

The Senate

Legal and Constitutional Affairs
References Committee

Illegal tobacco crisis in Australia

August 2026

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Abbreviations

AACS	Australian Association of Convenience Stores
ABS	Australian Bureau of Statistics
ABF	Australian Border Force
ACIC	Australian Criminal Intelligence Commission
ACOSH	Australian Council on Smoking and Health
AFP	Australian Federal Police
AIHW	Australian Institute of Health and Welfare
AMA	Australian Medical Association
AMSANT	Aboriginal Medical Services Alliance Northern Territory
ASBFEO	Australian Small Business and Family Enterprise Ombudsman
ATO	Australian Taxation Office
AUSTRAC	Australian Transaction Reports and Analysis Centre
AWOTE	average weekly ordinary time earnings
CACT	Criminal Assets Confiscation Taskforce
CDPP	Office of the Commonwealth Director of Public Prosecutions
the committee	the Legal and Constitutional Affairs References Committee
CREATE	Centre for Research Excellence on Achieving the Tobacco Endgame
DHDA	Department of Health, Disability and Ageing
DHA	Department of Home Affairs
FCTC	Framework Convention on Tobacco Control
ITEC Commissioner	Illicit Tobacco and E-cigarette Commissioner
ITNDG	Illicit Tobacco National Disruption Group
ITTF	Illicit Tobacco Taskforce
NRA	national risk assessment
NRT	nicotine replacement therapy
NSW	New South Wales
NT	Northern Territory
PBS	Pharmaceutical Benefits Scheme

PFA	Police Federation of Australia
PHAA	Public Health Association of Australia
the Protocol	the Protocol to Eliminate Illicit Trade in Tobacco Products
RACGP	Royal Australian College of General Practitioners
SA	South Australia
SCCA	Shopping Centre Council of Australia
SOC	serious and organised crime
TAA Act	<i>Taxation Administration Act 1953</i>
Tobacco Strategy	<i>National Tobacco Strategy 2023-2030</i>
TSOC	transnational serious and organised crime
WHO	World Health Organisation

List of recommendations

Recommendation 1

- 5.7 The committee recommends the Australian Government immediately pause any further increases to the tobacco excise, including through regular indexation, until meaningful elimination of the illicit tobacco market can be achieved.

Recommendation 2

- 5.8 The committee recommends the reduction in the tobacco excise as part of a comprehensive suite of policy measures spanning improved enforcement, modernisation of border controls, strengthened public education campaigns, and improved availability of other less harmful nicotine products. The precise new excise level should be determined by way of an independent review that publicly releases modelling on the effects of alternative excise levels.

Recommendation 3

- 5.11 The committee recommends that Australia adopt policy settings similar to those in place in New Zealand since 2020 to establish the legalised sale of regulated nicotine vapes and other non-smoking nicotine products as a comparatively less harmful alternative for Australian smokers.

Recommendation 4

- 5.17 The committee recommends the Australian Government expand efforts to prevent the sale and distribution of illegal tobacco, and reduce its impact on the community, including by investing further in:
- Enforcement and border protection capabilities,
 - Demand reduction measures, such as supporting better access to nicotine replacement therapies, especially for at-risk groups.

Recommendation 5

- 5.18 The committee recommends the Australian Government undertake a nation-wide information campaign to encourage Australians to stop purchasing illicit cigarettes vapes and to warn of the harmful health and community safety effects of supporting the trade in illicit cigarettes and vapes.

Recommendation 6

- 5.19 The committee recommends the establishment of a feasibility study concerning investment and capabilities required to uplift and modernise Australia's Integrated Cargo System and enabling infrastructure which is the

basis of Australia's ability to screen cargo for illicit goods such as illicit tobacco.

Recommendation 7

- 5.20 The committee recommends the reorganisation of the Illicit Tobacco National Disruption Group (ITNDG) to place the Australian Criminal Intelligence Commission as the lead agency of the ITNDG, instead of the Australian Border Force.

Recommendation 8

- 5.23 The committee recommends that the Australian Government work with states and territories, including through the National Cabinet, to establish a nationally harmonised illicit tobacco enforcement framework, including creating nationally consistent licensing obligations, inspection powers, penalties, intelligence sharing, supply chain integrity measures and retail compliance arrangements.

Recommendation 9

- 5.29 The committee recommends the Australian Government work with state and territory counterparts to improve data collection and reporting on the tobacco market in Australia to inform Australia's tobacco control policy and excise settings including by:
- harmonising reporting requirements for tobacco sales across all states and territories; and
 - refining the Australian Bureau of Statistics' estimates of illicit tobacco consumption as part of the Australian National Accounts.

Recommendation 10

- 5.34 The committee recommends the Australian Government review its packaging requirements for tobacco, with a view to implementing reforms to enable a track and trace scheme.

Recommendation 11

- 5.37 The committee recommends the Australian Border Force and Illicit Tobacco and E-cigarette Commissioner work with the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts and Australia Post to understand the prevalence of websites selling illegal tobacco and their distribution methods, with a view to strengthening regulatory options to shut down illegal online retailers.

Recommendation 12

5.38 The committee recommends that Australia Post be made a partner in the Illicit Tobacco National Disruption Group.

Senator Leah Blyth

Chair

Chapter 1

Introduction - Australia's illegal tobacco market

Introduction

- 1.1 For Australians who consume tobacco products a combination of market and social conditions now mean that 80 per cent of the tobacco they consume is coming from illicit sources facilitated by transnational serious and organised crime groups.¹ According to the Australian Industry Group, this equates to tobacco consumption valued at approximately \$15 billion per annum shifting from the licit to the illicit market.² This is an unprecedented market failure and an historic failure of public policy. To avoid the total collapse of the lawful tobacco market and the entrenchment of a black market monopoly, wide-ranging policy changes are urgently required.
- 1.2 Throughout this inquiry, evidence to the committee has highlighted that the illegal tobacco market in Australia has grown over this period from a marginal compliance or tax evasion issue to becoming an urgent threat to public health, national security and the proper functioning of the Australian economy.³
- 1.3 The illegal market circumvents the taxation, health and safety regulations that apply to legal tobacco and comprise Australia's tobacco control regime. In doing so, the illegal trade denies the Australian community public funding that would otherwise finance government services including healthcare. Instead, these funds provide a significant income stream for transnational serious and organised crime and fuel broader criminal activity, including drug trafficking, firearms offences, arson and assaults and potentially the emergent trade in illicit alcohol.⁴ For these reasons, the rapid expansion of illegal tobacco in Australia represents a growing structural threat to revenue integrity, compliance, and public order.⁵ It establishes an alarming precedent for how sophisticated

¹ Australian Bureau of Statistics, Household consumption of illicit tobacco and nicotine products, 3 June 2026, www.abs.gov.au/articles/household-consumption-illicit-tobacco-and-nicotine-products (accessed 7 July 2026). See also Dr John Coyne, *Submission 11*, p. 6; Associate Professor James Martin, *Submission 49*, [p. 1].

² Australian Industry Group, *Submission 65*, p. 4.

³ Dr John Coyne, *Submission 11*, p. 1; Johannes Kepler University of Linz, *Submission 14*, [p. 2]; Australian Medical Association, *Submission 58*, [p. 1]; Master Grocers Australia, *Submission 55*, p. 1; Australian United Retailers Ltd, *Submission 45*, [p. 3].

⁴ Australian Federal Police, *Submission 80*, p. 2.

⁵ Johannes Kepler University of Linz, *Submission 14*, [p. 1]; Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9*, p. 1; Australian Council on Smoking and Health, *Submission 60*, p. 5.

transnational serious and organised crime groups can establish themselves in, and eventually dominate, markets for otherwise lawful goods.

- 1.4 Throughout this inquiry, the Legal and Constitutional Affairs References Committee (the committee) has sought to understand the scale and volume of the illegal tobacco market in Australia, as well as its impact on Australia's economy, including small businesses, public health, and community safety.
- 1.5 This report details these concerns based on evidence provided to the committee by public health practitioners, health control organisations, tobacco retailers and the wider business community, law enforcement bodies, state and territory governments, federal departments and agencies, as well as academics and research bodies.

Referral and terms of reference

- 1.6 On 27 November 2025, the Senate referred the following matter to the committee for inquiry and report by 30 June 2026:

The illegal tobacco crisis in Australia, with particular reference to:

- (a) the scale and nature of the illegal tobacco market, including the volume and value of illicit tobacco trade; sources, distribution channels and methods of smuggling or illegal cultivation; and the involvement of transnational serious and organised crime (TSOC) groups;
- (b) the impact of illegal tobacco on public health and on government revenue, including smoking rates and the loss of Commonwealth excise and customs revenue;
- (c) law enforcement, intelligence and regulatory responses, including the adequacy of:
 - (i) penalties and deterrence measures,
 - (ii) the strategy and effectiveness of onshore and offshore disruption activities, and
 - (iii) the current legislative and regulatory frameworks and the current levels of inter-government and inter-agency co-operation;
- (d) the social and economic impacts, including on legitimate retailers, especially small businesses in regional and rural areas; the public health implications arising from the spread of unregulated tobacco products; and the safety implications for communities affected by illegal operations;
- (e) forecasts, modelling and plausible future scenarios concerning the potential evolution of the illicit tobacco threat, including the prospect for increased violence and the effect of illicit tobacco on the wider TSOC threat;
- (f) options for reform, including potential amendments to existing policies and to taxation, customs and/or criminal laws; and

(g) any other related matters.⁶

- 1.7 On 22 June 2026, the Senate agreed to extend the inquiry reporting date to 13 August 2026.⁷ On 13 August 2026, the Senate agreed to a further extension of the reporting date to 28 August 2026.⁸

Conduct of the inquiry

- 1.8 The committee advertised the inquiry on its website and wrote to organisations and individuals inviting submissions by 27 March 2026. The committee received and published 216 submissions, which are listed at Appendix 1.
- 1.9 The committee held two public hearings on 4 and 18 May 2026. Witnesses appearing at those hearings are at Appendix 2. Additionally, the committee held one *in-camera* session on 4 May 2026, questioning representatives from Phillip Morris International, the transcript of which was made public.

Structure of the report

- 1.10 This report comprises of five chapters, as follows:
- Chapter 1 provides the introduction, background and context to the report;
 - Chapter 2 discusses the social, economic and public health impacts of the illegal tobacco market in Australia;
 - Chapter 3 outlines law enforcement, intelligence and regulatory responses and their efficacy;
 - Chapter 4 discusses the options for reform as outlined in the evidence to the inquiry; and
 - Chapter 5 provides the committee's view and makes recommendations regarding the illegal tobacco market in Australia.

Note on references

- 1.11 In this report, references to *Committee Hansard* are to proof transcripts. Page numbers may vary between proof and official transcripts.

Background

- 1.12 The trade in illegal tobacco products in Australia has come under increasing scrutiny, with significant media reporting of the growth in the availability of illegal tobacco and associated instances of violence and other criminal behaviour.

⁶ *Journals of the Senate*, No. 27, 27 November 2025, pp. 895–896.

⁷ *Journals of the Senate*, No. 50, 22 June 2026, p. 1786.

⁸ *Journals of the Senate*, No. 60, 13 August 2026, p. 2114.

- 1.13 Many submitters to the inquiry drew attention to the economic, health, social and national security costs resulting from the growing illegal market which is detrimental to Australia's tobacco control efforts.⁹
- 1.14 As Professor Michelle Jongenelis, an academic with expertise in tobacco control, explained to the committee:
- The illicit tobacco trade is not a victimless crime. High-traffic, mixed-retail locations are being flooded with tobacconists and convenience stores selling illicit tobacco, a blight on what should be a family-friendly environment. Those who smoke are being denied an opportunity to quit, with the appeal of cheap tobacco undermining motivation. We risk reversing decades of success in tobacco control policy if we do not act immediately and decisively.¹⁰
- 1.15 The remainder of this chapter will first outline the size, scope and nature of the illegal market, including the involvement of TSOC groups and their sale and distribution methods.
- 1.16 It will consider the Australian Government's tobacco control policies and commitments which are threatened by the illegal market, in particular highlighting:
- the role of taxation as a tobacco control measure; and
 - the specific obligations to address the illegal market which the Government has committed to, both internationally and domestically.
- 1.17 Finally, it will consider the recommendations of and Government response to a Parliamentary Joint Committee on Law Enforcement inquiry into illicit tobacco which reported in 2020.

Size and scope of the illegal tobacco market

- 1.18 Operators in the illegal tobacco market seek to avoid charges and licencing obligations under Australia's tobacco control laws. The Office of the Illicit Tobacco and E-cigarette Commissioner (ITEC Commissioner) provided the following definition of illegal tobacco:

Tobacco is illicit when imported into the domestic market without customs duty being paid, or grown, manufactured and/or produced in Australia without a licence. In addition, illicit products do not typically comply with Australian plain packaging and health labelling requirements and are sold

⁹ See for example, Centre for Independent Studies, *Submission 4*; Office of the Illicit Tobacco and E-Cigarette Commissioner, *Submission 9*; Royal Australian College of General Practitioners, *Submission 13*.

¹⁰ Professor Michelle Jongenelis, *Submission 50*, p. 3.

below market value. The lower price is predominately achievable through the evasion of excise duties and nonpayment of GST.¹¹

1.19 While illicit tobacco products can take many forms, the Australian Criminal Intelligence Commission (ACIC) told the committee that the illegal market is primarily composed of two products:

- Counterfeit cigarettes: products made to look and taste like legitimate brands but are manufactured illegally and without authorisation of the trademark or branding holders, with the intention of deceiving consumers.
- Illicit whites: manufactured legitimately in one country but smuggled and sold in another country without the applicable duties or tax being paid.¹²

1.20 Adjacent to and interwoven with the distribution of illicit tobacco products is also the trade in illegal vapes, which include nicotine and non-nicotine varieties.

1.21 A comprehensive assessment of the scale of the illegal tobacco market in Australia is difficult to make due to its covert nature, but it has doubtless reached a historically unprecedented scale. Cancer Council Australia indicated that ‘no one method provides a definitive estimate of the scale of the market, and several forms of monitoring are needed over time to allow triangulation of estimates’.¹³

1.22 The Australian Government’s estimate of the size of the illicit market is produced by the ITEC Commissioner.¹⁴ The ITEC Commissioner estimates the size of the illegal market by identifying ‘the gap between tobacco consumption rates and the lawful imports of tobacco’ drawing from public and private data sources.¹⁵

1.23 Based on its methodology, the ITEC Commissioner estimates that the illicit tobacco market accounted for 50 to 60 per cent of the tobacco market in the 2024–25 financial year. More recently, the Australian Bureau of Statistics has

¹¹ Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9, Attachment 1: Illicit Tobacco and E-cigarette Commissioner Report 2024–25*, 2025, p. 6.

¹² Australian Criminal Intelligence Commission, *Submission 20*, p. 3.

¹³ Cancer Council Australia, *Submission 51*, p. 5.

¹⁴ From 2018 to 2024, the Australian Taxation Office produced the Illicit Tobacco Tax Gap to assess the size of the market, but ceased in 2025 due to concerns that the methodology was unreliable and significantly underestimated the scale of the tobacco market: see Australian Taxation Office, *Submission 48*, p. 5; Australian Taxation Office, *Reliability of the tobacco tax gap estimate*, 31 October 2025, www.ato.gov.au/about-ato/research-and-statistics/in-detail/tax-gap/q-z-tax-gaps/tobacco-tax-gap/reliability (accessed 3 June 2026).

¹⁵ Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9, Attachment 1: Illicit Tobacco and E-cigarette Commissioner Report 2024–25*, 2025, pp. 10–11.

assessed that up to 80 per cent of tobacco consumption is from illicit sources.¹⁶ The ITEC Commissioner estimates the total value of the illicit market is between \$4.1 and \$6.9 billion. This equates to between 3312 and 5397 tonnes of illicit tobacco imported into Australia, with a further 575 tonnes produced domestically.¹⁷

- 1.24 In his submission to the inquiry, Dr John Coyne described the ITEC Commissioner's estimate as 'one of the clearest contemporary estimates of the scale of the illicit market'. However, he noted some limitations in the methodology used to inform the estimate:

The Commissioner's methodology relies heavily on the observed 3695 tonne reduction in regulated tobacco imports between 2022–23 and 2024–25. The decline in legal imports is interpreted as displaced consumption moving into the illicit market. This assumption is logical and likely correct directionally, but it carries methodological risks. It assumes:

- Consumers do not necessarily reduce total consumption in response to price,
- Switching to vaping does not account for a larger share of the decline,
- Legal import fluctuations are not influenced by lagged stockpiling or supply-chain disruptions.

The Commissioner acknowledges some of these limitations, noting that consumption data is based on 2022–23 trends and that 2024–25 modelling relies on projected assumptions.

Nevertheless, even conservative readings of the report confirm that Australia now has one of the largest illicit tobacco markets in the world.¹⁸

- 1.25 Cancer Council Australia took the view that the absolute weight of illegal tobacco sold is the most important measure of the size of the market. It noted that other measures may lead to inaccurate perceptions of the market's size. For example, an increase in the illicit market's share of the total market may indicate a shrinkage in the overall market rather than a growth in illegal products.¹⁹

Involvement of organised crime groups

- 1.26 Illegal tobacco products are both grown or manufactured domestically or imported into Australia without the payment of customs duty. According to the

¹⁶ Australian Bureau of Statistics, *Household consumption of illicit tobacco and nicotine products*, 3 June 2026, www.abs.gov.au/articles/household-consumption-illicit-tobacco-and-nicotine-products (accessed 7 July 2026).

¹⁷ Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9*, Attachment 1: *Illicit Tobacco and E-cigarette Commissioner Report 2024–25*, 2025, pp. 13–14.

¹⁸ Dr John Coyne, *Submission 11*, p. 6.

¹⁹ Cancer Council Australia, *Submission 51*, pp. 4–5.

- ITEC Commissioner, most of the illegal tobacco in Australia is imported from overseas by TSOC groups rather than produced domestically.²⁰
- 1.27 The Australian Federal Police (AFP) described illicit tobacco as highly attractive to TSOC groups due to its low risk and high return, which subsidises other illicit supply chains.²¹
- 1.28 This evidence was supported by the Office of the Director of Public Prosecutions (CDPP) which indicated that a growing number of prosecutions now involve ‘multiple defendants, indicating large, organised crime groups’.²²
- 1.29 Mr Adam Meyer, Acting Deputy Chief Executive Officer of Intelligence at the ACIC explained that TSOC groups import illegal tobacco from multiple countries, ‘particularly through Asia and the Middle East’.²³ Mr Meyer explained that these groups use a ‘mix of approaches’ to bring illicit product into the country.²⁴
- 1.30 The Northern Territory (NT) Police Association’s submission also supported this assertion, noting that NT Police’s operational intelligence indicated that illegal tobacco was imported through maritime, air cargo and postal pathways involving multiple jurisdictions.²⁵
- 1.31 In its submission to the committee, the AFP made similar observations. They told the committee that TSOC groups are able to ‘rapidly adopt new methodologies and technologies to expand their operations and evade detection’.²⁶
- 1.32 In addition to imported illegal tobacco, some illegal tobacco is produced domestically. All domestically produced tobacco products are illegal as there are no licences on issue to grow or manufacture tobacco products in Australia.²⁷
- 1.33 The ATO told the committee that the same TSOC groups which import illegal tobacco into Australia have local arms responsible for domestic cultivation.

²⁰ Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9, Attachment 1: Illicit Tobacco and E-cigarette Commissioner Report 2024-25*, 2025, p. 14.

²¹ Australian Federal Police, *Submission 80*, p. 3.

²² Mr Mark de Crespigny, Commonwealth Solicitor for Public Prosecutions, Office of the Director of Public Prosecutions, *Committee Hansard*, 18 May 2026, p. 7.

²³ Mr Adam Meyer, Acting Deputy Chief Executive Officer, Intelligence, Australian Criminal Intelligence Commission, *Committee Hansard*, 18 May 2026, p. 5.

²⁴ Mr Adam Meyer, Acting Deputy Chief Executive Officer, Intelligence, Australian Criminal Intelligence Commission, *Committee Hansard*, 18 May 2026, p. 5.

²⁵ Northern Territory Police Association, *Submission 1*, [p. 3].

²⁶ Australian Federal Police, *Submission 80*, p. 4.

²⁷ Australian Taxation Office, *Submission 48*, p. 3.

Domestically produced illegal tobacco products are then distributed through the same channels as illegal imports.²⁸

- 1.34 Despite the bulk of illegal tobacco coming from overseas, the committee heard some evidence that domestic supply may be increasing. The NT Police Association gave evidence that imported illegal tobacco was being ‘increasingly supplemented by domestic illegal cultivation, including in regional and remote areas’.²⁹

Sale and distribution methods

- 1.35 Once ready for sale within Australia, operators in the illegal market distribute and sell illegal tobacco through several methods.
- 1.36 Many submitters voiced concern with the proliferation of brick-and-mortar tobacconists, convenience stores and other small retail premises selling illegal tobacco products, often as a result of extortion by criminal groups.³⁰
- 1.37 A survey conducted by researchers associated with the National Health and Medical Research Council Centre of Research Excellence for the Tobacco Endgame found that 79 per cent of people surveyed who smoked untaxed tobacco products had purchased them from a tobacconist.³¹ A mystery shopper study of tobacconists, convenience stores, small supermarkets and independent grocers across 2024 and 2025 found that just under half sold illegal tobacco products.³²
- 1.38 While a significant proportion of illegal tobacco is sold in retail premises, evidence before the inquiry demonstrates that illegal operators use a range of other methods and are quick to adapt.
- 1.39 Queensland Health told the committee that heightened enforcement activities targeting retail premises had coincided with the emergence of more novel distribution methods. They noted that:

Reports from the community and frontline enforcement observations indicate that supply has been observed outside of standard retail premises;

²⁸ Australian Taxation Office, *Submission 48*, p. 6.

