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**Contradictions surround Government’s move to slash tax on heated tobacco products**

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24 July 2024

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**Summary**

Associate Health Minister Casey Costello recently halved the excise tax levied on heated tobacco products. Tobacco companies had advocated for this change; however, the Ministry of Health had advised Minister Costello that there was no evidence to support heated tobacco products as smoking cessation tools. Ms Costello described the move as a “trial”. However, she had previously criticised denicotinisation, the reduction in tobacco outlets, and the smokefree generation, as experimental and unproven, despite the strong evidence and arguments supporting each measure. In this Briefing we compare the position she took with respect to the measures she repealed and her stance on heated tobacco products.

The tobacco industry has a long history of malign practice. Court judgments have found tobacco companies’ denial of the risks their smoked tobacco products cause was misleading and deceptive.1-4  A judge involved in one of these trials, [Judge Gladys Kessler](https://www.tobaccofreekids.org/what-we-do/industry-watch/doj), stated: “*Their*[tobacco companies’] *continuing misconduct misleads consumers in order to maximize Defendants’ revenues by recruiting new smokers (the majority of whom are under the age of 18), preventing current smokers from quitting, and thereby sustaining the industry*.”

**The “transformation” narrative**

Exposure of their duplicity required tobacco companies to develop alternative arguments. Instead of denying the risks their products posed, they began developing a “transformation” narrative, which involved presenting “solutions” (in the form of new nicotine products) to the many harms caused by their smoked tobacco products.5 6

**Heated tobacco products**

Heated tobacco products (HTPs) are one of these recently developed products.7 Unlike smoked tobacco, which is burned, [HTPs contain a tobacco stick, which when heated to a high temperature, emits an aerosol that users inhale](https://iris.who.int/bitstream/handle/10665/331297/WHO-HEP-HPR-2020.2-eng.pdf).

According to the [World Health Organization](https://iris.who.int/bitstream/handle/10665/331297/WHO-HEP-HPR-2020.2-eng.pdf) (WHO), the aerosol emitted by HTPs contains nicotine and other toxic chemicals similar to those found in smoked tobacco. The WHO states that HTPs: [“do not help smokers to end tobacco use](https://iris.who.int/bitstream/handle/10665/331297/WHO-HEP-HPR-2020.2-eng.pdf)”. A recent [Cochrane Review](https://www.cochranelibrary.com/cdsr/doi/10.1002/14651858.CD013790.pub2/full) concluded: “No studies reported on cigarette smoking cessation, so the effectiveness of heated tobacco for this purpose remains uncertain”.

The Ministry of Health (MoH) echoed the WHO’s advice in a [briefing](https://www.health.govt.nz/system/files/documents/information-release/h2024034952_briefing_-_getting_to_smokefree_2025_reform_of_vaping_smokeless_tobacco_and_consumer_nicotine_product_regulation_black_box.pdf) prepared for Associate Health Minister Casey Costello and advised against “liberalising the way HTPs are promoted”. The MoH advice explained that HTPs were regulated in a “hybrid way”; the device is treated as a vaping product but, because the tobacco pads used in HTPs contain tobacco, they attracted excise tax in the same way as other tobacco products. Documents pro-actively released by the MoH thus far do not include details of advice given on levels of HTP excise tax (though OIA requests may reveal more information).

**Halving the excise tax on heated tobacco products**

The Associate Health Minister’s decision to [reduce the excise tax on HTPs by 50%](https://www.customs.govt.nz/about-us/news/important-notices/reduction-in-duty-on-heated-tobacco-products-on-1-july-2024/) shocked many in the public health sector as it was not signalled in the [Budget Speech 2024](https://www.budget.govt.nz/budget/pdfs/speech/b24-speech.pdf), in Health Minister Dr Shane Reti’s [media statement](https://www.budget.govt.nz/budget/pdfs/releases/l5-reti-budget-prioritises-frontline-health-services-and-workers.pdf) or in the [fact sheet](https://www.budget.govt.nz/budget/pdfs/releases/l5a-factsheet-supporting-frontline-health-services.pdf) linked to his statement.

