attachment A – Tobacco and e-cigarette health and education campaigns (pp. 35-42)
Any other related matters.	Value of the market in Victoria (pp. 17-19)

Note: Some components of the Inquiry's terms of reference are out of the scope of this submission as we are prohibited from forming a judgement on the merits of policy under the *Parliamentary Budget Officer Act 2017*.

## Attachment D – Data sources

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