²⁹ Northern Territory Police Association, *Submission 1*, p. 3.

³⁰ See, for example, Australian Medical Association, *Submission 58*, [pp. 2–3]; Cancer Council Australia, *Submission 51*, p. 6; Thoracic Society of Australia and New Zealand, *Submission 62*, [pp. 2–3].

³¹ Professor Coral Gartner, *Submission 72*, [pp. 8–9]. This survey was administered to approximately 400 people observed smoking in public areas in Brisbane in July and September 2025.

³² Professor Coral Gartner, *Submission 72*, [pp. 8–9].

for example from vehicles, adjacent premises, through online groups and in some instances residential addresses.³³

1.40 The NT Government described a similar range of methods being used in the NT:

Distributors use a mix of interstate freight and private vehicles, small retail fronts and "convenience-style" outlets, mobile traders servicing remote communities, and informal community-level resale. Concealment methods reported through NT operations include repackaging, false documentation, pallet concealment, and use of private addresses and rental vehicles.³⁴

1.41 Similar observations were provided at the local council level in Victoria by the City of Stonnington. They provided evidence to the committee that their officers had reported 'significant online and social media-based sales of illicit products', which suggests that 'visible retail outlets represent only part of a broader distribution network'.³⁵

International and domestic tobacco control policy

1.42 Tobacco use comes with well-known risks to public health. The Australian Institute of Health and Welfare found that tobacco use was responsible for 7.6 per cent of Australia's disease burden in 2024, making it the second highest risk factor contributing to the burden of disease.³⁶

1.43 In response to these risks successive governments have made commitments to tobacco control. This section outlines the international and domestic policy frameworks underpinning Australia's tobacco control scheme, with a particular focus on the tobacco excise and specific obligations regarding the illegal market.

1.44 Australia is a party to the World Health Organisation (WHO) Framework Convention on Tobacco Control (FCTC). The FCTC places several obligations on member states to reduce both supply of and demand for tobacco. The objective of the FCTC is:

...to protect present and future generations from the devastating health, social, environmental and economic consequences of tobacco consumption and exposure to tobacco smoke by providing a framework for tobacco control measures to be implemented by the Parties at the national, regional and international levels in order to reduce continually and substantially the prevalence of tobacco use and exposure to tobacco smoke.³⁷

³³ Queensland Health, *Submission 68*, p. 8.

³⁴ Northern Territory Government, *Submission 78*, p. 2.

³⁵ City of Stonnington, *Submission 19*, p. 2.

³⁶ Australian Institute of Health and Welfare, *Australian Burden of Disease Study 2024: Key findings*, 12 December 2024, www.aihw.gov.au/reports/burden-of-disease/australian-burden-of-disease-study-2024/contents/key-findings (accessed 9 December 2025).

³⁷ WHO *Framework Convention on Tobacco Control*, Geneva, 21 May 2003, entry into force 27 February 2005, [2005] ATS 7, Part II, Article 3.

- 1.45 Australia's domestic policy framework for tobacco control is set out in the *National Tobacco Strategy 2023–2030* (the Tobacco Strategy). The Tobacco Strategy sets out the rationale for government action:

Ending the tobacco epidemic is a priority for all Australian governments and there is continued public support for policy measures to reduce tobacco-related harm. Significantly reducing and eventually eliminating tobacco use in Australia would dramatically reduce illness, increase quality of life, and reduce health, social and economic inequalities for smokers, their families and the wider Australian community. It would prevent hundreds of thousands of premature deaths, reduce the burden of costly tobacco-attributable disease, increase workers' economic productivity and reduce the burden on carers.³⁸

- 1.46 The Tobacco Strategy identifies 11 priority areas for further action, including continuing to reduce the affordability of tobacco and strengthening regulation of its supply, availability and accessibility.³⁹

- 1.47 Under the Tobacco Strategy, and in line with its obligations under the FCTC, the Australian Government has instituted tobacco control measures, including:

- Plain product and packaging requirements;
- Advertising bans;
- Health warnings to disincentivise smoking;
- Reporting requirements for manufacturers and exporters;
- Educational campaigns;
- Excise and customs duties on tobacco products;
- Penalties for growing, selling and possessing illicit tobacco; and
- Limits to duty-free tobacco brought into Australia.⁴⁰

Tobacco affordability and excise

- 1.48 Historically, one of the primary tobacco control levers used by the government has been reducing the affordability of tobacco products through taxation. The effectiveness of this measure is however being challenged by the unprecedented scale of the current illicit tobacco trade. The FCTC states that reducing the affordability of tobacco products through tax has been 'an effective and important means of reducing tobacco consumption'.⁴¹ Likewise, the Tobacco Strategy identifies reducing tobacco affordability as 'the single most

³⁸ Department of Health and Aged Care, *National Tobacco Strategy 2023-2030*, May 2023, p. 3.

³⁹ Department of Health and Aged Care, *National Tobacco Strategy 2023-2030*, May 2023, p. 10.

⁴⁰ Department of Health, Disability and Ageing, *Tobacco control*, 29 July 2025, www.health.gov.au/topics/smoking-vaping-and-tobacco/tobacco-control (accessed 9 December 2025).

⁴¹ WHO *Framework Convention on Tobacco Control*, Part III, Article 6.

effective measure that governments can adopt to reduce smoking' in normal market conditions.⁴²

- 1.49 The Commissioner of Taxation administers the *Excise Act 1901* and *Excise Tariff Act 1921*, which set administrative arrangements for the excise system and impose excise duties on domestically produced tobacco. The Department of Home Affairs administers the *Customs Act 1901* and *Customs Tariff Act 1995* which impose a customs duty on imported tobacco at a rate equivalent to the excise duty.⁴³
- 1.50 In practice, all legal tobacco products sold in Australia are subject to the customs duty as there is no licenced domestic tobacco production.⁴⁴ This report uses 'tobacco excise' to refer collectively to both the excise and customs duties.
- 1.51 A tobacco excise has been in place in Australia since 1901, with automatic indexation introduced in 1983.⁴⁵ Regular indexation occurs in March and September each year, based on average weekly ordinary time earnings.⁴⁶
- 1.52 The Australian Government has also legislated further real increases to the excise rate in addition to regular indexation. Most recently it set an additional increase of 5 per cent per year for 3 years from 1 September 2023.⁴⁷
- 1.53 From 3 March 2026, the excise rate for tobacco in stick form containing 0.8 grams or less of tobacco content is approximately \$1.53 per stick. For sticks exceeding 0.8 grams and tobacco in loose form, the excise rate is \$2445.26 per kilogram of tobacco content.⁴⁸
- 1.54 The overall price of the most popular variety of factory-made cigarettes was \$42.99 in September 2025. Under current rates, the excise amount for a 20-pack

⁴² Department of Health and Aged Care, *National Tobacco Strategy 2023-2030*, May 2023, p. 16.

⁴³ Australian Taxation Office, *Submission 48*, p. 3.

⁴⁴ Ian Zhou, *Excise Tariff Amendment (Tobacco) Bill 2024 [and] Customs Tariff Amendment (Tobacco) Bill 2024*, *Bills Digest No. 60*, 2023-24, Parliamentary Library, Canberra, 2024, p. 3.

⁴⁵ Professor Simon Chapman, *Timeline of tobacco in Australia*, October 2025, www.tobaccoinaustralia.org.au/appendix-1/a1-6-history-of-tobacco-in-australia/a1-6-timeline.html (accessed 30 June 2026).

⁴⁶ Australian Taxation Office, *Excise duty rates for tobacco*, 14 August 2025, www.ato.gov.au/businesses-and-organisations/gst-excise-and-indirect-taxes/tobacco-and-excise/excise-duty-rates-for-tobacco (accessed 10 July 2026). Prior to 2014 indexation was tied to the Consumer Price Index rather than AWOTE, see: Explanatory Memorandum to the Excise Tariff (Tobacco) Amendment Bill 2014 and Customs Tariff (Tobacco) Amendment Bill 2014, p. 3.

⁴⁷ Australian Taxation Office, *Excise duty rates for tobacco*, 14 August 2025 (accessed 10 July 2026).

⁴⁸ Australian Taxation Office, *Excise duty rates for tobacco*, 14 August 2025 (accessed 10 July 2026).

of cigarettes would be \$30.57.⁴⁹ The excise therefore represents 71.5 per cent of the total cost of this pack.

- 1.55 The availability of illegal tobacco undermines the public health aims of the excise by providing access to cheaper products. In recognition of this risk, as part of the Tobacco Strategy the Australian Government has committed to complementing increases to the excise with ‘additional efforts to prevent and minimise the illegal trade’.⁵⁰

Illegal tobacco measures

- 1.56 Under the FCTC and Tobacco Strategy, the Australian Government, and state and territory governments have made specific undertakings in relation to illegal tobacco.
- 1.57 Article 15 of the FCTC addresses the illicit trade in tobacco and places a number of obligations on parties to support its elimination, including by:
- Implementing country of origin labelling requirements on tobacco products;
 - Monitoring, collecting and sharing data on cross-border tobacco trade;
 - Introducing penalties against the illegal trade in tobacco;
 - Ensuring confiscated tobacco and manufacturing equipment are destroyed and proceeds are confiscated; and
 - Promoting cooperation between national, regional and international agencies.⁵¹
- 1.58 Australia has adopted the majority of the measures outlined in Article 15, according to its most recent reporting.⁵² However, Australia’s labelling scheme for tobacco lacks some elements recommended by Article 15, including implementing a track and trace scheme to allow products to be traced throughout the supply chain.⁵³
- 1.59 Article 15 of the FCTC is complemented by the Protocol to Eliminate Illicit Trade in Tobacco Products (the Protocol) which sets out additional actions to address

⁴⁹ Megan Bayly and Michelle Scollo, *13.3 How much do tobacco products cost in Australia?*, December 2025, www.tobaccoinaustralia.org.au/chapter-13-taxation/13-3-how-much-do-tobacco-products-cost-in-australia (accessed 10 July 2026).

⁵⁰ Department of Health and Aged Care, *National Tobacco Strategy 2023-2030*, May 2023, p. 16.

⁵¹ *WHO Framework Convention on Tobacco Control*, Part IV, Article 6.

⁵² World Health Organisation, *WHO FCTC 2025: Australia (WPR)*, July 2025, pp. 56–62.

⁵³ World Health Organisation, *WHO FCTC 2025: Australia (WPR)*, pp. 57–58; Professor Coral Gartner, *Submission 72*, [p. 27].

the illicit trade in tobacco, including the implementation of an international track and trace system.⁵⁴ However, Australia is not a party to the Protocol.

- 1.60 The Government has cited the lack of a track and trace mechanism in Australia as a key barrier to Australia acceding to the Protocol. In 2021, the Government reported that the Department of Health would work with agencies to support the implementation of measures consistent with the Protocol.⁵⁵ However, there is little information available as to the progress of implementing a track and trace scheme to date.
- 1.61 Domestically, the Tobacco Strategy sets strengthening regulation to reduce the accessibility of all tobacco products (including illegal tobacco) as a priority. The Australian Government, and state and territory governments, are responsible for actions to address the illegal trade, which include:
 - Cooperating internationally, including through the FCTC;
 - Monitoring the supply and use of illegal tobacco within Australia;
 - Continuing enforcement efforts to prevent illegal importation and cultivation; and
 - Enhancing technology and staff capability.⁵⁶
- 1.62 Recent legislative and enforcement measures implemented by the Australian, state and territory governments to address the illegal tobacco trade are discussed in detail in Chapter 3.

Previous inquiry

- 1.63 Illegal tobacco, and the regulation of tobacco more broadly, have been subject to previous inquiry.
- 1.64 The Parliamentary Joint Committee on Law Enforcement commenced an inquiry into illicit tobacco on 2 December 2015 in the 44th Parliament. The inquiry was subsequently re-initiated for the 45th and 46th Parliaments and reported in November 2020. The committee made eight recommendations to improve Australia's response to the illicit trade.⁵⁷ Many of the recommendations focused on strengthening coordination efforts amongst relevant agencies. The committee's sixth recommendation suggested that the Department of Home Affairs work with other law agencies to provide definitive advice to government on the implementation of a track and trace regime, and whether Australia

⁵⁴ World Health Organisation, *Protocol to Eliminate Illicit Trade in Tobacco Products*, 3 May 2013, fctc.who.int/resources/publications/i/item/9789241505246 (accessed 19 January 2026).

⁵⁵ Australian Government, *Australian Government response to the Parliamentary Joint Committee on Law Enforcement report: Inquiry into Illicit Tobacco*, November 2021, p. 10.

⁵⁶ Department of Health and Aged Care, *National Tobacco Strategy 2023-2030*, May 2023, p. 23.

⁵⁷ Parliamentary Joint Committee on Law Enforcement, *Illicit Tobacco*, November 2020.

should become a signatory to the WHO Protocol to Eliminate Illicit Trade in Tobacco Products.⁵⁸

- 1.65 In its response in November 2021, the Australian Government noted five of the committee's recommendations including to consolidate illicit tobacco enforcement powers in the Department of Home Affairs, to develop a nationally consistent approach with states and territories, and to consider becoming a signatory to the Protocol.⁵⁹
- 1.66 The Government did not support recommendations that the ACIC include illegal tobacco data in its illicit drug reporting, or that proceeds of crime be used to fund illegal tobacco law enforcement operations.⁶⁰

Next chapter

- 1.67 The next chapter will discuss evidence received by the committee on the impact that the illegal tobacco market is having on public health, revenue, community safety and small businesses.

⁵⁸ Parliamentary Joint Committee on Law Enforcement, *Illicit Tobacco*, November 2020, p. 77.

⁵⁹ Australian Government, *Australian Government response to the Parliamentary Joint Committee on Law Enforcement report: Inquiry into Illicit Tobacco*, November 2021, pp. 4, 6–8, www.aph.gov.au/Parliamentary_Business/Committees/Joint/Law_Enforcement/IllicitTobacco46th/Government_Response (accessed 6 July 2026).

⁶⁰ Australian Government, *Australian Government response to the Parliamentary Joint Committee on Law Enforcement report: Inquiry into Illicit Tobacco*, November 2021, pp. 3, 5.

Chapter 2

Impacts of the illegal tobacco market

Introduction

2.1 The illegal tobacco market in Australia impacts our society and economy in a variety of malicious ways. Evidence to the committee indicated that these include:

- Lost revenue which would have otherwise funded public services, productivity decline, and the closure of businesses, particularly in rural and regional communities;
- Increased health care costs resulting from the higher-than-expected nicotine in some illegal tobacco products and circumvention of other tobacco control measures, such as plain packaging and health warnings; and
- Public safety and security considerations including direct threats on retailers, the growth in criminal operations financed by illicit tobacco, and the attractiveness of the Australian market to international illicit tobacco suppliers.

2.2 This chapter considers these and the related impacts of the illicit tobacco market in Australia.

Government revenue

2.3 As outlined in Chapter 1, the Government collects an excise on legally imported tobacco. This excise forms a source of revenue which is reinvested in broader government services.

2.4 Recent years have seen revenue from the excise fall substantially below estimates. The Mid-Year Economic and Fiscal Outlook 2025-26 downgraded tobacco excise receipts 'by \$1.6 billion in 2025-26 and \$8.2 billion over the four years to 2028-29'.¹ The 2026-27 Budget revised receipts down further 'by \$1.2 billion in 2026-27 and \$8.0 billion over the five years from 2025-26 to 2029-30'.²

2.5 The Government contributed this reduction in revenue to a 'persistent and significant decline in legal tobacco consumption' and 'a weaker outlook for excisable tobacco volumes'.³

¹ Commonwealth of Australia, *Mid-Year Economic and Fiscal Outlook 2025-26*, p. 65.

² Commonwealth of Australia, *Budget Strategy and Outlook: Budget Paper No. 1 2026-27*, p. 194.

³ Commonwealth of Australia, *Mid-Year Economic and Fiscal Outlook 2025-26*, p. 65; Commonwealth of Australia, *Budget Strategy and Outlook: Budget Paper No. 1 2026-27*, p. 194.

- 2.6 The Illicit Tobacco and E-cigarette Commissioner (ITEC Commissioner) estimated the total excise evaded by the illicit trade (including in illicit e-cigarettes) to be between \$7.7 billion to \$11.8 billion in the 2024–25 financial year.⁴ The ITEC Commissioner’s 2024–25 Report notes that this amount rests on the assumption that ‘in the absence of illicit tobacco, consumers would purchase an equivalent quantity of legal tobacco’, which the report notes may not hold in true in practice.⁵
- 2.7 Evidence to the inquiry indicated a significant decline in revenue from the excise from 2020 onwards, following sustained increases to the excise from 2010.⁶ Doctor Florian Steidl of the Karlsruhe Institute of Technology in Germany, describes the situation as follows:
- 2020 indicates a potential turning point. Australia’s tobacco excise revenue peaked at approximately A\$14.3 billion in 2019–20 and fell to approximately A\$9.8 billion in 2023–24, a 32 [per cent] decline. This decline outpaced the shrinking smoking prevalence, resulting in a higher share of illicit tobacco being consumed, posing a greater burden on the public health system, while excise revenue continues to decline.⁷
- 2.8 In addition to the loss of excise revenue, illicit tobacco does not generate goods and services tax revenue, which is charged on top of the excise.⁸

Public health factors

- 2.9 The negative health impacts of tobacco are well documented. Smoking kills on average 55 Australians a day, with up to two thirds of smokers dying prematurely due to their habit.⁹ The health care costs attributable to smoking are estimated at around \$7.9 billion per year, reflecting expenditure on hospital care, medical services and medicines for smoking-related illness.¹⁰ This health component makes up a significant amount of the total health and social cost of smoking which is estimated at nearly \$160 billion.¹¹

⁴ Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9*, p. 3.

⁵ Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9*, Attachment 1: *Illicit Tobacco and E-cigarette Commissioner Report 2024–25*, 2025, p. 14.

⁶ See, for example, Karlsruhe Institute of Technology, *Submission 15*, pp. 1–2; Philip Morris Limited, *Submission 39*, p. 10; Associate Professor James Martin, *Submission 49*, [pp. 7–8]; OTR Group, *Submission 57*, p. 19.

⁷ Karlsruhe Institute of Technology, *Submission 15*, p. 1.

⁸ Associate Professor James Martin, *Submission 49*, [p. 8].

⁹ Royal Australian College of General Practitioners, *Submission 13*, [p. 1].

¹⁰ Australian Medical Association, *Submission 58*, [p. 2].

¹¹ Royal Australian College of General Practitioners, *Submission 13*, [p. 1]; Australian Medical Association, *Submission 58*, [p. 2].

- 2.10 In relation to specific health impacts of illegal tobacco, the Royal Australian College of General Practitioners (RACGP) explained that illegal tobacco may contain higher than expected nicotine and unregulated ingredients ‘with potentially higher levels of heavy metals, pesticides, or mould which may pose acute health risks’.¹² Illicit vapes present similar issues.
- 2.11 Yet, the ITEC Commissioner’s 2024–25 report indicated that the harms to public health resulting from illegal tobacco are ‘challenging to quantify based on existing data sets.’ While the ITEC Commissioner’s report maintained that it is difficult to attribute ‘specific health outcomes directly rated to the illicit trade’ the National Heart Foundation of Australia contended that cheap and unregulated tobacco is ‘creating an environment that makes it easier for people to start smoking and harder for people to quit’.¹³
- 2.12 Beyond the immediate impacts, there are other public health consequences of the illegal trade as Professor Michael Kidd AO, Chief Medical Officer of the Department of Health, Disability and Ageing, described:
- Illicit trade in tobacco directly undermines that aims agreed by Australian governments in our national tobacco strategy, and it risks undoing progress in reducing smoking-related harms. Products in the illicit market frequently avoid key public health protections, such as plain packaging, health warnings, ingredient controls and pricing measures. By providing access to cheaper, unregulated products, illicit tobacco can sustain tobacco use, encourage uptake and reduce incentives to quit, particularly among price-sensitive populations, such as young people.¹⁴
- 2.13 Concerns were repeatedly raised with the committee that Australia’s health gains in tobacco control and success in reducing the prevalence of smoking are being curtailed by the rapid growth in the illicit tobacco trade.¹⁵
- 2.14 Since the committee received evidence to the inquiry, the Australian Institute of Health and Welfare (AIHW) released results from the National Drug Strategy Household Survey 2025. The AIHW released an initial report in July 2026, with

¹² Royal Australian College of General Practitioners, *Submission 13*, [p. 1]. See also, Coalition of Asia Pacific Tobacco Harm Reduction Advocates, *Submission 3*, p. 1 and National Aboriginal Community Controlled Health Organisation, *Submission 35*, p. 6.

¹³ Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9*, Attachment 1: *Illicit Tobacco and E-cigarette Commissioner Report 2024–25*, 2025, p. 13; Heart Foundation of Australia, *Submission 56*, p. 2.

¹⁴ Professor Michael Kidd AO, Department of Health, Disability and Ageing, *Committee Hansard*, 18 May 2026, p. 11.