In a [media interview,](https://www.rnz.co.nz/news/political/522466/watch-minister-casey-costello-says-heated-tobacco-tax-cuts-a-trial?utm_source=substack&utm_medium=email) the Associate Health Minister described her decision as “a trial for a period”. She agreed that her decision was the first time that the government has **reduced**the excise tax on a tobacco product, but rationalised her approach as “part of the strategy around targeting, um, those who are addicted smokers”.

**Evidence-based decision-making**

The Associate Health Minister’s decision to run a “trial” of the new policy does not appear to follow the advice she has received from the Ministry of Health; nor does it adhere to the [coalition agreement](https://www.nzfirst.nz/coalition-agreement), which asserted that decisions would be “[based on data and evidence](https://www.nzfirst.nz/coalition-agreement)”. The Minister has thus far provided no supporting evidence to justify her decision.

Unlike the Smokefree Aotearoa 2025 Action Plan, which involved extensive community consultation, the HTP “trial” has not involved any such consultation. Describing the excise cut as a trial is highly problematic since it does not appear to have a clear timeline, identifiable structure, or evaluation mechanism. Given the Associate Health Minister has advised it would run “for a period”, and that the government will “analyse whether… it’s a less harmful solution”, she needs to explain the trial duration, data collection processes, and evaluation strategy. Ambiguity about her definition of ‘less harmful’ means it is unclear what outcomes she wants to achieve or how she plans to assess these. Furthermore, she has not explained the consultation she has undertaken, or how she obtained consent from those participating in this experiment.

The Associate Health Minister also needs to reassure communities concerned about youth vaping by explaining how she is monitoring HTP uptake among young people, given reducing excise tax may increase HTP use and addiction among young people.

**Evidence and consultation**

The Minister’s willingness to trial an excise cut for HTPs contrasts markedly with the arguments she made when she led the repeal of “endgame” measures in the Smokefree Environments and Regulated Products (Smoked Tobacco) Amendment Act (see [appendix](https://www.phcc.org.nz/briefing/contradictions-surround-governments-move-slash-tax-heated-tobacco-products#appx)). The Associate Health Minister asserted that “[We [the Government] are about measurable outcomes and, importantly, on [sic] getting smokers the right resources to enable them to quit](https://www.parliament.nz/en/pb/hansard-debates/rhr/combined/HansDeb_20240227_20240228_16)”. She described denicotinisation, large reductions in tobacco availability, and the creation of a smokefree generation as an “[untested regime](https://www.beehive.govt.nz/release/smokefree-amendment-bill-introduced#:~:text=%E2%80%9CThe%20last%20government%20was%20moving,crime%2C%E2%80%9D%20Ms%20Costello%20said.)”. Yet, as we have explained [here](https://www.phcc.org.nz/briefing/smokefree-laws-reducing-tobacco-outlets-will-decrease-crime), [here](https://www.phcc.org.nz/briefing/smokefree-legislation-evidence-based-removing-it-not) and [here](https://www.phcc.org.nz/briefing/why-new-zealhttps%3A/www.phcc.org.nz/briefing/why-new-zealand-government-should-reconsider-abandoning-denicotinised-cigarettesand-government-should-reconsider-abandoning-denicotinised-cigarettes), there is strong evidence supporting these measures suggesting they are highly suitable for implementation with rigorous evaluation.

Associate Minister Costello also stated that “[we will consult extensively with smokers and what tools they need in order to quit smoking](https://www.parliament.nz/en/pb/hansard-debates/rhr/combined/HansDeb_20240227_20240228_32)”. She now needs to explain exactly who she consulted with ahead of her decision. Documents earlier leaked from her office contain material from an [unknown source](https://www.documentcloud.org/documents/24451462-costello-office-notes?responsive=1&title=1) that advanced strongly pro-tobacco industry suggestions. Among the taxation advice offered, this document suggested freezing the excise tax on smoked tobacco for three years and adding heated tobacco products into the definition of vaping products, a move that would reduce the excise tax HTPs attract. The Minister’s on-going failure to explain this influential document’s provenance or to heed the advice offered by the MoH, will continue to fuel concerns about her commitment to public health.