¹⁵ Royal Australian College of General Practitioners, *Submission 13*, [p. 1]; Heart Foundation of Australia, *Submission 56*, p. 2; Australian Medical Association, *Submission 58*, [p. 2].

high-level data on tobacco and nicotine use. A further, more detailed report on tobacco and nicotine data was scheduled for August 2026.¹⁶

- 2.15 The initial release by the AIHW indicated that overall smoking rates had continued to decrease despite the growth in the illegal market. Daily smoking dropped to 5.6 per cent from 8.3 per cent in 2022–23, suggesting that the illicit market, which accounts for approximately 80 per cent of consumption, is largely capturing existing smokers. A higher proportion of those who smoke were smoking illegal tobacco. One in three people over 14 who smoked had recently used illicit tobacco, an increase from one in six in 2022–23.¹⁷

Socio-economic disadvantage and health inequality

- 2.16 While evidence to the committee indicated that smoking rates are at their lowest in decades, they also remain significantly higher in remote and very remote communities, and in disadvantaged areas, when compared to major cities.¹⁸
- 2.17 The Aboriginal Medical Services Alliance Northern Territory (AMSANT) noted that in the Northern Territory, which has the highest smoking prevalence of any jurisdiction in the country, 52 per cent of Aboriginal adults identified as smokers in 2022–23. It drew attention to the growing prevalence of retailers selling illegal tobacco across the territory which ‘weakens the public health impact of community centred tobacco harm reduction initiative and threatens funding for targeted Aboriginal-led smoking reduction and harm prevention programs’.¹⁹
- 2.18 The Australian College of Rural and Remote Medicine explained that substance use, including smoking, are ‘strongly associated with social disadvantage.’ Lower socio-economic areas, including rural and remote Australia, therefore experience a greater burden from health impacts.²⁰ Other health organisations echoed the evidence concerning disproportionate smoking rates in rural and regional Australia.²¹

¹⁶ Australian Institute of Health and Welfare, *National Drug Strategy Household Survey 2025: Tobacco, e-cigarettes and other nicotine insights*, 17 July 2026, www.aihw.gov.au/reports/illicit-use-of-drugs/national-drug-strategy-household-survey/contents/about-1 (accessed 17 July 2026).

¹⁷ Australian Institute of Health and Welfare, *National Drug Strategy Household Survey 2025: Tobacco, e-cigarettes and other nicotine insights*, 17 July 2026, www.aihw.gov.au/reports/illicit-use-of-drugs/national-drug-strategy-household-survey/contents/about-1 (accessed 17 July 2026).

¹⁸ Royal Australian College of General Practitioners, *Submission 13*, [p. 1].

¹⁹ Aboriginal Medical Services Alliance Northern Territory, *Submission 70*, p. 3.

²⁰ Australian College of Rural and Remote Medicine, *Submission 77*, pp. 1–2.

²¹ See, for example, Royal Australian College of General Practitioners, *Submission 13*, [p. 1]; Lung Foundation Australia, *Submission 46*, p. 7; National Heart Foundation of Australia, *Submission 56*, pp. 4–5.

- 2.19 The Drug Policy Modelling Program, Social Policy Research Centre at the University of New South Wales (NSW), drew attention to its own research that found that smokers from low-income households reported that the price of nicotine patches, medication and gum were more expensive than a packet of illicit cigarettes. When faced with the choice, these consumers chose to purchase the illicit cigarettes.²²
- 2.20 The point was made that the increasing availability of cheap and illegal tobacco not only disproportionately affects these groups but that it may also ‘contribute to widening health inequality’.²³

Susceptibility of young Australians

- 2.21 Concerns were also raised about youth exposure to nicotine as a result of the explosion in the illicit tobacco market. The Coalition of Asia Pacific Tobacco Harm Reduction Advocates argued that this had worsened because ‘uncontrolled supply is now more visible and accessible.’²⁴ Similarly, the RACGP suggested that the availability of cheap, illegal tobacco may ‘compound the problem of rising smoking rates in young people who vape or are dual users, to become increasingly tobacco dependent’.²⁵
- 2.22 Cancer Council Queensland also raised concerns that illegal tobacco undercuts the price and regulatory signals on which the tobacco strategy depends by ‘bypassing age and point-of-sale controls, and concentrating cheap supply in communities already experiencing the highest smoking rates’. It argued that:
- If left unchecked, these dynamics risk reversing hard-won public health gains, particularly for young people and for structurally disadvantaged and remote communities where both licit and illicit tobacco use remain entrenched.²⁶
- 2.23 The committee also heard anecdotal evidence of illegal tobacco retailers using tactics to appeal to children and young people. The City of Stonnington expressed concern that illegal tobacco products are being deliberately targeted to children and young people ‘through predatory marketing tactics, including the placement of toys and confectionary alongside brightly coloured vape and tobacco products’.²⁷

²² Drug Policy Modelling Program, Social Policy Research Centre, University of New South Wales, *Submission 64*, p. 8. It called for more research on low-income households and the illegal tobacco market.

²³ Royal Australian College of General Practitioners, *Submission 13*, [p. 1].

²⁴ Coalition of Asia Pacific Tobacco Harm Reduction Advocates, *Submission 3*, p. 2.

²⁵ Royal Australian College of General Practitioners, *Submission 13*, [p. 1].

²⁶ Cancer Council Queensland, *Submission 30*, p. 7.

²⁷ City of Stonnington, *Submission 19*, [p. 4].

- 2.24 Professor Becky Freeman of the School of Public Health at the University of Sydney agreed, explaining that:

Communities, especially parents, are growing increasingly tired of seeing yet another tobacconist open in their neighbourhood. These shops lure their children and teens inside with colourful walls of sweets and snacks and then sell illicit products.²⁸

- 2.25 The Matilda Centre for Research in Mental Health and Substance Use at the University of Sydney made the point that Australians under 24 years of age have grown up with less exposure to tobacco or its harms. Through the online world, they are also exposed to stronger global influences than preceding generations. The Matilda Centre explained that this places Australia's tobacco control success at serious risk:

To date, the *decline in Australia's daily smoking rate has largely been attributable to reduced uptake of smoking among youth* rather than declines in use among existing smokers. Therefore, it is imperative that Australia's response to the illegal tobacco crisis focuses on prevention of tobacco uptake among young people to preserve our world-leading low daily smoking rate into future generations.²⁹

- 2.26 These concerns were shared by the Public Health Association of Australia which concluded that the availability of cheaper tobacco products 'reduces the drivers for addicted smokers to quit, and increases the scope for young Australians to be induced into addiction'.³⁰

Crime and community safety

- 2.27 The Australian Criminal Intelligence Commission (ACIC) told the committee that Australia's serious and organised crime (SOC) environment is being 'increasingly shaped by the rapid expansion of the illicit tobacco market' with the illicit market's 'scale, profitability and comparatively low barriers to entry ... enabling [SOC groups] to offset losses arising from the detection and disruption of their traditional criminal activities'.³¹ This view was echoed by the Australian Border Force, Australian Federal Police (AFP) and Australian Transaction Reports and Analysis Centre (AUSTRAC).³²

²⁸ Professor Becky Freeman, *Submission 73*, p. 6.

²⁹ The Matilda Centre for Research in Medical Health and Substance Use, University of Sydney, *Submission 59*, p. 1.

³⁰ Public Health Association of Australia, *Submission 71*, p. 1.

³¹ Australian Criminal Intelligence Commission, *Submission 20*, p. 3.

³² Australian Border Force, *Submission 7*, p. 2; Australian Federal Police, *Submission 80*, pp. 3–4; Australian Transaction Reports and Analysis Centre, *Money Laundering in Australia: National Risk Assessment*, July 2024, p. 30.

2.28 Researchers from the National Health and Medical Research Council Centre of Research Excellence on Achieving the Tobacco Endgame (CREATE) provided analysis of media reports identifying 447 illegal tobacco related crime incidents from January 2000 to December 2023. They found that:

... over one-quarter of incidents (26.9 [per cent]) involved non-tobacco-related criminal activity, most commonly financial crimes such as money laundering and possession of proceeds of crime, as well as possession of firearms/weapons and illicit drug offences.³³

2.29 CREATE explained that this trend appeared to have intensified since 2023, with an increase in ram raids, arson and other violent activities indicating ‘a notable shift from earlier patterns of predominantly covert activity, towards more overt and coercive forms of market regulation by criminal actors’.³⁴

2.30 The Office of the Director of Public Prosecutions (CDPP) noted a shift in the scale and complexity of criminal proceedings related to Commonwealth tobacco offences, which indicated the presence of larger criminal networks:

This is demonstrated by the number of co-accused charged as part of broader operations including across interstate boundaries. The nature of charges relied on to capture this offending has also increased in complexity, relying on extensions of criminal liability under the Code, such as conspiracy offences.³⁵

2.31 Mr Adam Meyer, Acting Deputy Chief Executive Officer of Intelligence at the ACIC gave evidence to the committee that multiple SOC groups were behind the illegal tobacco market, with violent crime often occurring as the result of intergroup competition:

There is a range of groups involved in the illicit tobacco trade. ... We've seen a range of violent activities as well, whether it be violence against individuals or the more than 200 arson attacks that we've seen at tobacconists and a range of other facilities, which is largely linked to intergroup violence—that is, various groups trying to take greater control of the illicit tobacco market themselves. That violence, unfortunately, has spilled over into the community. There have been at least three deaths associated with some of this violence, which is very concerning.³⁶

2.32 Evidence from a number of Australia jurisdictions described the impact of tobacco-related SOC activity on businesses and the community. Queensland Health stated:

³³ Professor Coral Gartner, *Submission 72*, [p. 5].

³⁴ Professor Coral Gartner, *Submission 72*, [pp. 5–6].

³⁵ Office of the Director of Public Prosecutions, *Submission 66*, p. 6.

³⁶ Mr Adam Meyer, Australian Criminal Intelligence Commission, *Committee Hansard*, 18 May 2026, p. 5.

There is considerable intelligence that serious and organised crime have become the dominant force in illicit tobacco supply leading to direct and serious risks to community safety and economic prosperity.

These risks include:

- arsons of retail and storage premises, often in mixed-use or residential areas
- significant diversion of income away from legitimate businesses
- risk to bystanders, neighbouring businesses and emergency responders
- intimidation and coercion of retailers, landlords and workers
- increased risk to regulatory and frontline staff [and]
- reinvestment of illicit profits into broader criminal activity.³⁷

2.33 The NSW Crime Commission also identified illegal tobacco as a 'growing venture' for SOC groups in the state, and noted that:

While NSW has not seen the levels of violence experienced in Victoria and Queensland, criminal activity and attacks on tobacconists and retailers has occurred across the state, including in regional and remote communities.³⁸

2.34 The ITEC Commissioner's 2024–25 report describes the growth of the illegal tobacco market being 'accompanied by highly visible incidents of violence' which include 'homicides, acts of extortion, and arson'.³⁹ However, it notes that it can be challenging to quantify harms directly related to criminal activity associated with illegal tobacco, because:

Data collection does not uniformly attribute in a structured manner whether illicit tobacco or e-cigarettes are an underlying motive for each of the crimes, and there are often multiple factors involved.⁴⁰

2.35 The fire-bombings of tobacconists and other retail premises as a result of illegal tobacco activity was highlighted as a particular point of concern. The committee heard a range of estimates of the prevalence of fire-bombings, with most identifying between 200 and 300 instances since 2023. As a case in point, ACIC indicated that competition for control of the illegal market by TSOC groups had resulted in 'more than 200 fire bombings, at least three homicides, and multiple other non-fatal violent attacks'.⁴¹

³⁷ Queensland Health, *Submission 68*, p. 5.

³⁸ New South Wales Crime Commission, *Submission 75*, p. 1.

³⁹ Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9, Attachment 1: Illicit Tobacco and E-cigarette Commissioner Report 2024–25*, 2025, p. 7.

⁴⁰ Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9, Attachment 1: Illicit Tobacco and E-cigarette Commissioner Report 2024–25*, 2025, p. 13.

⁴¹ Australian Criminal Intelligence Commission, *Submission 20*, p. 4. The ALIVE Advocacy movement tracked 285 fire-bombings since 2023 to 9 June 2026. See ALIVE Advocacy Movement, *Fire Bombings*, 16 April 2026, www.aliveadvocacymovement.com/firebombings (accessed 9 June 2026). The

Illegal tobacco as a facilitator of other criminal activities

- 2.36 In addition to crimes committed as a direct result of illegal tobacco, many witnesses stressed that the illicit revenues gained from illegal tobacco is funding other criminal activities.
- 2.37 The ACIC told the committee that while illegal tobacco is considered profitable in and of itself, TSOC groups also see it as a way of building up other criminal enterprises within their business model.⁴²
- 2.38 In its submission to the inquiry, the AFP agreed that illegal tobacco formed a nexus with other types of crime, explaining that TSOC groups trafficking illegal tobacco ‘frequently utilise the same logistics facilitators, concealment methodologies and money-laundering channels used to import border-controlled drugs and move illicit proceeds’.⁴³
- 2.39 Mr Scott Weber, Chief Executive Officer of the Police Federation of Australia, made similar observations from the perspective of police forces on the ground. Mr Weber told the committee that ‘[i]f you’re dealing with organised crime, not only are they selling illicit tobacco; they’re selling everything that’s illicit, and they’re offering other services’.⁴⁴
- 2.40 The Northern Territory Police Association similarly told the committee that the impacts of illicit tobacco are:
- ... compounded by the reinvestment of criminal proceeds into other serious criminal activities, including:
- Drug manufacture and trafficking.
 - Firearms acquisition and distribution.
 - Corruption, intimidation and coercion.
 - Exploitation of vulnerable individuals and small businesses.⁴⁵
- 2.41 Criminal groups funnel funds from illegal tobacco through established money-laundering networks to legitimise their profits. The AFP warns that ‘[b]y using these networks to legitimise profits, TSOC groups subvert and distort legitimate markets and economic activity, undermining confidence in Australia’s financial systems’.⁴⁶

Victorian Chamber of Commerce and Industry cited media reports of 175 incidents, of which 150 occurred in Victoria. See Victorian Chamber of Commerce and Industry, *Submission 10*, p. 2.

⁴² Mr Adam Meyer, Australian Criminal Intelligence Commission, *Committee Hansard*, 18 May 2026, p. 4.

⁴³ Australian Federal Police, *Submission 80*, p. 3.

⁴⁴ Mr Scott Weber, Police Federation of Australia, *Committee Hansard*, 18 May 2026, p. 83.

⁴⁵ Northern Territory Police Association, *Submission 1*, [p. 3].

⁴⁶ Australian Federal Police, *Submission 80*, p. 3.

2.42 AUSTRAC's 2024 national risk assessment (NRA) assessed the illegal tobacco market as posing a medium and increasing money laundering threat. AUSTRAC explained to the committee that a current review of the 2024 NRA 'indicates that the risk has increased and illicit tobacco may now be one of the key money laundering risks facing Commonwealth and jurisdictional authorities'.⁴⁷

2.43 AUSTRAC further explained that:

Money laundering methodologies used by organised crime groups involved in illicit tobacco include the use of onshore and offshore business structures, remittance businesses, structured and high-value cash transactions, and third-party transfers. These groups also exploit cash-in-transit services, and products including non-bank ATMs, point-of-sale (POS) technology and cryptocurrency transactions, to launder their funds.⁴⁸

2.44 The ACIC also noted a trend of TSOC groups recruiting minors into criminal activities. The ACIC's submission explained that:

Minors are cheaper to hire than adults, more easily influenced, and are impressionable and accessible online. In Australia, this practice is increasingly evident across the illicit tobacco trade, with minors recruited to support a range of criminal activities, including theft, drug trafficking and acts of arson and other violence.⁴⁹

Impact on legitimate businesses

2.45 The committee received a significant volume of evidence from small businesses who raised concerns about the safety and security of their workers and viability of their businesses. In particular, small business owners and retail workers informed the committee of:

- loss of substantial revenue from tobacco sales;
- rising rates of intimidation as well as verbal and physical abuse faced by retail workers in the face of customers demands that retailers price match with illicit tobacco;
- intimidation and threats by illicit tobacco operators wanting to infiltrate and supply to the legal market;
- burglary of tobacco retail outlets, often to feed the illegal market; and
- the resulting cost burden associated with increased security measures, low staff retention and higher insurance premiums.⁵⁰

⁴⁷ Australian Transaction Reports and Analysis Centre, *Submission 8*, p. 4.

⁴⁸ Australian Transaction Reports and Analysis Centre, *Submission 8*, p. 4.

⁴⁹ Australian Criminal Intelligence Commission, *Submission 20*, p. 4.

⁵⁰ See for example, Victorian Chamber of Commerce, *Submission 10*, p. 2.

2.46 These concerns are reflected in scores of submissions received by the committee from small businesses across the country who requested that their evidence be treated as confidential to protect the safety of their staff and businesses.

2.47 Master Grocers Australia summarised the impact of these dynamics on retailers:

The combined effect of revenue loss, increased security costs, escalating insurance premiums and changing consumer behaviour places sustained pressure on business viability.⁵¹

Loss of sales

2.48 Evidence to the committee suggested that there was a 25 per cent decline in the sale of legal tobacco in Australia between 2023–24.⁵²

2.49 Mr Theo Foukkare, Chief Executive Officer of the Australian Association of Convenience Stores (AACS), described the impact of the illegal tobacco trade on the revenue of the approximately 7500 convenience store retailers and 120 suppliers the AACS represents:

The retailers I represent today have lost more than \$2.5 billion in legal tobacco sales over the last five years. In 2025 alone, our industry lost \$750 million in legal tobacco sales.⁵³

2.50 Mr David Allen, licensee of the Cobargo Hotel, described the pressures placed on his business by the illegal tobacco trade, as a legitimate holder of a tobacco licence:

I'm not in August renewing my tobacco licence. ... It costs me \$1,000 a year plus GST. It's caused my insurance to go through the roof. I'm worried about my staff. I'm worried about my business, my sales. I've lost 85 per cent of my sales since COVID—\$1.5 million in gross profit, \$3 million to \$4 million I've not collected on behalf of the government in excise, in GST, in company tax et cetera. It's just mind-blowing, these numbers.⁵⁴

2.51 Mr Robert Rodie, Owner of the Freechoice Stores Tobacconist at Deception Bay, described the loss of revenue and customers in his store in the years since 2019:

In April 2019 our sales figure was \$487 684 and we had 8026 customers. In April 2023, which is four years later, it was \$130 237 and 2412. In April 2025, it's down to \$116 856 and the customer number is 2,167.⁵⁵

2.52 OTR Group, a fuel and convenience retailer with over 1500 across Australia, also described a significant collapse in sales of tobacco products:

⁵¹ Master Grocers Australia, *Submission 55*, p. 6.

⁵² Associate Professor James Martin, *Submission 49*, [p. 4].

⁵³ Mr Theo Foukkare, Australian Association of Convenience Stores, *Committee Hansard*, 18 May 2026, p. 35.

⁵⁴ Mr David Allen, Licensee, Cobargo Hotel, *Committee Hansard*, 18 May 2026, p. 47.

⁵⁵ Mr Robert Rodie, Owner, Freechoice Stores Tobacconist, *Committee Hansard*, 18 May 2026, p. 48.

This collapse in sales has reduced our tobacco margin by ~\$70 million since FY23. In the first half of 2024, same-store tobacco sales declined by 17 per cent. This worsened in the first half of 2025, with a 27 per cent decline, then dropped rapidly in Q4 2025 by 33.6 per cent.⁵⁶

2.53 OTR Group told the committee that this reduction in sales has ‘already resulted in more than 250 redundancies and an overall reduction of 230 000 number of hours at our retail sites across the country’.⁵⁷

2.54 Mr David Baxter, Director of Baxter’s IGA Launceston explained to the committee that the reduction in revenue stemmed not only from customers purchasing tobacco elsewhere, but also from the loss of associated sales of other products:

We're a supermarket. Our customers are households. Tradies who come in in the morning want the newspaper, they want a milk drink, they want a hot pie and they want their cigarettes. It's called the basket. So if they're not coming in to get their cigarettes, purely because of price, they go to another suburb of the city where they buy that product, and then because the two other multinational retailers are within walking distance, you lose the whole basket. ... So 95 per cent of the loss is cigarettes but the other five per cent is the associated discretionary spend.⁵⁸

2.55 In addition to Mr Baxter’s comments, Mr Foukkare from the AACS told the committee that the loss of customers made it difficult for convenience retailers to transition their businesses away from tobacco:

[R]etailers are doing the necessary changes that they can implement—for example, investing in their store offer to sell more food or more grocery-type products, or better coffee to their customers. But as you can appreciate, it's not that simple to replace 22 or 23 per cent of your turnover just overnight, because the bigger impact is that the customer that used to buy legal tobacco actually isn't even coming into the store anymore.⁵⁹

Insurance premiums

2.56 The retail sector also raised concerns in evidence with rising insurance costs resulting from illegal tobacco. The committee was told these growing costs affected not only lawful tobacco retailers but also surrounding businesses.

2.57 Mr Aidan Storer, Executive Director of Policy and Advocacy at the Australian Small Business and Family Enterprise Ombudsman (ASBFEO), described concerns about rising insurance premiums due to the illegal market:

⁵⁶ OTR Group, *Submission 57*, p. 15.

⁵⁷ OTR Group, *Submission 57*, p. 15.

⁵⁸ Mr David Baxter, Baxter’s IGA Launceston, *Committee Hansard*, 18 May 2026, p. 52.

⁵⁹ Mr Theo Foukkare, Australian Association of Convenience Stores, *Committee Hansard*, 18 May 2026, p. 39.

Insurance is a particular issue that's being experienced. There are a number of push pressures on insurance for small business at the moment—certainly, for those businesses that are operating in tobacco sales, but also for those operating in those high-risk areas. We're hearing from small businesses about rising premiums.⁶⁰

- 2.58 Mrs Catherine Ellis, the Acting NSW Small Business Commissioner explained the insurance consequences for small businesses operating near high-risk retailers:

Small businesses find themselves in a situation where their insurance premium may suddenly become unaffordable or extremely difficult to pay just due to being situated, say, in a strip of shops proximal to high-risk premises or what insurers may deem to be high-risk premises. This is affecting businesses who may not have anything to do at all with tobacco retailing.⁶¹

- 2.59 Mr Michael Miller, Director of Mediation Services at the NSW Small Business Commission, described anecdotal evidence from NSW businesses where insurers have refused to renew insurance or sought to exit the contract due to the presence of a tobacco-related business. Mr Miller told the committee of instance where premiums to obtain insurance had 'probably at least triple[d], and maybe quadruple[d]'.⁶²

- 2.60 The Australian Retail Council also reported hearing from its stakeholders that lawful retailers 'have experiences sharp premium increases and, in some cases, increasing difficulty obtaining cover at all'.⁶³

- 2.61 The ASBFEO explained that small businesses often have limited options to reduce their insurance premiums by taking their own risk mitigation actions:

While there are some steps businesses can take to ease premium pressures, such as risk mitigation measures, the options available to small businesses operators are often limited as the cost of implementation often outweigh the potential savings. There can also be a lack of clarity regarding what the impact on premiums would be if they did undertake specific additional mitigation steps. As a result, risk mitigation alone is often not a viable strategy for small businesses already under financial strain.⁶⁴

- 2.62 Mr Miller also noted that it was commonly the landlord's insurance for the property they owned which was affected. In these cases costs are often passed

⁶⁰ Mr Aidan Storer, Australian Small Business and Family Enterprise Ombudsman, *Committee Hansard*, 18 May 2026, p. 22.

⁶¹ Mrs Catherine Ellis, NSW Small Business Commission, *Committee Hansard*, 18 May 2026, p. 23.

⁶² Mr Michael Miller, NSW Small Business Commission, *Committee Hansard*, 18 May 2026, p. 27.

⁶³ Australian Retail Council, *Submission 69*, [p. 6].

⁶⁴ Australian Small Business and Family Enterprise Ombudsman, *Submission 32*, p. 4.

on to all tenancies within the building through more expensive leases, and cannot be mitigated by the tenant.⁶⁵

Safety and security of retail workers

2.63 The committee received concerning evidence regarding the treatment of retail workers and businesses which ranged from verbal abuse to intimidation and assault. In addition, concerns were raised regarding the high incidents of theft and robbery.

2.64 The AACS, which represents more than 7500 convenience stores across the nation, employing approximately 80 000 frontline staff, explained the impact on these workers:

Young workers, women, students, migrants, people working long shifts to support their families, ... should feel safe going to work every day. Right now, many of them do not, and that is the real human cost of this illegal tobacco crisis.⁶⁶

2.65 OTR Group provided a break-down of instances of crime across its over 1500 stores, which recorded 'more than 16,000 incidents of theft, over 4,700 incidents of verbal or physical threats, and 87 robberies' in the 12 months to October 2025. OTR Group described these instances as causing 'significant financial loss to our business and have seriously [impacting] the safety and well-being of our staff members.' They explained that incidents had necessitated counselling for staff members, with many feeling unable to return to work in the short term or permanently.⁶⁷

2.66 OTR Group provided further evidence to the committee which indicated that instances of crime in its stores have increased from 2025 to 2026, as set out in Table 2.1.

Table 2.1 Crime incidents reported by OTR Group, 2025 and 2026

Type of incident	2025	2026	Per cent increase
Arson	1	6	500 per cent
Assault	28	39	39 per cent
Damage	82	109	33 per cent
Disorderly conduct	109	276	153 per cent
Fraud	66	231	250 per cent

⁶⁵ Mr Michael Miller, NSW Small Business Commission, *Committee Hansard*, 18 May 2026, p. 28.

⁶⁶ Mr Theo Foukkare, Australian Association of Convenience Stores, *Committee Hansard*, 18 May 2026, p. 35.

⁶⁷ OTR Group, *Submission 57*, pp. 13–14.

Harassment	38	105	176 per cent
Refund Fraud	2	8	300 per cent
Shoplifting	4651	7609	64 per cent
Threat of violence	38	95	150 per cent

Source: OTR Group, Submission 57, p. 14.

- 2.67 Mr Martin Stirling, Chief Executive Officer of Master Grocers Australia, told the committee that the low price of illegal tobacco products has set an expectation of price matching amongst some customers. Mr Stirling described this leading to instances of aggression towards workers:

... [customers] become irate when they are told that it will be \$50 or \$60 for a packet of tobacco, because the normal expectation now among some consumers is that \$10 is the baseline. That then leads to aggression and it leads to incredibly dangerous and uncomfortable situations, especially for young retail workers who might be confronting that kind of aggression for the first time in their lives.⁶⁸

- 2.68 Mr Ioannis John Alexiou, an independent grocer, described similar instances taking place in one of his supermarkets:

I can explain one situation that's happened with verbal abuse of our young staff members in our supermarket—'Why are tobacco products so much more expensive than the guy down the road', for example. Staff have been placed in really difficult positions trying to explain that we're selling legal products but down the road they can buy illegal products. We see that all the time. It puts really young staff in a really hard and difficult position.⁶⁹

- 2.69 Attempts by illegal operators to use threats and intimidation to sell their products through lawful stores, or to extort lawful stores into paying protection money, were reflected in several submissions to the committee.
- 2.70 OTR Group gave the example of an employee, Steph, who was given a note by a customer which asked her to contact an unknown number or her store would be burned down. Steph contacted another local store, who soon received the same threat. She noted that as another independent store in the area had been fire-bombed, she was 'terrified' and the incident left her 'rattled and shaken'.⁷⁰
- 2.71 Supabarn Supermarkets, which operates stores across NSW and the Australian Capital Territory told the committee that it had experienced attempts by illegal operators to introduce illicit products into their stores. They described the use of tactics intended to confront retail staff:

⁶⁸ Mr Martin Stirling, Master Grocers Australia, *Committee Hansard*, 18 May 2026, p. 37.

⁶⁹ Mr Ioannis John Alexiou, private capacity, *Committee Hansard*, 18 May 2026, p. 50.

⁷⁰ OTR Group, *Submission 57*, pp. 14–15.

On multiple occasions, individuals have arrived at our stores and approached staff, offering to supply illegal tobacco product and claiming to be able to provide legitimate-looking invoices to disguise the transaction. The individuals presenting themselves in this way have in a number of instances been confronting in manner, placing our team members in an uncomfortable and potentially unsafe position.⁷¹

- 2.72 Mr Foukkare from the AACS described another instance of attempted intimidation of a retail store. Mr Foukkare described the experience of an AACS member after they refused to support illegal operators:

One of our members in Sydney who operates six stores was approached by criminals demanding they sell illicit tobacco and pay protection money. They refused. In response, organised crime opened an illegal tobacco store directly next door to attempt to destroy their business. Workers now get to the store every day wondering whether there will be threats, aggression or intimidation and whether the business will survive.⁷²

- 2.73 Mr Foukkare also provided details of a violent armed robbery at another store of an AACS member, where perpetrators ‘carrying edged weapons entered the store while customers and staff were inside, stealing legal tobacco products to feed the illegal market’.⁷³

- 2.74 These safety concerns have contributed increased costs for businesses, who often feel compelled to invest in further security measures to protect the safety of their staff. Supabarn Supermarkets told the committee that they had ‘staff training, security measures, and communication protocols to mitigate these risks’.⁷⁴ Mr Foukkare told the committee that as a result of threats being made to multiple stores, one retailer ‘now employ[s] full-time security guards simply to protect their staff’.⁷⁵

- 2.75 These changes come at further cost to already stretched businesses. Mr Stirling told the committee that:

... our members are responding with exceptionally expensive solutions. That might be security upgrades like CCTV, it might be in some instances security guards, but what it will typically mean, especially for a small

⁷¹ Supabarn Supermarkets, *Submission 16*, pp. 3–4.

⁷² Mr Theo Foukkare, Australian Association of Convenience Stores, *Committee Hansard*, 18 May 2026, p. 35.

⁷³ Mr Theo Foukkare, Australian Association of Convenience Stores, *Committee Hansard*, 18 May 2026, p. 35.

⁷⁴ Supabarn Supermarkets, *Submission 16*, p. 4.

⁷⁵ Mr Theo Foukkare, Australian Association of Convenience Stores, *Committee Hansard*, 18 May 2026, p. 35.

business, is making sure that there are more staff on at any one time, which of course comes at a significant cost.⁷⁶

Rural and regional small businesses

2.76 Submissions noted that rural and regional small businesses, and the communities that they serve, are also impacted by the illegal tobacco trade.

2.77 Not only are some small businesses threatened to carry illegal tobacco, but many are facing the prospect of having to lay off staff or go out of business because of declining tobacco sales. The Police Federation of Australia told the committee that the presence of illegal tobacco in these communities has significant flow on effects.⁷⁷

2.78 The Acting NSW Small Business Commissioner, Mrs Catherine Ellis, also brought attention to these consequences. She indicated that as people are not coming into regional stores to purchase their tobacco, they are also not making other purchases or undertaking impulse buys. The resulting decline in business is impacting retailers particularly in regional NSW and in some instances, operators have had to close their doors.⁷⁸

2.79 The Australian Industry Group explained that these businesses bore the significant and grown regulatory costs (licensing fees, staff training and reporting obligations) that their illegal competitors could ignore. It continued:

As the black market expands, compliant retailers face a compounding competitive disadvantage: high costs, lower margins, and declining foot traffic. This is not a sustainable position, and it has consequences for the broader policy objective of maintaining a functioning licit market.⁷⁹

2.80 The Australian Retail Council noted that the closure of such stores meant a 'loss in community amenity' which is particularly acute for regional and rural communities where stores may provide vital community services.⁸⁰

2.81 In considering the impacts of the illegal tobacco market in Australia, evidence to the committee was clear that the illegal market undermines public health efforts, reduces government revenue, exposes the public including young Australians to unregulated products, undermines the viability of local businesses and has led to an escalation of organised crime.⁸¹

⁷⁶ Mr Martin Stirling, Master Grocers Australia, *Committee Hansard*, 18 May 2026, p. 44.

⁷⁷ Police Federation of Australia, *Submission 33*, p. 5.

⁷⁸ Ms Catherine Ellis, Acting NSW Small Business Commissioner, *Committee Hansard*, 18 May 2026, p.25.

⁷⁹ Australian Industry Group, *Submission 65*, p. 2.

⁸⁰ Australian Retail Council, *Submission 69*, [p. 5].

⁸¹ See for example, Queensland Network of Alcohol and other Drug Agencies, *Submission 36*, p. 3.

Next chapter

2.82 The next chapter will outline steps taken by the Australian Government, and state and territory governments, to address the illegal tobacco market and seek to mitigate its impacts.

Chapter 3

Law enforcement, intelligence and regulatory responses

- 3.1 Responsibility for the enforcement of illegal tobacco law and regulations are shared across multiple departments and agencies across all Australian jurisdictions. The committee heard from a range of witnesses from all levels of government about the actions they were taking to address the illegal market.
- 3.2 Evidence before the committee indicated that the powers available to state, territory and federal governments, and related enforcement activities, have increased significantly in recent years.¹ Although new resourcing and enforcement capabilities has lagged behind.
- 3.3 Enforcement statistics across the Australian, state and territory governments are collected by the Illicit Tobacco and E-Cigarette Commissioner (ITEC Commissioner). The ITEC Commissioner's annual reporting provides an overview of the scale of enforcement activities in 2024-25:
- 2244 tonnes of illegal tobacco were seized, including 2.66 billion cigarettes and 509 tonnes of loose tobacco;
 - 3321 inspections and 2027 operations were undertaken, including 281 joint operations;
 - 1752 infringement notices were issued with the total amount fined equalling \$27 million;
 - 98 charges were laid; and
 - 71 proceedings were commenced.²
- 3.4 While these results reflect significant work by enforcement agencies across the country, their overall impact on the market has not prevented its continued expansion. Several witnesses to the inquiry, including Dr John Coyne, National Security Program Director at the Australian Strategic Policy Institute, indicated that increased seizures simply reflected the overall increase in the illegal market. Dr Coyne stated that enforcement metrics measure outputs rather than outcomes and noted that:

High seizure volumes may indicate excellent operational performance—or a rapidly growing illicit market. Without affecting profitability, seizures

¹ Public Health Association of Australia, *Submission 71*, p. 1.

² Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9*, Attachment 1: *Illicit Tobacco and E-cigarette Commissioner Report 2024-25*, 2025, pp. 15–16. Note that the Illicit Tobacco and E-cigarette Commissioner's statistics include enforcement activities related to e-cigarettes in addition to tobacco products.

sample the flow of product without constricting it. Inputs such as arrests and detections do not reliably correlate with market contraction.³

- 3.5 Dr Nicholas Coatsworth, a former Australian Deputy Chief Medical Officer with expertise in respiratory medicine, argued that the seizures are not a sign of success or the metrics of a functioning tobacco control regime but rather the ‘metrics of policy failure’. He made the point that demand has not been eliminated but rather supply has shifted from regulated retailers to criminal networks.⁴
- 3.6 This chapter discusses responses to the illegal tobacco crisis by the Australian, state, and territory governments, as all jurisdictions have some responsibilities relating to illegal tobacco.

Australian Government response

- 3.7 The Australian Government has taken several actions to address illegal tobacco in recent years.
- 3.8 Legislative measures have introduced new offences and increased penalties, as well as establishing the office of the ITEC Commissioner. At the same time, funding investments have predominately sought to increase the capacity of enforcement agencies and establish forums for interagency cooperation.
- 3.9 The Australian Government’s response to the illegal tobacco crisis reflects the breadth of the issue, which falls within the purview of a range of federal agencies.
- 3.10 Federal agencies with a significant role in combatting the illegal tobacco trade include:
- The Australian Border Force (ABF), which has responsibility for ensuring that excise duty is collected on all tobacco products imported into Australia.⁵
 - The Australian Taxation Office (ATO), which has responsibility for domestically grown illegal tobacco and its detection and seizure.⁶
 - The Australian Federal Police (AFP), which focuses on organised crime, particularly transnational groups, and the identification and confiscating the proceeds of illegal tobacco.⁷

³ Dr John Coyne, *Submission 11*, p. 3.

⁴ Dr Nicholas Coatsworth, Opening statement tabled at a public hearing in Canberra on 18 May 2026.

⁵ Australian Border Force, *Submission 7*, p. 2.

⁶ Australian Taxation Office, *Submission 48*, pp. 3–4.

⁷ Australian Federal Police, *Submission 80*, p. 2.

- The Commonwealth Director of Public Prosecutions (CDPP), which prosecutes federal offences relating to illegal tobacco under the relevant customs, excise and taxation legislation.⁸
- The Australians Transaction Reports and Analysis Centre (AUSTRAC), which has identified illegal tobacco as a ‘medium and increasing money laundering threat’.⁹
- The Australian Criminal Intelligence Commission (ACIC), which provides intelligence across government regarding transnational serious and organised crime related to tobacco.¹⁰

3.11 As such, funding to combat illegal tobacco has regularly been directed towards cross-agency initiatives which support the coordination of enforcement efforts. The most prominent of these are the Illicit Tobacco Taskforce (ITTF), Illicit Tobacco National Disruption Group (ITNDG) and Criminal Assets Confiscation Taskforce (CACT).

Illicit Tobacco Taskforce

3.12 The ITTF is led by the ABF and supported by the Department of Home Affairs (DHA), ACIC, AUSTRAC, CDPP, ATO and AFP.¹¹

3.13 The ITTF was established in 2018 and provided with ongoing funding in the 2018-19 Budget.¹² Further funding of \$68.4 million to the ABF and \$26.4 million to partner agencies was provided in the 2023-24 Budget.¹³

3.14 The ABF told the committee that the ITTF is ‘the primary Commonwealth mechanism for disrupting serious and organised crime networks in the tobacco market’.¹⁴ They, and other members of the ITTF, noted that it focuses on serious and organised crime networks as opposed to smaller criminal operators.¹⁵

⁸ Office of the Director of Public Prosecutions, *Submission 66*, pp. 3–6.

⁹ Australians Transaction Reports and Analysis Centre, *Submission 8*, p. 4.

¹⁰ Australian Criminal Intelligence Commission, *Submission 20*, pp. 4–5.

¹¹ Australian Border Force, *Illicit Tobacco Taskforce*, 22 September 2024, www.abf.gov.au/about-us/taskforces/illicit-tobacco-taskforce (accessed 18 December 2025). The Australian Federal Police became a standing member of the ITTF in 2026, see Australian Taxation Office, *Submission 48*, p. 4.

¹² Commonwealth of Australia, *Budget Measures: Budget Paper No. 2 2018-19*, pp. 12–13; Australian Border Force, *Submission 7*, p. 4.

¹³ Australian Border Force, *Submission 7*, p. 4.

¹⁴ Australian Border Force, *Submission 7*, p. 5.

¹⁵ Australian Border Force, *Submission 7*, p. 5; Australian Transaction Reports and Analysis Centre, *Submission 8*, p. 6; Australian Taxation Office, *Submission 48*, p. 4.

- 3.15 The ABF stated that the ITTF had delivered ‘tangible outcomes against organised crime groups’. It pointed to 14 operations the ABF had led or assisted between July and December 2025 as evidence of its success.¹⁶
- 3.16 Dr John Coyne agreed that the ITTF was a high-performing example of cross-agency collaboration. However, he warned that despite their successes, this could not overcome the profit incentive driving illegal operators.¹⁷

Illicit Tobacco National Disruption Group

- 3.17 The Government announced the establishment of the ITNDG on 19 October 2025.¹⁸
- 3.18 The ITNDG complements the ITTF in two ways. Firstly, it focuses on mid-level criminals, particularly those involved in supply chain which are not typically the subject of criminal investigations, and the sale of illegal tobacco to consumers.¹⁹
- 3.19 Secondly, it deploys a broader range of methods than traditional policing, such as enforcing business closures through licencing regulations. The ABF told the committee that these methods ‘range from audit activities, customs, and migration offences, shutting down illicit businesses, on-the-spot shop closures, termination of leases, freezing and confiscation of assets including bank accounts’.²⁰
- 3.20 A number of submitters highlighted the intelligence gathering and sharing functions of the ITNDG. The ABF noted the role of the ITNDG in ‘leveraging intelligence tradecraft’ to disrupt illegal tobacco networks.²¹ AUSTRAC and the ATO told the committee that partnerships such as the ITNDG provided an avenue for distributing their agencies’ intelligence to support enforcement responses.²²
- 3.21 The ITNDG is currently led by the ABF, and its broader remit and operational approach is reflected in its membership, which consists of 27 federal, state and

¹⁶ Australian Border Force, *Submission 7*, p. 5.

¹⁷ Dr John Coyne, *Submission 11*, pp. 7–8.

¹⁸ The Hon Tony Burke MP, Minister for Home Affairs, ‘Illicit Tobacco National Disruption Group’, *Media Release*, 19 October 2025, www.tonyburke.com.au/media-releases/2025/illicit-tobacco-national-disruption-group (accessed 7 July 2026).

¹⁹ Australian Border Force, *Submission 7*, pp. 5–6.

²⁰ Australian Border Force, *Submission 7*, pp. 5–6.

²¹ Australian Border Force, *Submission 7*, p. 6.

²² Mr Anthony Helmond, National Manager, Law Enforcement, Australian Transaction Reports and Analysis Centre, *Committee Hansard*, 18 May 2026, p. 8; Australian Taxation Office, *Submission 48*, p. 4.

territory agencies. These include the AFP, ACIC, AUSTRAC, DHA, Department of Health, Disability and Aging (DHDA), Therapeutic Goods Association, ATO, Department of Agriculture, Fisheries and Forestry, ITEC Commissioner, Services Australia, and state and territory police agencies.²³

- 3.22 The ABF did not provide the committee with specific operational outcomes stemming from the work of the ITNDG. The ABF told the committee that, while the ITNDG had achieved results, ‘operational sensitivities prevent disclosure of specific live activities’.²⁴
- 3.23 The committee heard from agencies in Queensland, New South Wales (NSW) and the Northern Territory (NT) governments noting their participation in the ITNDG.²⁵ Queensland Health welcomed the increased focus on collaboration and coordinated action that participation in the ITNDG provided.²⁶

Criminal Assets Confiscation Taskforce

- 3.24 The CACT is led by the AFP, and its members include the ACIC, ATO, AUSTRAC and ABF.²⁷
- 3.25 The 2025-26 Budget provided \$33.5 million to the AFP-led CACT to target the proceeds of tobacco-related crime. This included \$17 million to support partnerships with state and territory law enforcement agencies.²⁸
- 3.26 The AFP told the committee that since this funding had commenced:
- ... the CACT has obtained restraining orders in relation to approximately \$37.8 million in property across six operations targeting the proceeds, instruments and benefits of the illicit tobacco trade. Litigation remains ongoing; however these restraining orders represent a significant disruption to the criminal environment.²⁹

Limitations of enforcement responses

- 3.27 As indicated earlier in this report, several submitters pointed out that significant enforcement outcomes did not necessarily reflect the successful disruption of the illicit market. Submitters highlighted in this regard that operators in the

²³ The Hon Tony Burke MP, Minister for Home Affairs, ‘Illicit Tobacco National Disruption Group’, *Media Release*, 19 October 2025; Australian Border Force, *Submission 7*, p. 6.

²⁴ Australian Border Force, *Submission 7*, p. 6.

²⁵ Queensland Health, *Submission 68*, p. 10; New South Wales Crime Commission, *Submission 75*, p. 2; Northern Territory Government, *Submission 78*, p. 4.

²⁶ Queensland Health, *Submission 68*, p. 10.

²⁷ Australian Federal Police, *Submission 80*, p. 6.

²⁸ Australian Federal Police, *Submission 80*, p. 6; Commonwealth of Australia, *Budget Measures: Budget Paper No. 2 2025-26*, pp. 31–32.