**What this briefing adds**

* Associate Health Minister Casey Costello’s decision to halve the excise tax on heated tobacco products does not appear to reflect consultation with the public health community, advice from the MoH, or evidence-based decision-making principles.
* There is no evidence that this measure is a rigorous trial or part of a wider strategic approach. The Associate Minister’s actions contrast with comments attempting to justify the repeal of world-leading tobacco control measures because these were supposedly unproven and experimental.
* Reducing the excise tax on heated tobacco products raises new questions about the source and author of an influential document that offered policy advice to the Associate Health Minister.

**Implications for policy and practice**

* Associate Health Minister Casey Costello urgently needs to explain how the “trial” of heated tobacco products she is undertaking will be conducted and evaluated.
* The Associate Health Minister needs to provide greater transparency in her decision making so that persistent concerns she is pursuing the tobacco industry’s agenda, rather than public health goals, can be dispelled.

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**Appendix**

**Relevant comments by Associate Minister Costello**

|  |  |
| --- | --- |
| **Source** | **Specific wording** |
| Costello, Hansard, First Reading | The last Government was moving towards an untested regime with a focus on prohibition that ignored how well quit-smoking initiatives were working. |
|   | This Government isn't interested in the virtue signalling in health. We are about measurable outcomes and, importantly, on getting smokers the right resources to enable them to quit. This is why we are progressing the amendment bill. We want an approach on the regulation of tobacco that allows a practical, workable, and tested approach to reducing smoking. |
| Costello, Hansard, Second Reading | Firstly, I want to comment that, unfortunately, even today it is clear that there is a lack of understanding on what is being done and the approach that is being taken. Even today, there is commentary about increasing access. It is clear that this is incorrect and it is not what we are proposing. |
|   | And that is exactly the point why we are wanting to ensure that there are the tools to enable those who are addicted to smoking to quit. |
|   | We said repeatedly before about how we're focused on achieving the outcomes and we will continue to visit the actions that will work, and we will consult extensively with smokers and what tools they need in order to quit smoking. That is the objective of this next stage. |
|   | There's no suggestion that that progress is levelling off, and we will continue to focus on those achievements that the existing legislation has allowed us to achieve. |
|   | When I referred to continuing to work with Māori—and I think that's a collective agreement across the objectives that we're trying to achieve—we are wanting to ensure that the initiatives that we put in place are targeted to the groups that most need it, and we will continue to do that. |
| Costello, Hansard, Third reading | Firstly, this bill does not change a single regulation around smoking, around the sale and use of smoked tobacco products, that is in place today. |
|   | Our commitment is to provide smokers a range of tools, like vaping, that will help them to quit smoking. We will ensure the continued provision of effective stop-smoking services and supporting marketing campaigns, and we will ensure initiatives are targeted at those who need it the most. This will include Māori and Pacific peoples, who have higher smoking rates. |
| [Media release Associate Health Minister Costello (27 Feb 2024)](https://www.beehive.govt.nz/release/smokefree-amendment-bill-introduced#:~:text=%E2%80%9CThe%20last%20government%20was%20moving,crime%2C%E2%80%9D%20Ms%20Costello%20said.)  | “The last government was moving towards an untested regime that ignored how well quit smoking initiatives were working, and the potential downside of taking a prohibitionist approach for smokers, or for retailers and crime,” Ms Costello said.  |
| [1News Breakfast interview with Associate Health Minister Costello (28 Feb 2024)](https://www.1news.co.nz/2024/02/28/casey-costello-to-push-tighter-vaping-controls-in-her-5-smoking-target/)  | "We're now dealing with addicted nicotine smokers, there's less than 300,000 smokers who have been smoking for a long time and, as much as we'd like to think it, reducing supply does not reduce demand." "The last government was moving towards an untested regime that ignored how well quit smoking initiatives were working, and the potential downside of taking a prohibitionist approach for smokers, or for retailers and crime.” |

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