²⁹ Australian Federal Police, *Submission 80*, p. 2.

illegal market are flexible, innovative and able to adapt in the face of strengthened enforcement.³⁰

- 3.28 Associate Professor James Martin argued that there is no evidence to suggest that federal efforts to restrict the supply of illicit products at the border will meaningfully impact the illicit market. He noted that record seizures of other illicit drugs have not reduced their availability. Professor Martin continued:

This suggests that organised crime groups with illicit supply are not deterred by border seizures but adapt by importing and sending more products to compensate for inevitable interdiction losses.³¹

- 3.29 The ABF also acknowledged that, despite successful enforcement outcomes, ‘high profit margins remain a powerful incentive for organised crime, and smugglers continue to reconstitute supply chains’.³² These insights support the reasoning that a multipronged strategy, including excise measures, will be required to meaningfully disrupt the illicit tobacco business model.
- 3.30 There were other practical and logistical considerations raised in relation to effective enforcement. The AFP highlighted ‘significant logistical challenges’ when it came to storing and destroying illegal tobacco products. The AFP told the committee that their ‘storage facilities are at full capacity and are costing the Commonwealth to continue expanding storage facilities’.³³

Legislative responses

- 3.31 The Government has sought to update tobacco laws in response to the growth of the illegal market.
- 3.32 On 14 December 2023, the Parliament passed the *Public Health (Tobacco and Other Products) Act 2023*, which consolidated several existing pieces of legislation related to tobacco control into a single Act.³⁴
- 3.33 The Act also established the office and role of the ITEC Commissioner within the ABF for the purpose of:
- Supporting national strategies for the enforcement of illicit tobacco and e-cigarette laws,
 - Advising on the development of new laws regarding illegal tobacco and e-cigarettes, and

³⁰ Mr Adam Meyer, Australian Criminal Intelligence Commission, *Committee Hansard*, 18 May 2026, p. 5; Mr Clive Bates, private capacity, *Committee Hansard*, 18 May 2026, p. 63; Associate Professor James Martin, *Submission 49*, [p. 6].

³¹ Associate Professor James Martin, *Submission 49*, [p. 6].

³² Australia Border Force, *Submission 7*, p. 2.

³³ Australian Federal Police, *Submission 80*, p. 10.

³⁴ Cancer Council Victoria, *Submission 38*, p. 20.

- Reporting yearly on the illegal tobacco and e-cigarette trade, including enforcements statistics and estimates of excise evaded.³⁵
- 3.34 The ITEC Commissioner describes her office's role as 'serv[ing] as a strategic link between state and territory governments, and between portfolios including Health, Home Affairs and Treasury', while emphasising that operational responsibilities remain with their respective agencies.³⁶
- 3.35 The *Taxation Administration Act 1953* (TAA Act) was updated in 2018 to introduce new offences for domestically produced or manufactured illegal tobacco in Australia and increase the penalties for existing offences. The changes included:
- The introduction of reasonable suspicion offences for possession, buying and selling of illegal tobacco, with penalties of up to five years imprisonment for quantities over 500kg; and
 - Increasing penalties for the intentional possession, manufacture or production offences to up to ten years imprisonment (up from two) for quantities over 500kg.³⁷
- 3.36 The ATO told the committee that it had heavily utilised the TAA Act since its introduction:
- The legislation under Division 308 of the *Taxation Administration Act 1953* has been used widely to deter illicit tobacco operations. Between 1 July 2018 and 30 June 2025, the ATO Illicit Tobacco Team completed 97 operations. Results from the operational activities include:
- (a) 48 briefs of evidence being referred to the [CDPP];
 - (b) 31 convictions in relation to tobacco related offending; and
 - (c) 13 prosecution matters still proceeding through the court system.³⁸
- 3.37 These activities were undertaken both by the ATO and in partnership with other federal, state and territory agencies, and resulted in '180 seizures totalling approximately 498 tonnes of illicit tobacco, 28,548,751 cigarettes with an estimated \$782 million in excise duty foregone'.³⁹
- 3.38 The Government has also introduced additional measures to the Parliament which would increase penalties and powers available to law enforcement.
- 3.39 On 26 March 2026, the Government introduced the Combatting Illicit Tobacco Bill 2026 in the House of Representatives. Once enacted, the bill would make

³⁵ *Public Health (Tobacco and Other Products) Act 2023*, s. 163C, 163D.

³⁶ Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9*, p. 2.

³⁷ Australian Taxation Office, *Submission 48*, pp. 6–7.

³⁸ Australian Taxation Office, *Submission 48*, p. 7.

³⁹ Australian Taxation Office, *Submission 48*, p. 7.

changes to a number of Acts related to the enforcement of illicit tobacco, including amending:

- the *Customs Act 1901*, *Excise Act 1901*, *Taxation Administration Act 1953* and *Taxation Administration Regulations 2017* to increase penalties and enable broader investigatory powers to be used;
- the *Telecommunications (Interception and Access) Act 1979* to allow the use of telecommunications access powers for tobacco offences; and
- the *Proceeds of Crime Act 2002* to strengthen powers under the proceeds of crime regime to target the proceeds of illicit tobacco.⁴⁰

3.40 The bill passed both Houses of Parliament on 20 August 2026.

Limitations of existing legislation

3.41 Despite these legislative changes, submitters to the inquiry drew attention to several limitations to the effectiveness of legislation.

3.42 The ATO told the committee that, despite successful seizures and referrals of matters to the courts, courts had been ‘hesitant to impose the stronger penalties introduce in 2018’. It noted that it was continuing to work with the CDPP to improve these outcomes.⁴¹

3.43 The CDPP informed the committee that it had finalised 405 prosecutions regarding tobacco offences between 1 July 2018 and 31 December 2025, with 284 resulting in a conviction.⁴²

3.44 The CDPP provided the committee with a breakdown of the results of the 284 convictions over this period:

Of the 284 convictions recorded between 1 July 2018 and 31 December 2025:

- 107 offenders were sentenced to a period of imprisonment with a component of actual custody;
- 79 offenders were sentenced to a period of imprisonment with no component of actual custody;
- 67 offenders had a community based order imposed;
- 25 offenders had a fine imposed;
- Six offenders were discharged, in accordance with s 19B of the Crimes Act 1914.

3.45 The CDPP explained that it faced evidentiary challenges when prosecuting tobacco offences. The offence with the highest maximum penalties is available under the *Customs Act 1901*, for the importation or possession of illegal tobacco

⁴⁰ Parliamentary Library, *Combatting Illicit Tobacco Bill 2026*, *Bills Digest No. 60*, 2025-26. Parliamentary Library, Canberra, 2028, pp. 2–3.

⁴¹ Australian Taxation Office, *Submission 48*, p. 7.

⁴² Office of the Director of Public Prosecutions, *Submission 66*, p. 4.

without duty paid. However, these offences require the prosecution to prove that the tobacco was imported, and the accused party was aware of this fact.⁴³

- 3.46 In contrast, offences available under the *Taxation Administration Act 1953* do not require proof that the tobacco was imported, only that there was a reasonable suspicion that duty has not been paid. However, penalties under this legislation are lower overall.⁴⁴

State and territory government responses

- 3.47 Licensing schemes for tobacco are the remit of state and territory governments, along with the enforcement of their own criminal laws. Licensing schemes, however, are not consistent across states and territories and some jurisdictions have implemented stronger measures than others.

- 3.48 Cancer Council Australia told the committee that '[a]ll states and territories have positive licensing schemes in place for tobacco retailers and in all jurisdictions, except the NT, licences are also required for tobacco wholesalers'. It also noted several common features across all jurisdictions:

- It is an offence to sell tobacco products without a licence and to fail to display the licence.
- Licence applicants are subject to a 'fit and proper person' assessment by the licensing authority, including the checking of any prior criminal history.
- Inspectors of the licensing authority can enter and inspect the retail premises of tobacco supply businesses during business hours, with the owner's permission or under a court-issued search warrant to assess compliance with licensing laws and can issue infringement notices (on-the-spot fines).
- The licensing authority and/or a court has the power to suspend and cancel licences.
- The licensing authority maintains a public, searchable register of all licences issued (except in Tasmania).⁴⁵

- 3.49 Cancer Council Australia also noted that most states and territories have strengthened their legislative control on tobacco over the past year in response to the illegal trade. They highlighted NSW, Queensland and South Australia (SA) as having been particularly proactive in broadening their enforcement

⁴³ Office of the Director of Public Prosecutions, *Submission 66*, pp. 8–9.

⁴⁴ Office of the Director of Public Prosecutions, *Submission 66*, pp. 8–9.

⁴⁵ Cancer Council Australia, *Submission 51*, p. 12.

powers.⁴⁶ Conversely, Cancer Council Victoria characterised the NT and Victoria as having been ‘less swift to act’.⁴⁷

- 3.50 Cancer Council Australia provided a non-exhaustive list of key broadened enforcement powers adopted across jurisdiction, as summarised in Table 3.1.

Table 3.1 Enforcement powers

Measure	Approach by jurisdiction	
	<i>Enacted</i>	<i>Under consideration</i>
Issue closure orders of up to 12 months	NSW, Qld, SA, WA	Tas., Vic.
Make information about closure orders public	NSW, SA, WA	Tas.
Conduct covert controlled purchase operations	Qld, SA, WA	
Confiscate legal products from illegal traders	Qld	
Landlords may terminate lease of retailers involved in illegal trade	NSW, Qld, SA	Vic.
Offence for landlords to knowingly permit use of their premises for illegal trade	QLD, SA	NSW, Vic.
Offence for person to trade in premises subject to closure order	WA	Tas.
Court may order person convicted of an offense to pay costs incurred by government	Qld	
Police may carry out broader drug, weapons and explosive searches at retail premises suspected of illicit trade	SA	

Source: Cancer Council Australia, Submission 51, p. 13.

- 3.51 Stronger store closure powers in response to breaches of licensing requirements were called out as one of the most effective methods of combatting retail sale of tobacco.
- 3.52 In its submission to the inquiry, OTR Group described store closures as ‘the most effective measure to counter illicit tobacco’. They noted that they had experienced positive impacts on their sales of legal tobacco following

⁴⁶ Cancer Council Australia, *Submission 51*, pp. 12–13.

⁴⁷ Cancer Council Victoria, *Submission 38*, p. 13.

introduction of stronger closure measures in SA, NSW, Victoria and Western Australia.⁴⁸

3.53 However, they pointed out similar limitations to those experienced by law enforcement at the federal level. They told the committee that:

States and [t]erritories are playing a constant game of ‘whack-a-mole’. Once a store is shut down, another one pops up. Then following the expiration of the closure period, extensive state enforcement resources are required to re-visit stores and issue further closure notices where there is non-compliance.⁴⁹

3.54 In addition to closure orders, some jurisdictions have passed laws to enable landlords to terminate the leases of businesses trading in illegal tobacco.

3.55 The Shopping Centre Council of Australia (SCCA) recommended a best-practice framework whereby landlords are given the legislated right to terminate a lease upon a short- or long-term closure order being issued to the lessee.⁵⁰

3.56 The SCCA noted they had worked with the Queensland Government to introduce the model, and that NSW and SA had adopted similar models with Victoria and Western Australia expected to follow.⁵¹

3.57 The committee received evidence about measures introduced to combat illegal tobacco and their efficacy from a number of jurisdictions.

New South Wales

3.58 NSW has introduced several reforms since 2025. Cancer Council NSW described some of these new measures, which included:

- Introduction of a tobacco licensing scheme, which commenced on 1 July 2025, requiring retailers and wholesalers to pay an annual fee and be subject to criminal record and other checks.
- Stronger penalties for relevant offences from 3 November 2025, including allowing NSW Health to issue closure orders of up to 90 days or seek up to 12-month closure orders from local courts.
- Creating an offence for possession or sale of illegal tobacco with maximum penalties of \$1.5 million and/or 7 years’ imprisonment.
- Lease termination powers for landlords.⁵²

⁴⁸ OTR Group, *Submission 57*, p. 6.

⁴⁹ OTR Group, *Submission 57*, p. 7.

⁵⁰ Shopping Centre Council of Australia (SCCA), *Submission 53*, pp. 1–3.

⁵¹ Shopping Centre Council of Australia, *Submission 53*, p. 1; Mr Angus Nardi, Chief Executive, Shopping Centre Council of Australia, *Committee Hansard*, 18 May 2026, p. 30.

⁵² Cancer Council NSW, *Submission 37*, p. 7.

- 3.59 Cancer Council NSW also noted increased enforcement efforts by the NSW Government, which included the establishment of a Centre for Regulation and Enforcement with an additional 30 full-time-equivalent tobacco inspectors. At the time of Cancer Council NSW's submission, 105 temporary closure orders had been issued since reforms commenced in November 2025.⁵³
- 3.60 The NSW Crime Commission told the committee that the NSW Parliament also passed legislation in November 2025 which enabled the use of NSW's *Criminal Assets Recovery Act 1990* to confiscate the proceeds of illicit tobacco.⁵⁴

South Australia

- 3.61 Cancer Council SA told the committee that SA had been proactive in addressing illegal tobacco, highlighting its investment of \$16 million announced in May 2024. It also drew attention to the increased penalties which came into effect on 5 June 2025, including fines of up to \$6.6 million for supplying or possessing illegal tobacco products.⁵⁵ SA also implemented lease termination powers for landlords.⁵⁶
- 3.62 Researchers from the National Health and Medical Research Council Centre of Research Excellence for the Tobacco Endgame also noted that SA was the only state to 'ban the retail sale of tobacco via mail, telephone, facsimile transmission, internet or other electronic communication' under the *Tobacco and E-cigarette Products Act 1997* (SA).⁵⁷
- 3.63 Dr Michelle Scollo, Senior Adviser on Tobacco at Cancer Council Victoria told the committee that South Australia's approach to non-physical sale of tobacco 'should be regarded as best practice across the states and territories and would make the task of enforcing legislation against that kind of provision easier'.⁵⁸
- 3.64 Cancer Council SA provided details of the scale of enforcement activity which had been publicly reported in SA:

By November 2025, around \$50 million in products had been seized including:

- 41 million cigarettes;
- 140,000 vapes; and
- 13,585 kgs of loose tobacco.

⁵³ Cancer Council NSW, *Submission 37*, pp. 7–8.

⁵⁴ New South Wales Crime Commission, *Submission 75*, pp. 1–2.

⁵⁵ Cancer Council SA, *Submission 54*, pp. 4–6.

⁵⁶ Professor Coral Gartner, *Submission 72*, [p. 19].

⁵⁷ Professor Coral Gartner, *Submission 72*, [p. 30]; *Tobacco and E-cigarette Products Act 1997* (SA), para. 30(1)(e).

⁵⁸ Dr Michelle Scollo, Cancer Council Victoria, *Committee Hansard*, 4 May 2026, p. 30.

By December 2025, there was an additional \$1.2 million of seized product and 17 short term closure order[s] made in regional [SA].⁵⁹

Queensland

- 3.65 The committee was told that Queensland had recently undertaken significant legislative reform in relation to illegal tobacco, providing Queensland enforcement agencies with ‘the highest on-the-spot fines and most extensive enforcement powers available in the nation’.⁶⁰
- 3.66 Queensland Health noted that Queensland’s legislative framework offers graduated enforcement options for offences, including:
- Immediate closure orders of 90 days, or court ordered closures of up to 12 months;
 - On-the-spot fines for individuals of \$33 380 for supply and \$16 690 for commercial possession;
 - On-the-spot fines for corporations of \$166 900 for supply and \$83 450 for commercial possession;
 - Court-ordered penalties for individuals of up to \$333 800 and/or two years imprisonment for supply and \$166 900 and/or one year imprisonment for commercial possession;
 - Court-ordered penalties for corporations of up to \$1.669 million and/or two years imprisonment for supply or \$834 500 and/or one year imprisonment for commercial possession;
 - Legislative authority for landlords to terminate leases for premises subject to closure orders, and penalties for landlords who knowingly permit their premises to continue to be used for the illegal tobacco market.⁶¹
- 3.67 Queensland Health also told the committee that its enforcement capability and capacity had been boosted through investments by the Queensland and Commonwealth Governments across the 2025–26 and 2026–27 financial years.⁶²
- 3.68 Cancer Council Queensland drew attention to Queensland’s large public health enforcement workforce dedicated to tobacco, and told the committee that its scale was reflected in enforcement outcomes.⁶³
- 3.69 Queensland Health described its approach as being highly successful:

⁵⁹ Cancer Council SA, *Submission 54*, pp. 4–5.

⁶⁰ Queensland Health, *Submission 68*, p. 6.

⁶¹ Queensland Health, *Submission 68*, pp. 6–7. Fines are calculated on the basis of penalty units, with the amounts cited being current as of March 2026.

⁶² Queensland Health, *Submission 68*, p. 7.

⁶³ Cancer Council Queensland, *Submission 30*, p. 8.

Recent reforms in Queensland have equipped enforcement teams with nation-leading laws and enforcement powers, resulting in record-breaking enforcement activity such as:

- more than \$100 million in on-the-spot fines issued for illicit supply and possession, since new penalties commenced in April 2025
- more than 230 illicit tobacco stores issued with 90-day closure orders, and illicit products valued over \$19.7 million seized, since new powers commenced in November 2025
- landlord termination of leases at more than 100 illicit tobacco stores since November 2025.⁶⁴

3.70 Cancer Council Queensland noted that despite the ability for courts to issue up to 12-month closure orders, no applications had been made to the courts as of the date of its submission in March 2026.⁶⁵

Western Australia

3.71 Healthway, a Western Australian Government agency responsible for health promotion and preventative health efforts, told the committee that a first tranche of new laws introducing stronger penalties and closure powers in relation to illegal tobacco passed WA Parliament in March 2026, with a further tranche expected later in the year.

3.72 Healthway's submission explained:

The state's penalties are now some of the strongest in the country, with the maximum penalty for possession of a large commercial quantity of illicit tobacco and vaping products of \$4.2 million for an individual or \$21 million for a company, and 15 years imprisonment. Store closure orders were also introduced, so that businesses supplying illegal products can be shut down while investigations take place. The first tranche also includes amendments to extend enforcement powers, for example, the seizure of prohibited products from young persons.⁶⁶

3.73 Cancer Council WA noted that in 2025, prior to the introduction of new measures, 751 inspections were undertaken (the lowest in 5 years) and less than \$89 000 issued in fines. It suggested that these figures indicated that 'enforcement action has been low in comparison to the scale of illicit activity'.⁶⁷

⁶⁴ Queensland Health, *Submission 68*, p. 2.

⁶⁵ Cancer Council Queensland, *Submission 30*, p. 8.

⁶⁶ Healthway, *Submission 67*, p. 18.

⁶⁷ Western Australia's reforms were not in operation at the time of Cancer Council WA making their submission to provide a comparison. Cancer Council WA, *Submission 31*, p. 5.

3.74 In addition to legislative changes, Cancer Council WA also told the committee that the WA Government had announced deployment of additional staff to its Department of Health's compliance unit.⁶⁸

Victoria

3.75 Cancer Council Victoria noted two major legislative measures introduced in Victoria in response to the growth in illegal tobacco:

- the *Tobacco Amendment (Tobacco Retailer and Wholesale Licencing Scheme) Act 2024* passed in December 2024 to establish a positive licensing scheme, regulator and illicit tobacco offences; and
- the *Tobacco Amendment (Retailer and Wholesaler Licencing Scheme) Regulations 2025* which put the above scheme into operation and set penalty infringement amounts.⁶⁹

3.76 The City of Stonnington, a local council in inner-Melbourne, told the committee that Victoria's licensing scheme had commenced on 1 February 2026 and provided closure powers comparable to those of New South Wales, SA and Queensland.⁷⁰

3.77 However, they noted staffing limitations which meant that 'approximately 14 inspectors are responsible for overseeing an estimated 8,000–10,000 retailers statewide, and inspections must be conducted in pairs due to safety considerations'.⁷¹

3.78 Mr Rohan Pike, a consultant with experience in law enforcement, described Victoria Police as having 'real and commendable successes' against organised crime dealing in illegal tobacco, but ultimately concluded that 'despite these enforcement successes, there has been no discernible impact on the overall size or availability of the illicit tobacco market'.⁷²

Northern Territory

3.79 In its submission to the inquiry, the NT Government acknowledged that:

Strong legislative controls are a crucial element in reducing illicit tobacco supply and the current NT *Tobacco Control Act 2002* (the Act) is no longer fit for purpose. The Act does not provide clear, prosecutable offences for the sale of illegal tobacco, does not enable effective enforcement of illegal e-cigarette sales and lacks key powers available in other jurisdictions. The NT

⁶⁸ Cancer Council WA, *Submission 31*, p. 6.

⁶⁹ Cancer Council Victoria, *Submission 38*, pp. 21–22.

⁷⁰ City of Stonnington, *Submission 19*, [p. 3].

⁷¹ City of Stonnington, *Submission 19*, [p. 3].

⁷² Mr Rohan Pike, *Submission 5*, p. 9.

Government is currently considering a legislative reform project to align with Commonwealth legislation.⁷³

- 3.80 This view was supported by other health and law enforcement organisations in the NT. The Aboriginal Medical Services Alliance NT told the committee that:

Stronger tobacco control legislation is required in the [NT] to address the growing supply and accessibility of illicit tobacco products. Legislative reform to the *Tobacco Control Act 2002* and Tobacco Control Regulations 2002 should provide stronger mechanisms to detect, regulate and enforce against the illegal supply and sale of tobacco across the Territory.⁷⁴

- 3.81 The NT Police Association agreed with this, highlighting their concern that ‘penalties for illicit tobacco offences do not adequately reflect the seriousness of the conduct or the organised crime nexus’ and that ‘[c]urrent penalty settings are frequently viewed by criminal groups as an acceptable cost of doing business’.⁷⁵

Challenges faced by states and territories

- 3.82 State and territories face similar challenges and limitations to those experienced at the federal level.
- 3.83 In its submission, Cancer Council Australia noted significant variations between staffing levels and powers for enforcement of licencing schemes across jurisdictions. It recommended that the Australian Government incentivise relevant state and territory authorities to ensure they had sufficient resources to enforce closure orders and other measures effectively.⁷⁶
- 3.84 The NT Government told the committee that significant seizures had taken place and good collaboration existed with federal agencies. However, it was constrained by a lack of resourcing and the limited local presence of federal agencies.⁷⁷
- 3.85 The Police Federation of Australia noted that pressures on storage and destruction of illicit material was felt more acutely at the state and territory level. The federation told the committee that storage and destruction costs have become a ‘major impost on state and territory agencies’ which required resolution to lift the financial burden on these agencies.⁷⁸

⁷³ Northern Territory Government, *Submission 78*, p. 3.

⁷⁴ Aboriginal Medical Services Alliance Northern Territory, *Submission 70*, pp. 5–6.

⁷⁵ Northern Territory Police Association, *Submission 1*, [p. 4].

⁷⁶ Cancer Council Australia, *Submission 51*, p. 14.

⁷⁷ Northern Territory Government, *Submission 78*, pp. 4–5.

⁷⁸ Police Federation of Australia, *Submission 33*, p. 3.

Next chapter

3.86 The next chapter considers evidence provided to the committee which seeks to address these challenges and strengthen respective government responses to the illegal tobacco market and coordination between them.

Chapter 4

Reform options

- 4.1 The committee received evidence to the inquiry outlining wide-ranging reforms and different approaches to address the illicit tobacco market in Australia. This chapter considers these different approaches to reform, along with examples of concrete actions that could be taken to address the illicit market.
- 4.2 Witnesses to the inquiry emphasised that there was no single solution to the crisis, and that coordinated action across multiple policy areas would be required to address the proliferation of the illicit market. Many of the reform options outlined below were not raised in isolation but were instead intended as part of a suite of complementary measures.
- 4.3 The committee heard strongly differing views on the need to recalibrate the tobacco excise to draw consumers back to the legal market. While more precise data and evidence regarding the nature of the illegal market is required, it is evident that price is playing a strong role in converting consumers from legal to illegal products.
- 4.4 In addition to potential reforms to data collection and the excise tax, reform recommendations heard by the committee fell within a number of consistent themes. These were the need for:
- Strong regulatory and enforcement measures to reduce the supply of illegal tobacco;
 - Complementary measures that continue to reduce the demand for both legal and illegal tobacco; and
 - Consistency across all Australian jurisdictions to ensure there are no weak links in Australia's tobacco control scheme.
- 4.5 This chapter will first consider potential reforms to data collection and reporting, as a foundational reform to ensure policy responses are grounded in robust evidence.

Improvements to data and reporting

- 4.6 The committee heard of several limitations and gaps to existing data related to the illegal tobacco market.
- 4.7 While the Illicit Tobacco and E-cigarette Commissioner (ITEC Commissioner) develops annual reporting on the scale of the illegal market, the Commissioner maintains that Australia lacks timely reporting of the effects of the illegal tobacco market on overall consumption.¹ The Australian National Accounts,

¹ Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9*, p. 3.

which captures household spending on tobacco products, do not capture illegal products. The Australian Bureau of Statistics has experimental work to estimate illegal consumption, which indicates an increase in nicotine consumption of 40 per cent since 2017.²

- 4.8 Clear data and research on the effects of tobacco taxation on the illicit trade are also limited. Associate Professor James Martin and his co-authors, a group of cross-disciplinary researchers, put forward that '[t]he central policy question for the Commonwealth is whether Australia's current settings remain optimal once the broader effects of tobacco taxation are taken into account'. They noted that the 'broader effects' of tobacco taxation were contested due to an insufficient evidence base.³
- 4.9 The need for improvements to reporting requirements and data availability to inform evidence-based responses to the illicit market was also raised by a number of other submitters.⁴
- 4.10 To overcome these gaps, Associate Professor Martin recommended the establishment of a national system to 'transparently report legal and illicit sale of nicotine products across jurisdictions'. He suggests that this may look similar to the illicit drug reporting by the Australian Criminal Intelligence Commission, albeit more frequent to reflect the rapidly changing illegal market.⁵
- 4.11 Similarly, the Australian Medical Association (AMA) recommended the development of a 'cross-jurisdictional data capability' which would span 'health, police, border, revenue, fair trading and corporate regulators'.⁶
- 4.12 The ITEC Commissioner has included the collection of unified information and data as one of her priorities to address the illegal market. The ITEC Commissioner notes that:

Data, information, and research, including with international partners, should provide a strong evidence base for action, such as evolving market dynamics, understanding the crossovers and separations between tobacco

² Australian Bureau of Statistics, *Household consumption of illicit tobacco and nicotine products*, 3 June 2026, www.abs.gov.au/articles/household-consumption-illicit-tobacco-and-nicotine-products (accessed 8 July 2026).

³ Associate Professor James Martin, *Submission 49*, [p. 11].

⁴ See, for example, Dr John Coyne, *Submission 11*, p. 14; Philip Morris Limited, *Submission 39*, p. 21; Prohibition Does Not Work, *Submission 40*, [pp. 7–8]; Australian Medical Association, *Submission 58*, [p. 2]; Matilda Centre for Research in Mental Health and Substance Use, *Submission 59*, pp. 4–5; Drug Policy Modelling Program, Social Policy Research Centre, University of New South Wales, *Submission 64*, pp. 3–6.

⁵ Associate Professor James Martin, *Submission 49*, [p. 12].

⁶ Australian Medical Association, *Submission 58*, [p. 2].

and vape consumption, and early warning of shifts to support development of potential responses.⁷

- 4.13 The point was also made to the committee that any efforts to establish better reporting and data capability would need to be supported by regulatory harmonisation across states and territories. Currently however, reporting obligations are not consistent. For example, the Australian Council on Smoking and Health (ACOSH) reported that regular reporting obligations are not required under the schemes in the Australian Capital Territory, New South Wales, Queensland or Victoria.⁸
- 4.14 ACOSH recommended that minimum national licensing standards should be mandated which would require record keeping and reporting, including:
- detailed records of purchases, sales, and stockholdings.
 - regular reporting to the relevant licensing authority on product movement and volumes.⁹
- 4.15 The point was made that clearer avenues for public reporting of illegal tobacco activity could assist in the development of more detailed data regarding the illegal market.
- 4.16 The AMA recommended that better data capability should be complemented by a ‘single, nationally consistent and widely promoted reporting pathway’. It suggested that this reporting pathway have a number of features, including:
- the ability to make anonymous reports online or via phone,
 - the capability to triage matters to the appropriate regulator, and
 - data capture which feeds directly into intelligence gathering.¹⁰

Tobacco excise

- 4.17 As discussed in Chapter 1, the Australian Government levies customs and excise duty on tobacco imported into Australia. Currently, the rate of tobacco excise is indexed twice-yearly in line with average weekly ordinary time earnings. Australia’s excise on tobacco is among the highest in the world.
- 4.18 The committee heard differing evidence from witnesses regarding the need for reform of the tobacco excise. Evidence to the committee was divided on whether a freeze or reduction to excise on its own would see substantial results against the illegal trade.

⁷ Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9*, p. 6.

⁸ Australian Council on Smoking and Health, *Submission 60*, p. 11.

⁹ Australian Council on Smoking and Health, *Submission 60*, p. 14.

¹⁰ Australian Medical Association, *Submission 58*, [p. 2]. A similar enforcement hotline was also recommended by Healthway, see Healthway, *Submission 67*, pp. 28–29.

Arguments against excise reform

- 4.19 Health organisations and the Australian Government resisted the suggestion that excise rates be reduced to draw consumers back to the legal market.¹¹ These submitters strongly contested any correlation between excise rates and the size of an illicit market, and the possibility of the legal market competing on price.
- 4.20 The ITEC Commissioner provided the committee with several examples of countries with similar excise rates but differing market shares of illegal tobacco:
- Portugal and Ecuador have excise rates of 16 cents a cigarette, and the illegal market share in Portugal is 2.4 per cent compared to 83.6 per cent in Ecuador;
 - Finland and France have excise rates of 43 and 42 cents respectively, and the illegal market share in Finland is 19.5 per cent compared to 37.6 per cent in France; and
 - Greece and Canada have 14 cent excise rates, and Greece has a 17.5 per cent illegal market share compared to Canada's 38 per cent.¹²
- 4.21 The committee also heard instances where other countries had reduced, or considered reducing, their excise rates.
- 4.22 ACOSH contrasted the examples of Canada and the United Kingdom. It told the committee that Canada halved its excise in the early 1990s to combat smuggling, but had experienced an increase in smoking rates and fewer people quitting. In comparison, in 2011 the United Kingdom successfully took an enforcement-focused approach to combatting its own illegal tobacco issues rather than cutting their tax.¹³
- 4.23 However, the committee also heard from witnesses who supported Canada's model. Mr David Allen, Licensee of the Cobargo Hotel, called Canada's 50 per cent reduction 'the template for what Australia needs to do'.¹⁴ He argued that since the change, Canada's smoking rates have 'continue[d] to come down'.¹⁵
- 4.24 The National Health and Medical Research Council Centre of Research Excellence on Achieving the Tobacco Endgame (CREATE) argued that illegal

¹¹ See, for example, Professor Michael Kidd AO, Chief Medical Officer, Department of Health, Disability and Ageing, *Committee Hansard*, 18 May 2026, p. 11; Dr Simon Chapman, *Submission 27*, p. 5; Cancer Council Australia, *Submission 51*, pp. 7–8; National Heart Foundation of Australia, *Submission 56*, pp. 6–7; Australian Medical Association, *Submission 58*, [p. 3]; Healthway, *Submission 67*, p. 11; Aboriginal Medical Services Alliance Northern Territory, *Submission 70*, pp. 4–5; Public Health Association of Australia, *Submission 71*, p. 8.

¹² Ms Amber Shuhyta, Illegal Tobacco and E-cigarette Commissioner, *Committee Hansard*, 4 May 2026, p. 5.

¹³ Australian Council on Smoking and Health, *Submission 60*, p. 16.

¹⁴ Mr David Allen, Licensee, Cobargo Hotel, *Committee Hansard*, 18 May 2026, p. 47.

¹⁵ Mr David Allen, Licensee, Cobargo Hotel, *Committee Hansard*, 18 May 2026, p. 50.

operators have a 'wide margin' within which they can reduce prices while continuing to profit. They told the committee that any reduction in legal prices could cause the illegal market to lower their prices even further.¹⁶

- 4.25 Ms Amber Shuhyta, the ITEC Commissioner, similarly told the committee that 'cheap, abundant supply means that illegal traders can continue to reduce their price and maintain a price differential'.¹⁷

Arguments for excise reform

- 4.26 In contrast to the above submitters, the committee heard from economists, small business owners, business groups and tobacco companies who supported a review of or changes to the excise.¹⁸ Proponents of excise reform identified excise rate as the primary factor driving consumers to the illicit market. They argued that a reduction would return consumers to the legal market.
- 4.27 Dr Arthur Laffer, an economist with expertise in taxation, told the committee that both 'economic theory and empirical evidence' demonstrate the illegal market would increase in response to higher taxation. Dr Laffer argued that when prices become extreme many consumers 'do not quit immediately; they switch channels'.¹⁹ Associate Professor James Martin and his co-authors agreed that price disparity between illegal and legal tobacco was a 'key driver' of the illegal market.²⁰
- 4.28 Dr Laffer provided the committee with the example of Sweden in the 1990s as a case study for the successful use of excise reduction to combat the illegal market. Following two substantial tobacco tax increases, Dr Laffer explained, Sweden developed an issue with tobacco smuggling. In response, the tax increases were repealed and consumers returned to the legal market.²¹
- 4.29 Dr Laffer summarised the lesson to be learned from the experience in Sweden:
- Cutting the tax rate can, in such circumstances, increase revenue by rebuilding the legal tax base and pulling consumption back into controlled channels. The objective is not to 'go soft' on tobacco control; it is to recover

¹⁶ Professor Coral Gartner, *Submission 72*, [p. 15].

¹⁷ Ms Amber Shuhyta, Illicit Tobacco and E-cigarette Commissioner, *Committee Hansard*, 4 May 2026, p. 13.

¹⁸ See, for example: Centre for Independent Studies, *Submission 4*, p. 2; Dr John Coyne, *Submission 11*, pp. 13–14; Johannes Kepler University of Linz, *Submission 14*, p. 5; Karlsruhe Institute of Technology, *Submission 15*, pp. 3–4; Dr Alex Wodak AM, *Submission 18*, [p. 7]; Dr Arthur Laffer, *Submission 25*, p. 5; Australian United Retailers, *Submission 45*, [pp. 2–3]; OTR Group, *Submission 57*, pp. 19–20; Philip Morris Limited, *Submission 39*, pp. 18–19; Australian Retail Council, *Submission 69*, [p. 8]; Australian Association of Convenience Stores, *Submission 79*, pp. 4–5.

¹⁹ Dr Arthur Laffer, *Submission 25*, pp. 2, 6.

²⁰ Associate Professor James Martin, *Submission 49*, [p. 7].

²¹ Dr Arthur Laffer, *Submission 25*, p. 5.

the policy instrument's effectiveness by returning to a feasible range of taxation.²²

- 4.30 As well as driving the illegal market, Associate Professor Martin and his co-authors submitted that there was only 'weak evidence' that excise rises had contributed to the decline in smoking rate. To support this, they argued that smoking prevalence had decreased between 2001 and 2010 without any changes to the excise level.²³
- 4.31 Philip Morris Limited told the committee that their consumers purchase across a range of price points. The reduction of legal prices, they argued, would at least enable some consumer cohorts purchasing at higher prices to return to the legal market.²⁴
- 4.32 Ms Liz Barrett, Research Officer for the Drug Policy Modelling Program at the University of New South Wales, informed the committee of a study she had run speaking to 50 illegal tobacco purchasers. When asked what price point would draw them back to the legal market, Ms Barrett explained that some had given a price between \$10 and \$20. However, others had said they would not switch unless it was the same price. Ms Barrett recommended that further research was needed to understand consumer behaviour.²⁵

Proposed options for excise reform

- 4.33 Those who argued for a change to the excise had a range of recommendations as to how this should be implemented. Excise reforms recommended to the committee included:
- Implementing a review mechanism, either as a one-off or recurring process;
 - Freezing further increases through indexation, in real terms, or both; and
 - Immediate substantive reductions to the excise rate.
- 4.34 Dr Laffer told the committee that different approaches to a reduction could yield different results:

A long-term, gradual tax reduction schedule would ensure a stable and sustainable transformation, and if a larger and faster impact is sought, a larger, temporary tax reduction can restore legal competitiveness when paired with sustained enforcement.²⁶

²² Dr Arthur Laffer, *Submission 25*, p. 5.

²³ Associate Professor James Martin, *Submission 49*, [pp. 8–9].

²⁴ Philip Morris Limited, *Submission 19*, p. 18.

²⁵ *Committee Hansard*, 4 May 2026, p. 54.

²⁶ Dr Arthur Laffer, *Submission 25*, p. 6.

Reviewing the excise

- 4.35 Many proponents of changes to the excise did not make a recommendation as to a specific excise level. Instead, they advocated for processes to be put in place to establish an appropriate path going forward.
- 4.36 A number of them recommended, as a first step, the establishment of a review into the excise rate and other tobacco settings.²⁷
- 4.37 Dr John Coyne suggested undertaking independent modelling on the effects of excise settings. This modelling, he stated, should investigate the effect of excise settings on ‘consumption, illicit substitution, [transnational serious and organised crime] profitability and community safety’. In doing so, Dr Coyne argued, it should ‘provide a credible evidence base for future policy decisions’ on the excise level.²⁸
- 4.38 Associate Professor James Martin and his co-authors suggested a somewhat broader independent review. They recommended a cross-disciplinary review which takes into account ‘economics, criminology, public health, addiction medicine, behavioural science, and consumer experience’. Such a review, they recommend, should be established by the government or through National Cabinet.²⁹
- 4.39 Other submitters recommended that the excise be subject to ongoing evaluation and recalculation, rather than a one-off review.
- 4.40 The Australian Retail Council recommended that policy settings, including the excise, be subject to ‘ongoing review’.³⁰ The Alcohol and Other Drug Consumer and Community Coalition similarly recommended routine independent oversight of excise changes, to ‘enable rapid policy adjustment’ as needed.³¹
- 4.41 Master Grocers Australia also recommended that the excise be put under constant review. It recommended that the Australian Government establish a ‘formal Commonwealth excise integrity mechanism, requiring continuous assessment of illicit market impacts and alignment of excise policy with enforcement capability’.³²

²⁷ Victorian Chamber of Commerce and Industry, *Submission 10*, p. 4; Dr John Coyne, *Submission 11*, pp. 2–3, 13–14; Supabarn Supermarkets, *Submission 16*, p. 5; Associate Professor James Martin, *Submission 49*, [p. 12]; Centre for Independent Studies (CIS), *Submission 4*, Attachment 1 (CIS, *Taxing Tobacco into Illegality*), p. 11.

²⁸ Dr John Coyne, *Submission 11*, pp. 13–14

²⁹ Associate Professor James Martin, *Submission 49*, [p. 12].

³⁰ Australian Retail Council, *Submission 69*, p. 8.

³¹ Alcohol and Other Drug Consumer and Community Coalition, *Submission 29*, p. 6.

³² Master Grocers Australia, *Submission 55*, p. 3.

- 4.42 Any form of review of the excise, whether one-off or ongoing, would be greatly complemented by the improvements to data and reporting discussed above.

Pausing future excise increases

- 4.43 Several submitters put forward that further increases to the excise should be paused while the illegal market is brought under control. This included a number of submitters who advocated for some form of review. They argued that any further increase in the excise should be paused until the outcomes of a review were known.³³
- 4.44 Such an approach would retain regular indexation, keeping the excise at the same level in real terms. Professor Dr Friedrich Schneider of Johannes Kepler University Linz recommended a redesign of the excise which ‘discontinue[d] further above-indexation uplifts’ until the proportion of the illegal market reduced.³⁴
- 4.45 Dr Laffer also recommended that Australia ‘immediately pause further tax escalations’. Dr Laffer argued that Australia should no longer prescribe automatic real increases in the future. Instead, he argued that any real increases should be ‘conditional on measurable improvements in illicit penetration and revenue performance’.³⁵
- 4.46 OTR Group pointed to modelling undertaken by Tulipwood Economics on behalf of the Australian Association of Convenience Stores (AACCS). It reported that this modelling found that an excise freeze alone would generate an additional \$3.6 billion in revenue over four years from 2025-26, compared to continuing annual increases. It found that additional revenue would increase further if a freeze was coupled with additional enforcement.³⁶
- 4.47 A pause in increases also found some support amongst advocates for tobacco control, such as CREATE. They argued that further excise increases would be ‘unlikely to achieve substantial impact’ until the illegal market was brought under control. However, they emphasised their strong opposition to any overall reduction to the excise rate.³⁷

An immediate reduction of excise rates

- 4.48 Fewer advocates of excise reduction provided an exact figure that the excise should be reduced to.

³³ See, for example: Centre for Independent Studies, *Submission 4*, Attachment 1 (CIS: *Taxing Tobacco into Illegality*, p. 11; Dr John Coyne, *Submission 11*, pp. 2–3, 13–14.

³⁴ Johannes Kepler University of Linz, *Submission 14*, p. 5.

³⁵ Dr Arthur Laffer, *Submission 25*, p. 6.

³⁶ OTR Group, *Submission 57*, pp. 19–20.

³⁷ Professor Coral Gartner, *Submission 72*, [p. 26].

- 4.49 Several witnesses pointed to modelling of the illegal market and impact of an excise reduction undertaken by Oxford Economics, under commission from Ritchies IGA.³⁸
- 4.50 Oxford Economics recommended lowering the excise rate to 2019 levels (a reduction of approximately 42 per cent), on the basis that excise revenue was at its highest at that point. If done in conjunction with stronger enforcement, they modelled the following results by 2029:
- A fall in consumption of illicit tobacco of -46.8 [per cent] compared to 2026 levels.
 - A reduction in illicit market share from 64.0 [per cent] to 37.1 [per cent] compared to 2026 levels.
 - A \$3.1 billion boost to excise revenues.³⁹
- 4.51 In his evidence to the committee, Associate Professor James Martin suggested that the excise may need be reduced to lower than 2019 levels, to account for the fact that purchasing illegal tobacco was now normalised. However, he also stressed that any reduction should be subject to 'rigorous independent analysis'.⁴⁰
- 4.52 The AACS advocated for a significant reduction in excise of 50 per cent.⁴¹ A reduction of 50 per cent was also supported by Mr David Allen of the Cobargo Hotel who highlighted that 'in hospitality we cannot survive with the current excise rates in Australia, whether it be alcohol, whether it be tobacco'.⁴² Mr Allen also drew the committee's attention to the approach taken in New Zealand on alcohol excise, specifically spirits, and noted that although New Zealand's excise is around half Australia's excise they haven't experienced an unreasonable escalation in drunkenness.⁴³
- 4.53 Mr Theo Foukkare, CEO of AACS, explained to the committee that a 50 per cent reduction would bring a pack of legal cigarettes to approximately \$25, in comparison to an illegal pack of around \$15.⁴⁴

³⁸ See, for example, Karlsruhe Institute of Technology, *Submission 15*, p. 4; Australian United Retailers, *Submission 45*, p. 2-3; Australian Association of Convenience Stores, *Submission 79*, p. 2; Mr Martin Stirling, Chief Executive Officer, Master Grocers Australia, *Committee Hansard*, 18 May 2026, p. 43.

³⁹ Oxford Economics, *Addressing Australia's Illicit Tobacco Market*, February 2026, p. 6.

⁴⁰ *Committee Hansard*, 4 May 2026, p. 54.

⁴¹ Australian Association of Convenience Stores, *Submission 79*, pp. 4-5.

⁴² *Committee Hansard*, 18 May 2026, p. 47.

⁴³ *Committee Hansard*, 18 May 2026, p. 53.

⁴⁴ *Committee Hansard*, 18 May 2026, p. 37.

Other approaches

- 4.54 Some witnesses recommended more novel changes to the operation of the excise.
- 4.55 OTR Group recommended that a temporary 50 per cent rebate on excise should be established for licenced tobacco wholesalers. Wholesalers would be required to pay the rebate back if found selling illicit products. OTR Group recommend implementing this scheme until the market share of illicit tobacco is under 10 per cent. OTR Group argued that this approach would allow the industry to 'self-regulate'.⁴⁵
- 4.56 Professor Andrew Terry and Dr Fei Gao, researchers in taxation policy and regulatory governance at the University of Sydney Business School, proposed an alternative to the current method of levying excise at a fixed amount per physical unit of tobacco product. Instead, they recommended introducing an ad valorem component, whereby tobacco excise would be levied based on the pre-tax price of the product being sold.⁴⁶
- 4.57 Professor Terry and Dr Gao argued that a 200 per cent excise tax on top of the pre-tax price would retain the price disincentive of the existing excise system. However, it would also incentivise manufacturers to set their price as low as possible to minimise the excise charge. This approach, they argued, would keep 'legal products more competitive against illicit alternatives'.⁴⁷

Supply reduction measures

- 4.58 The committee received many suggestions for reforms to further limit the supply of illegal tobacco within Australia. These included suggestions for greater enforcement, both at the border and within Australia, and measures to address gaps in regulation for packaging and online sales.

Enforcement

- 4.59 The ITEC Commissioner identified strengthening consequences for illegal activity as a priority. The Commissioner emphasised that the purpose of enforcement was to alter the 'risk-to-reward calculus for organised crime'. To do so requires making illegal activities 'less profitable and therefore less attractive to criminal networks'.⁴⁸
- 4.60 The ACOSH argued that experience from comparable jurisdictions demonstrates that 'comprehensive enforcement strategies—rather than

⁴⁵ OTR Group, *Submission 57*, p. 19.

⁴⁶ Professor Andrew Terry and Dr Fei Gao, *Submission 21*, pp. 1–2.

⁴⁷ Professor Andrew Terry and Dr Fei Gao, *Submission 21*, p. 2.

⁴⁸ Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9*, p. 5.

reductions in tobacco taxation—are effective in reducing illicit trade’.⁴⁹ The Royal Australian College of General Practitioners and Healthway also called for greater enforcement powers and investment without changes to excise.⁵⁰

- 4.61 However, a number of other submitters told the committee that enforcement would be ineffective if not combined with changes to the excise. These submitters emphasised the low price of illegal products, which they argued could still undercut legal prices even with increased enforcement.⁵¹ Dr John Coyne told the committee:

As long as illicit tobacco can be imported, manufactured or grown cheaply and sold for a fraction of the regulated retail price, criminal groups will continue to expand their foothold in the market. Enforcement effort alone cannot neutralise the gravitational pull of such profit margins.⁵²

- 4.62 Regardless of their views on the excise, many submitters did not feel that existing capabilities and funding for enforcement were sufficient.
- 4.63 The AMA told the committee that the ITEC Commissioner’s 2024-25 reporting had highlighted a ‘striking disparity’ between enforcement activity, prosecutions and fines. The AMA summarised that ‘3321 inspections and 2027 operations during 2024–25 resulted in just 98 charges. During the same reporting period, just \$0.6 million was collected from civil and criminal fines’. They called for Australian, state and territory governments to ‘urgently rebalance the risk to reward ratio for illicit actors’ by strengthening enforcement powers and penalties’.⁵³
- 4.64 Mr Rohan Pike, a former law enforcement official, argued that existing funding for enforcement was likely insufficient to address the scale of the problem. He told the committee that:

Genuine impact may require investment of much higher magnitude, focused on serious organised crime disruption, asset confiscation, targeting of key individuals and the now entrenched retail networks.⁵⁴

⁴⁹ Australian Council on Smoking and Health, *Submission 60*, pp. 3, 16–17.

⁵⁰ Royal Australian College of General Practitioners, *Submission 13*, [p. 2]; Healthway, *Submission 67*, p. 29.

⁵¹ Dr Arthur Laffer, *Submission 25*, p. 6; Drug Policy Modelling Program, Social Policy Research Centre, University of New South Wales, *Submission 64*, p. 6; Australian Association of Convenience Stores, *Submission 79*, [pp. 4–5].

⁵² Dr John Coyne, *Submission 11*, pp. 8–9.

⁵³ Australian Medical Association, *Submission 58*, [p. 4].

⁵⁴ Mr Rohan Pike, *Submission 5*, p. 13.

- 4.65 The committee heard of different pressures confronting Australia's enforcement scheme both at the border and internally, which could be the target for reform or further investment.

Border protection

- 4.66 Strong border protection should prevent illicit tobacco from entering into Australia in the first instance, which eases pressure on domestic enforcement and regulatory agencies.
- 4.67 Cignall told the committee that border protection is a necessary complement to enforcement in the domestic retail environment. Without the movement of illicit goods into the country being disrupted, Cignall argued that '[i]llicit operators are able to quickly restock and resume trading, regardless of penalties imposed'.⁵⁵ This was echoed by Prohibition Does Not Work, who emphasised that enforcement needs to focus on where products are moved in bulk, not just the retail environment.⁵⁶
- 4.68 However, the committee heard that the border enforcement activities were not keeping up with the pace of the illicit market. Philip Morris Limited told the committee that although 'Australia has a clear and finite border' which 'should make large-scale illicit importation difficult', its capabilities at the border are 'not equipped to operate at the scale required'.⁵⁷
- 4.69 In its submission to the inquiry, VMI Security told the committee that border inspections rely on x-ray examination of some containers, prioritised by a risk-based assessment. It assessed that coverage by x-ray examination had likely fallen to below 1 per cent. VMI Security argued that the ability to assess a larger proportion of containers was constrained by low budgets, stretched personnel, and ageing technology.⁵⁸
- 4.70 Some investments to overcome these constraints have already been made. The Australia Government invested \$7 million in 2025 to 'support the Australian Border Force [ABF] to utilise emerging technology to screen and detect more illicit tobacco at our borders'.⁵⁹ Healthway welcomed this investment but argued that it would need to expand to 'allow for growth of enforcement teams and purchasing of detection equipment'.⁶⁰

⁵⁵ Cignall, *Submission 26*, p. 3.

⁵⁶ Prohibition Does Not Work, *Submission 40*, [p. 7].

⁵⁷ Philip Morris Limited, *Submission 39*, pp. 14–16.

⁵⁸ VMI Security, *Submission 81*, [pp. 6–8].

⁵⁹ The Hon Mark Butler MP, Minister for Health and Ageing, 'Action to combat the trade of illicit tobacco', *Media Release*, 12 March 2025.

⁶⁰ Healthway, *Submission 67*, p. 29.

- 4.71 The Freight and Trade Alliance, the peak body for the international trade and logistics sector, supported attempts by the ABF to ‘strengthen detection and enforcement activities’. However, they also noted that ‘escalation in intervention activity has not always been matched by sufficient operational capacity’. They told the committee that this had often led to ‘extended delays’ for shipping consignments.⁶¹
- 4.72 The Australian Industry Group observed that criminal networks have deliberately sought to overwhelm border inspection capacity by flooding ports with large volumes of shipping containers, making detection of individual illicit shipments more difficult. The committee heard evidence that Australia’s enforcement capability has not kept pace with the growth of the illicit tobacco trade.⁶²
- 4.73 A structural constraint on border detection capability that warrants specific attention is Australia’s Integrated Cargo System (ICS) which is the core digital infrastructure through which goods moving across Australia’s borders are assessed and cleared. The Australian Industry Group describe the ICS as:
- over 20 years old, built on a pre-digital business model, and increasingly unable to accommodate the risk-targeting approach that effective illicit tobacco detection requires.⁶³
- 4.74 The committee heard that the ICS’s ‘rigid architecture’ makes it difficult and costly to adapt to new enforcement needs, limiting the ABF’s ability to implement more sophisticated screening methodologies.⁶⁴ Modernising the ICS is likely therefore to be a precondition to meaningfully improve Australia’s ability to detect and intercept tobacco shipments at the border.
- 4.75 Alongside ICS modernisation, the committee heard that investment in contemporary cargo screening technology would materially improve detection outcomes. The Australian Industry Group explained that:
- Current container inspection relies heavily on ageing x-ray equipment and manual processing. Introducing non-intrusive inspection technologies earlier in the supply chain (informed by AI assisted risk algorithms that can identify high risk shipments) would allow the ABF to screen a greater volume of containers without slowing trade. This kind of capability uplift should improve targeting of illicit tobacco shipments.⁶⁵

⁶¹ Freight and Trade Alliance, *Submission 34*, [p. 4].

⁶² Australian Industry Group, *Submission 65*, p. 6.

⁶³ Ms Louise McGrath, Head, Industry Development and Policy, Australian Industry Group, *Committee Hansard*, 4 May 2026, p. 42; Australian Industry Group, *Submission 65*, p. 6.

⁶⁴ Australian Industry Group, *Submission 65*, p. 6.

⁶⁵ Australian Industry Group, *Submission 65*, p. 6.

Domestic enforcement

- 4.76 Other submitters focused on the need to increase enforcement activities domestically, at the point of illegal tobacco's distribution and sale.
- 4.77 Associate Professor James Martin and his co-authors argued that there was an 'inherent porousness' to the border which made a border-control-focused approach unlikely to succeed. He told the committee that, as such, the 'primary burden of enforcement falls on domestic law enforcement and regulatory agencies'.⁶⁶
- 4.78 The committee heard similar views from the Centre for Independent Studies, which argued that:
- Resources for inland enforcement must be substantially increased to target the sophisticated distribution and sales networks currently operating within Australian communities, rather than solely focusing on border seizures.⁶⁷
- 4.79 However, policing organisations told the committee that they faced barriers to their effective operation, including limited staffing resource and storage facilities.
- 4.80 The Police Federation of Australia (PFA) told the committee that police forces nation-wide face recruitment and retention issues. They argued that unless action was taken, state and territory police would have 'little capability' to support a more comprehensive response to illegal tobacco.⁶⁸
- 4.81 As discussed in Chapter 3, the PFA also pointed out issues with the ability of states and territories to store and destroy illicit tobacco, which were echoed by the Australian Federal Police (AFP). The AFP recommended further investment by the government to solve this issue.⁶⁹
- 4.82 Domestic enforcement of tobacco laws is complicated by their inconsistency across states and territories. As discussed in Chapter 3, enforcement powers, penalties and staffing levels vary greatly across states and territories. A number of submissions highlighted this as a key issue to be solved through regulatory harmonisation.⁷⁰

⁶⁶ Associate Professor James Martin, *Submission 49*, [pp. 6–7].

⁶⁷ Centre for Independent Studies, *Submission 4*, [p. 2];

⁶⁸ Police Federation of Australia, *Submission 33*, pp. 3–4.

⁶⁹ Australian Federal Police, *Submission 80*, p. 10.

⁷⁰ Supabarn Supermarkets, *Submission 16*, [p. 3]; Philip Morris Limited, *Submission 39*, p. 14; Lung Foundation Australia, *Submission 46*, pp. 4–5; National Heart Foundation of Australia, *Submission 56*, pp. 5–6; Queensland Health, *Submission 68*, p. 3.

Regulatory reforms

4.83 The committee also heard of some conspicuous gaps in regulatory requirements and enforcement activities undertaken at the federal level.

Updates to packaging requirements

4.84 Australia's plain-packaging reforms for tobacco products were considered world leading. However, Australia's packaging requirements have not kept up with international best practice.

4.85 As discussed in Chapter 1, Australia's periodic reporting to the World Health Organisation indicates our packaging requirements lack features recommended under the Framework Convention on Tobacco Control. Australia's plain packaging scheme does not require:

- Markings which assist in determining whether the product is legally available for sale in Australia,
- The statement 'Sales only allowed in Australia' or similar, or
- Individual units to have unique identifiers to enable tracking and tracing.⁷¹

4.86 In the absence of these requirements, illegal operators may take advantage of Australia's plain packaging laws to legitimise illegal products. Media reporting indicates that illegal products mimicking Australia's plain packaging are available online.⁷²

4.87 Researchers from CREATE told the committee that the lack of these markings or sophisticated track and trace technologies represents a 'structural weakness in Australia's capacity to monitor and secure the tobacco supply chain'.⁷³

4.88 The committee was told that the introduction of such measures would support more efficient confiscation of illegal products on the ground. Queensland Health, for example, told the committee that '[t]he introduction of product specific identification codes identifying products that have paid excise would greatly assist enforcement at the frontline'.⁷⁴

Addressing online sales and distribution by post

4.89 The committee heard evidence that illegal tobacco products were frequently made available for sale online and distributed through post. As discussed in

⁷¹ World Health Organisation, *WHO FCTC 2025: Australia (WPR)*, pp. 57–58; Professor Coral Gartner, *Submission 72*, [p. 27].

⁷² Danny Tran, 'Australian crime syndicates using fake tobacco packaging to flood legal market', *ABC News*, 9 March 2026, www.abc.net.au/news/2026-03-09/fake-cigarette-packaging-crime-syndicates/106424016 (accessed 7 July 2026).

⁷³ Professor Coral Gartner, *Submission 72*, [p. 27].

⁷⁴ Queensland Health, *Submission 68*, p. 4.

Chapter 1, the committee received anecdotal evidence that online sales increase in response to greater enforcement efforts.

- 4.90 Despite their prevalence, enforcement powers to close illegal online tobacco retailers are limited. As discussed in Chapter 3, South Australia is the only state or territory to have introduced legislation forbidding the sale of tobacco products online or by post.
- 4.91 Retailers expressed frustration that there was no clear process to report and seek the removal of illegal online storefronts. OTR Group told the committee that it had provided a list of websites selling illegal products to the ITEC Commissioner, and was unhappy they remained operational.⁷⁵
- 4.92 The government has powers under the *Telecommunications Act 1997* to request internet service providers block certain websites. Under section 313(3) of the act, government agencies can make these requests on the basis of the enforcement of criminal law or protection of public revenue.⁷⁶ It is unclear how these existing powers are being applied.
- 4.93 Philip Morris Limited recommended that the government exercise these powers to request that internet service providers block websites selling illegal tobacco. It made a comparison to the government's approach to gambling websites, which has seen the closure of 1450 sites since 2019.⁷⁷ The blocking of illegal websites was also supported by OTR Group.⁷⁸
- 4.94 Where illegal products are purchased online, they appear to often be distributed through the regular postal network.
- 4.95 Senator the Hon Richard Colbeck noted he had seen illegal tobacco websites providing Australia Post tracking numbers. As such, Senator Colbeck put it to witnesses at a public hearing that Australia Post was 'the biggest courier of illicit tobacco in the country'.⁷⁹
- 4.96 Despite these serious concerns, the committee did not receive evidence to indicate that there had been significant cross-agency work with Australia Post to address this issue.
- 4.97 ABF officials were questioned about how they had worked with Australia Post to counter the domestic transit of illegal tobacco goods. Officials pointed to the

⁷⁵ OTR Group, *Submission 57*, p. 10.

⁷⁶ Australian Communications and Media Authority, *Requests to block online services under section 313(3)*, 1 July 2026, www.acma.gov.au/requests-block-online-services-under-section-3133 (accessed 7 July 2026).

⁷⁷ Philip Morris Limited, *Submission 39*, p. 22.

⁷⁸ OTR Group, *Submission 57*, p. 10.

⁷⁹ Senator the Hon Richard Colbeck, *Committee Hansard*, 4 May 2026, p. 3.

establishment of the Illicit Tobacco National Disruption Group (ITNDG), which they said would work with industry including Australia Post.⁸⁰ However, Australia Post is not currently listed as a partner of the ITNDG.⁸¹

- 4.98 In response to questioning, the ITEC Commissioner, Ms Amber Shuhyta, told the committee that she had not had any conversations with Australia Post. However, Ms Shuhyta acknowledged she would be happy to engage with Australia Post as part of ‘looking at how we can effectively manage website disruption’.⁸²

Demand reduction measures

- 4.99 The Department of Health, Disability and Ageing (DHDA) and many health-sector organisations emphasised that reducing demand for all tobacco would reduce both the legal and illegal market. The DHDA told the committee that reducing demand for all tobacco was the ‘most effective long-term response to illicit tobacco’.⁸³
- 4.100 The committee heard several recommendations for methods to reduce demand for illegal tobacco, particularly from health organisations. Most prominently, these included recommendations for further investment in public education and support for cessation services.

Increased public education about illegal tobacco

- 4.101 A number of witnesses to the inquiry called for increased public education on the harms of tobacco, to lower demand for tobacco products overall.
- 4.102 The AMA endorsed ‘maximising educational campaigns’ to deter people from smoking before they even start. They argued that:

Increasing education is a crucial step towards encouraging the public to think critically about strategic marketing of illicit products and move away from the notion that tobacco is an everyday product.⁸⁴

- 4.103 Similar recommendations were made by a large number of other witnesses.⁸⁵

⁸⁰ Mr Tony Smith, Assistant Commissioner, Customs Compliance and Enforcement, Australian Border Force, *Committee Hansard*, 4 May 2026, p. 3.

⁸¹ Australian Border Force, *Illicit Tobacco National Disruption Group*, 11 May 2026, www.abf.gov.au/about-us/what-we-do/illicit-tobacco-and-vapes/illicit-tobacco-national-disruption-group (accessed 7 July 2026).

⁸² Ms Amber Shuhyta, Illicit Tobacco and E-cigarette Commissioner, *Committee Hansard*, 4 May 2026, p. 4.

⁸³ Professor Michael Kidd AO, Chief Medical Officer, Department of Health, Disability and Ageing, *Committee Hansard*, 18 May 2026, pp. 11–12.

⁸⁴ Australian Medical Association, *Submission 58*, [pp. 2–3].

⁸⁵ See, for example, Royal Australian College of General Practitioners, *Submission 13*, [p. 2]; Cancer Council Australia, *Submission 51*, p. 4; National Heart Foundation of Australia, *Submission 56*, p. 7;

- 4.104 A number of submitters recommended that public education campaigns also highlight the link between illegal tobacco and organised crime.⁸⁶
- 4.105 They proposed that such a campaign could focus on discouraging the purchase of cheap cigarettes based on its links to organised crime. OTR Group told the committee it believed there was a ‘lack of awareness’ of the funding of organised crime through illegal tobacco, which could be changed through public education.⁸⁷
- 4.106 However, Healthway cautioned against attempting to persuade individuals to not buy cheaper cigarettes. Instead, they argued that awareness campaigns ‘focus on building awareness and support for policy reforms’, which could encourage the strengthening of laws by states and territories.⁸⁸
- 4.107 Education campaigns could also be used to support increased enforcement activities. Researchers from CREATE provided an example of a relevant campaign implemented in England, which encouraged the public to report cheap tobacco sales. They noted that the campaign was ‘based on research that suggested there was some public discomfort about the relationship between organised crime and illicit tobacco sales’. The campaign had been evaluated for effectiveness and found to increase public awareness and report of illegal sales.⁸⁹
- 4.108 CREATE also warned that any campaign would need to be ‘carefully designed’ so as not to raise awareness of the availability of cheap tobacco.⁹⁰
- 4.109 Ms Karlie Brown advised the committee that the Department of Health, Disability and Aging have been complementing population-level prevention programs and education campaigns with ‘comprehensive advertising bans’ which aim to ‘reduce exposure, de-normalise use and prevent uptake’.⁹¹ These advertising bans operate in conjunction with the Therapeutic Goods

Matilda Centre for Research in Mental Health and Substance Use, *Submission 59*, p. 6; Australian Council on Smoking and Health, *Submission 60*, pp. 3–4; Queensland Health, *Submission 68*, p. 4.

⁸⁶ See, for example, Supabarn Supermarkets, *Submission 16*, p. 6; Master Grocers Australia, *Submission 55*, p. 3; Healthway, *Submission 67*, pp. 24–27; Australian Retail Council, *Submission 69*, [p. 8]; Professor Coral Gartner, *Submission 72*, [p. 20], 26; Australian Nursing and Midwifery Federation, *Submission 76*, p. 8;

⁸⁷ OTR Group, *Submission 57*, pp. 20–21.

⁸⁸ Healthway, *Submission 67*, pp. 25–27.

⁸⁹ Professor Coral Gartner, *Submission 72*, [p. 20].

⁹⁰ Professor Coral Gartner, *Submission 72*, [p. 26].

⁹¹ Ms Karlie Brown, Assistant Secretary, Population Health, Department of Health, Disability and Ageing, *Committee Hansard*, 18 May 2026, p. 16.

Administration and resulted in 327 websites and 8500 posts being taken down since the ban was introduced on 1 July 2024.⁹²

Cessation support

4.110 Health organisations also advocated for better access to cessation services and therapies for smokers to help reduce overall tobacco demand.

4.111 Several submitters highlighted barriers to smokers accessing nicotine replacement therapy (NRT) through the Pharmaceutical Benefits Scheme (PBS).⁹³ The Royal Australia College of General Practitioners (RACGP), Thoracic Society of Australia and New Zealand and Professor Michelle Jongenelis pointed out that the PBS does not subsidise the use of a combination of NRTs.⁹⁴ This is despite the RACGP's smoking cessation guidelines noting that combination NRTs are more effective than using a single approach.⁹⁵

4.112 Schemes to enable free NRT access are already in place to priority populations in Queensland and Tasmania.⁹⁶ In Queensland, smokers seeking to quit are provided with 12 weeks of free NRT supplies in conjunction with four weeks of telephone counselling through Quitline.⁹⁷

4.113 Healthway recommended scaling up the Queensland approach to the national level by providing free access to NRTs for 12 weeks through the PBS. People accessing NRTs through the PBS would be required to have a prescription and participate in some form of cessation counselling.⁹⁸

⁹² Mr Chris Bedford, First Assistant Secretary, Regulatory Practice and Support, Department of Health, Disability and Ageing, *Committee Hansard*, 18 May 2026, p. 15.

⁹³ See, for example, Royal Australian College of General Practitioners, *Submission 13*, [p. 2]; National Aboriginal Community Controlled Health Organisation, *Submission 35*, pp. 9–10; Lung Foundation Australia, *Submission 46*, pp. 6–7; Professor Michelle Jongenelis, *Submission 50*, p. 7; Australian Medical Association, *Submission 58*, [p. 3]; Thoracic Society of Australia and New Zealand, *Submission 62*, [p. 5].

⁹⁴ Royal Australian College of General Practitioners, *Submission 13*, [p. 2]; Professor Michelle Jongenelis, *Submission 50*, p. 7; Thoracic Society of Australia and New Zealand, *Submission 62*, [p. 5]. By way of example, a combination NRT could include the use of a long-acting therapy (such as a patch), in conjunction with shorter acting therapies (such as gum).

⁹⁵ Royal Australian College of General Practitioners, *Supporting smoking cessation: A guide for health professionals*, May 2024, p. 45.

⁹⁶ Lung Foundation Australia, *Submission 46*, p. 7; Healthway, *Submission 67*, p. 30.

⁹⁷ Healthway, *Submission 67*, p. 30.

⁹⁸ Healthway, *Submission 67*, p. 30.

4.114 In addition to better access to NRTs, a number of health organisations called for increased funding to existing cessation support services.⁹⁹

Access to other tobacco alternatives

4.115 Some submitters argued that lack of access to tobacco alternatives was a significant driver of demand for illegal tobacco products. They advocated for a harm reduction approach which provided safer alternative nicotine products to move smokers off of tobacco.¹⁰⁰ The ITEC Commissioner's 2024-25 report found that approximately 95.7 per cent of all e-cigarette or vape products sold in Australia were illegal.¹⁰¹

4.116 Myriad Pharmaceuticals Australia told the committee that Australia's current pharmacy-only retail requirements were not functioning as intended and driving consumers to the illegal market.¹⁰²

4.117 The committee heard from Associate Professor James Martin that:

For vapes, consumers have been pushed towards black market suppliers by bans on retail sales outside of a limited number of participating pharmacies, onerous requirements to access legal vapes within those pharmacies, and restrictions on the legal sale of flavours that are popular amongst adults.¹⁰³

4.118 Harm Reduction Australia recommended changing regulation in Australia to establish a 'regulated legal market for lower-risk nicotine products'.¹⁰⁴ It was made clear that illicit vapes pose 'much more serious health risks than those available in legal markets'.¹⁰⁵ Nicotine concentrations typically are significantly higher than in regulated products and some also contain dangerous adulterants.¹⁰⁶

4.119 It was established to the committee that:

⁹⁹ See, for example, Lung Foundation Australia, *Submission 46*, p. 7; National Heart Foundation of Australia, *Submission 56*, p. 7; Northern Territory Government, *Submission 78*, p. 7.

¹⁰⁰ See, for example, ALIVE Advocacy Movement, *Submission 2*, [pp. 2–4]; CAPHRA, *Submission 3*, p. 2; Mr Rohan Pike, *Submission 5*, p. 13; World Vapers' Alliance, *Submission 6*, [p. 4]; Johannes Kepler University of Linz, *Submission 14*, [p. 5]; Dr Alex Wodak AM, *Submission 18*, [p. 7]; Mr Clive Bates, *Submission 61*, pp. 1, 3;

¹⁰¹ Office of the Illicit Tobacco and E-cigarette Commissioner, *Submission 9*, Attachment 1: Illicit Tobacco and E-cigarette Commissioner Report 2024–25, 2025, p. 13.

¹⁰² Myriad Pharmaceutical Australia, *Submission 28*, [pp. 1, 3–5].

¹⁰³ Associate Professor James Martin, *Submission 49*, [p. 2].

¹⁰⁴ Harm Reduction Australia, *Submission 22*, p. 2.

¹⁰⁵ Associate Professor James Martin, *Submission 49*, [p. 4].

¹⁰⁶ Associate Professor James Martin, *Submission 49*, [p. 4]; Drug Policy Modelling Program, Social Policy Research Centre, University of New South Wales, *Submission 64*, p. 7.

A legal, regulated vape market would allow standard product safety and consumer protection measures to be enforced, including controls on ingredients, manufacturing quality, nicotine concentration, and labelling, thereby reducing risks associated with adulterated or mislabelled illicit products. It would also provide adult smokers with access to a nicotine product that is likely to be significantly less harmful than continued smoking of combustible tobacco.¹⁰⁷

4.120 A number of submitters also directed the committee to the example in New Zealand where a ‘tobacco harm reduction approach’ has been taken, acknowledging that there will always be some nicotine use in the community.¹⁰⁸ As a result, New Zealand has ‘put in a workable access model for smoke-free products, and, for those that won’t quit, they’ve been able to navigate them into smoke-free products’. This has resulted in a decrease in smoking prevalence to 6.8 per cent.¹⁰⁹

4.121 Further evidence was heard by the committee that although Sweden and Germany have similar levels of nicotine use, Sweden has around half the lung and oral cancer mortality because most of the nicotine used is in smokeless tobacco forms.¹¹⁰

4.122 The committee acknowledges that, as explained by Associate Professor Martin and his co-authors:

the policy question is therefore not whether vaping carries risks, which it does, but to understand the balance between potential harm reduction benefits for current smokers against the risks of youth uptake, ongoing nicotine dependence, and other unintended population effects.¹¹¹

Alignment across jurisdictions

4.123 As discussed in Chapter 3, licensing and enforcement schemes are not consistent across Australian governments.

4.124 As these are the responsibilities of their respective governments, the Australian Government would need to work with jurisdictions through an appropriate mechanism to achieve harmonisation.

¹⁰⁷ Associate Professor James Martin, *Submission 49*, [p. 4].

¹⁰⁸ See, for example Mr Rohan Pike, *Submission 5*, p. 12; Dr Alex Wodak AM, *Submission 18*, [p. 4]; Harm Reduction Australia, *Submission 22*, pp. 1–4; Myriad Pharmaceuticals Australia, *Submission 28*, [pp. 3–4]; Philip Morris Limited, *Submission 39*, pp. 12, 14; Associate Professor James Martin, *Submission 49*, [p. 11].

¹⁰⁹ Witness A, Philip Morris Limited, *Committee Hansard*, 4 May 2026, pp. 3–4.

¹¹⁰ Mr Clive Bates and Professor Ron Borland, *Committee Hansard*, 18 May 2026, pp. 68–69.

¹¹¹ Associate Professor James Martin, *Submission 49*, [p. 4].

4.125 Associate Professor James Martin recommended National Cabinet as an appropriate forum for a review into excise and nicotine product regulation.¹¹² Another forum which could be considered is the Police Minister's Council, which has already begun work to establish critical national priorities to disrupt the illicit tobacco market.¹¹³

4.126 Harmonisation could target a number of existing regulatory gaps and inconsistencies across jurisdictions. ACOSH identified several areas where regulatory approaches diverge. These include:

- The level of control across the entire tobacco supply chain,
- Requirements for market monitoring and data visibility,
- The ability to issue enforceable undertakings, directions or orders in response to non-compliance,
- Future-proofing legislation to capture new products as they emerge,
- Embedding illicit trade prevention measures, such as powers to refuse licences to individuals with a criminal history,
- Regulation of the retail environment,
- Available detection and investigative powers,
- Penalties and deterrence measures, and
- Resourcing and operational support for enforcement.¹¹⁴

4.127 Opportunities for alignment have been discussed in detail above. This includes improvements to reporting and data collection, penalties and enforcement powers, and regulation of the online sales landscape.

4.128 As described in Chapter 3, the committee also heard from the Shopping Centre Council of Australia about reforms to require the termination of leases by landlords.

Retail licence limits

4.129 Another potential licensing reform brought to the committee's attention was the imposition of limits on the number of licences issued. Although all states and territories now have tobacco retail licensing schemes in place, the committee heard from Professor Becky Freeman that none of these include 'any guardrails on retailer numbers or types'.¹¹⁵ This is despite reducing retail licences being

¹¹² Associate Professor James Martin, *Submission 49*, [p. 12].

¹¹³ Police Ministers Council, *Communique*, 15 April 2026, p. 2.

¹¹⁴ Australian Council on Smoking and Health, *Submission 60*, pp. 11–12.

¹¹⁵ Professor Becky Freeman, *Submission 73*, p. 6.

endorsed by the World Health Organisation and included as an action for further exploration in Australia's *National Tobacco Strategy 2023-2030*.¹¹⁶

4.130 The Lung Foundation told the committee that '[h]igh densities of tobacco retailers are a significant environmental factor contributing to smoking initiation and sustained nicotine dependence'. It recommended to the committee that governments aim to reduce tobacco retail licenses by 50 per cent by 2030.¹¹⁷

4.131 Healthway also recommended a reduction in tobacco retail licences, by placing caps on licences per suburb and region. It also recommended an outright prohibition of licences 'within prescribed distances from schools and community services'.¹¹⁸ In addition to the reasons given by the Lung Foundation, Healthway noted that fewer retailers would 'support enforcement by significantly reducing the number of outlets to inspect'.¹¹⁹

Next chapter

4.132 The next chapter will discuss the committee's views on the reforms proposed above, and their recommendations to the Australian Government to combat illegal tobacco.

¹¹⁶ Lung Foundation Australia, *Submission 46*, p. 6; Department of Health and Aged Care, *National Tobacco Strategy 2023-2030*, May 2023, p. 23.

¹¹⁷ Lung Foundation Australia, *Submission 46*, p. 6.

¹¹⁸ Healthway, *Submission 67*, pp. 19–20.

¹¹⁹ Healthway, *Submission 67*, p. 19.

Chapter 5

Committee view

- 5.1 Australia's tobacco control strategy, as a combination of high excise taxation, plain packaging requirements, and public health campaigns to reduce the affordability, accessibility and appeal of tobacco, while historically successful, is facing a breaking point.
- 5.2 It was made clear to the committee that Australia's tobacco landscape has changed significantly in recent years, notably the rapid expansion in the sophisticated illicit tobacco trade led by transnational serious and organised crime groups (TSOC). Throughout this inquiry, the committee was repeatedly told that Australia's tobacco control strategy is being undermined by the presence of a large-scale illegal tobacco market. Evidence to the committee indicated that the country has reached a point at which the growth of the illegal tobacco market is threatening the basic functionality of Australia's tobacco control measures.
- 5.3 The weakening of Australia's tobacco control scheme by the illegal market operated by TSOC groups undermines public health and ultimately Australia's national security. The committee heard that illegal tobacco products typically do not meet the safety standards of legal products, and have the potential to exacerbate existing health inequalities among at-risk socio-economic groups with higher rates of smoking. In addition to public health concerns, the committee heard that the illegal market has damaging repercussions for government revenue. It received evidence from many small business owners whose businesses are under financial strain and whose staff and communities are under threat from increased violence associated with the illegal market and organised crime. The committee thanks the many small businesses owners and operators who provided submissions to this inquiry, often despite concerns for their own safety.
- 5.4 Evidence to the committee emphasised the interconnected nature of the impacts of the illicit tobacco trade on Australia's health and wellbeing, economy and productivity, community safety, and national security. The committee heard that methods to address these impacts require a concert of policy measures involving greater coordination between federal, state and territory departments and agencies.
- 5.5 In this new context, Australia's suite of tobacco control measures must be urgently reevaluated to make them fit for purpose.

Tobacco excise reform

- 5.6 In relation to the tobacco excise, the committee received evidence both for and against high rates of taxation on tobacco products. At the heart of this debate is the question of whether successive excise increases by recent governments have reduced smoking as intended, or largely shifted consumption to illegal tobacco. Recent reporting from the Australian Bureau of Statistics (ABS), that illicit tobacco now accounts for approximately 80 per cent of total consumption, puts beyond doubt that price is driving the uptake of illegal products. In the words of Dr. Arthur Laffer:

All the evidence above points towards the need for a decisive reorientation of Australia's excise strategy towards lower, enforceable excise rates that protect the tax base. It is a call for a corrective reset from an excessive level that is now demonstrably undermining revenue and control.¹

Recommendation 1

- 5.7 **The committee recommends the Australian Government immediately pause any further increases to the tobacco excise, including through regular indexation, until meaningful elimination of the illicit tobacco market can be achieved.**

Recommendation 2

- 5.8 **The committee recommends the reduction in the tobacco excise as part of a comprehensive suite of policy measures spanning improved enforcement, modernisation of border controls, strengthened public education campaigns, and improved availability of other less harmful nicotine products. The precise new excise level should be determined by way of an independent review that publicly releases modelling on the effects of alternative excise levels.**

Improved access to non-smoking nicotine products

- 5.9 The committee heard from a number of witnesses that harms caused by the illegal tobacco crisis are being exacerbated by the lack of access to safer alternatives to tobacco. The current pharmacy-only retail model for vapes has pushed consumers towards the black market. As a result, consumers are denied access to products which are less harmful than smoking tobacco and being exposed to potentially dangerous unregulated vaping products.
- 5.10 The committee considers that adopting a harm reduction approach to tobacco control would avoid these pitfalls. This would align Australia with other international approaches such as in New Zealand, which allows for the regulated sale of non-smoking nicotine products and has still seen a decline in smoking prevalence.

¹ Dr Arthur Laffer, *Submission 25*, p 6.

Recommendation 3

- 5.11 The committee recommends that Australia adopt policy settings similar to those in place in New Zealand since 2020 to establish the legalised sale of regulated nicotine vapes and other non-smoking nicotine products as a comparatively less harmful alternative for Australian smokers.**

Further investment in enforcement and demand reduction

- 5.12 The committee also heard that continued investment in enforcement and demand reduction measures was necessary to address the illicit trade.
- 5.13 The point was made to the committee that continuing efforts to reduce overall tobacco usage must encompass consumers of illicit products. To this end, the committee accepts the evidence that there are opportunities to institute further demand reduction measures including greater access to nicotine replacement therapies. The committee heard that new public education campaigns which draw attention to the relationship between illegal tobacco and crime in the community may also assist in raising community awareness and serve as a deterrent to tobacco consumers.
- 5.14 Such investments should be complemented by stronger enforcement to reduce the supply of illegal tobacco. Several enforcement agencies and policing groups told the committee that their capabilities are stretched thin in the face of a problem of this scale. This effects both the ability to prevent illegal tobacco from entering the country, and to police its distribution and sale domestically. Further investment is needed to ensure enforcement agencies are effectively resourced and have the right tools at their disposal to combat the illegal tobacco trade.
- 5.15 In particular, the committee heard that enforcement of illicit tobacco laws at the border is constrained by outdated technology and continuing reliance on the Integrated Cargo System. Australia's border protection system is our first line of defence against the entry of illegal products into the country. The committee considers that a feasibility study to identify appropriate solutions to these issues should be undertaken as soon as possible, to ensure our border protection system is fit for purpose.
- 5.16 The committee also recognises that the illicit tobacco crisis is not simply a border and customs issue, but is rather the result of a sophisticated campaign by TSOC groups to establish international and domestic supply chains and human networks that can generate immense criminal profits. Given the Australian Criminal Intelligence Commission (ACIC) is Australia's premier agency for countering TSOC groups it is important that they lead the work of the Illicit Tobacco National Disruption Group (ITNDG).

Recommendation 4

5.17 The committee recommends the Australian Government expand efforts to prevent the sale and distribution of illegal tobacco, and reduce its impact on the community, including by investing further in:

- **Enforcement and border protection capabilities,**
- **Demand reduction measures, such as supporting better access to nicotine replacement therapies, especially for at-risk groups.**

Recommendation 5

5.18 The committee recommends the Australian Government undertake a nation-wide information campaign to encourage Australians to stop purchasing illicit cigarettes vapes and to warn of the harmful health and community safety effects of supporting the trade in illicit cigarettes and vapes.

Recommendation 6

5.19 The committee recommends the establishment of a feasibility study concerning investment and capabilities required to uplift and modernise Australia's Integrated Cargo System and enabling infrastructure which is the basis of Australia's ability to screen cargo for illicit goods such as illicit tobacco.

Recommendation 7

5.20 The committee recommends the reorganisation of the Illicit Tobacco National Disruption Group (ITNDG) to place the Australian Criminal Intelligence Commission as the lead agency of the ITNDG, instead of the Australian Border Force.

A nationally harmonised approach to illegal tobacco

5.21 Australia's tobacco control system is only as strong as its weakest laws. Criminal actors will exploit gaps in the regulatory system across jurisdictions to maintain a foothold in Australia's illicit market. For this reason, the committee takes the view that coordinated action is required to ensure states, territories and the Australian Government move together to regulate the tobacco market.

5.22 Fragmented enforcement, inconsistent penalties and gaps between Commonwealth, state, territory and local responsibilities have enabled criminal operators to exploit the system. Enforcement needs to be nationally coordinated and properly resourced.

Recommendation 8

5.23 The committee recommends that the Australian Government work with states and territories, including through the National Cabinet, to establish a

nationally harmonised illicit tobacco enforcement framework, including creating nationally consistent licensing obligations, inspection powers, penalties, intelligence sharing, supply chain integrity measures and retail compliance arrangements.

Building a stronger evidence base for reform

- 5.24 The committee heard evidence from witnesses who argued that there is a lack of available data around illegal tobacco consumption and consumer behaviour. Therefore, the committee recommends that improvements be made to data collection and reporting to inform further reforms to Australia's tobacco control policies.
- 5.25 The establishment of the Office of the Illicit Tobacco and E-cigarette Commissioner (ITEC Commissioner), along with annual reporting requirements on state of the illegal market, has begun to improve our understanding of the scale and nature of the illegal market. The committee notes that the ITEC Commissioner has made further improvements to data collection and reporting a priority, but that more needs to be done.
- 5.26 The committee considers that more could be done to ensure that data collection on the tobacco market is comprehensive and available in a timely manner. Understanding how high excise prices are moving consumers to the illegal market, and what alternative excise levels will be effective over time, requires quality tobacco consumption data across the country. However, the committee notes that reporting requirements on the sale of legal tobacco are inconsistent across Australian jurisdictions. A clear picture of legal tobacco sales across the country would be of great benefit to understanding the impacts of changes to policy settings on consumer behaviour.
- 5.27 The committee also acknowledges that tobacco usage is disproportionately high amongst disadvantaged groups, and the growth of the illegal market risks further entrenching health inequality. Improvements to data and reporting should provide the evidence-base to ensure that interventions are effectively targeted to at-risk cohorts for maximum impact.
- 5.28 The committee also encourages the development of new, innovative methods for providing a picture of Australia's illegal tobacco market. As highlighted in Chapter 4, the illegal tobacco trade is not included in the scope of the Australian National Accounts. The ABS has indicated that while international statistical standards recommend including illegal markets in measures of economic activity, Australia has not done so due to significant measurement difficulties.² The committee welcomes efforts by the ABS to seek to capture this data.

² Australian Bureau of Statistics, *Household consumption of illicit tobacco and nicotine products*, 3 June 2026, www.abs.gov.au/articles/household-consumption-illicit-tobacco-and-nicotine-products (accessed 7 July 2026).

Recommendation 9

5.29 The committee recommends the Australian Government work with state and territory counterparts to improve data collection and reporting on the tobacco market in Australia to inform Australia's tobacco control policy and excise settings including by:

- **harmonising reporting requirements for tobacco sales across all states and territories; and**
- **refining the Australian Bureau of Statistics' estimates of illicit tobacco consumption as part of the Australian National Accounts.**

Implementation of a track and trace scheme

5.30 The committee heard that Australia has not yet implemented a track and trace system to allow individual product units to be transparently tracked throughout the supply chain. Such a scheme is considered best practice as part of the World Health Organisation's Framework Convention of Tobacco Control. Implementing a track and trace regime would support more efficient enforcement by supporting the easy verification of legal products.

5.31 An Australian track and trace regime has long been contemplated. The Australian Government responded to recommendations by the Parliamentary Joint Committee on Law Enforcement in 2020 by indicating that the Department of Health would continue working with law enforcement agencies to implement a regime. However, it is unclear what progress has been made on this work to date.

5.32 Implementing a track and trace scheme would require updates to Australia's plain packaging regulations. Australia's reforms to introduce plain packaging were world leading, however they have not kept pace with best practice. The committee was told that a number of features recommended by the World Health Organisation are not included on Australian packaging. In addition to markings to enable tracking, Australia's packaging requirements do not include statements that the product is available for legal sale in Australia.

5.33 The committee considered that a sensible first step towards implementing a track and trace regime would be reviewing Australia's packaging requirements to ensure they remain fit for purpose.

Recommendation 10

5.34 The committee recommends the Australian Government review its packaging requirements for tobacco, with a view to implementing reforms to enable a track and trace scheme.

Illegal tobacco websites

5.35 Based on the evidence provided, the committee recognises that brick-and-mortar retailers represent only a part of the illicit tobacco problem.

Throughout this inquiry, witnesses emphasised that criminal actors are adaptable and utilise a variety of methods to move their product. In particular, the committee heard that online sales through websites are common, with purchases often distributed through Australia Post.

- 5.36 Despite this, it is unclear what actions are currently being taken by the Australian Government to address online sales or distribution by post. The committee heard from frustrated witnesses who had sought to report illegal websites, but were faced with unclear reporting pathways and a lack of results. The Australian Government has powers under the *Telecommunications Act 1997* to order the blocking of websites undertaking illegal activity or threatening revenue, yet it was not made apparent to the committee whether these powers are being exercised in relation to illegal tobacco.

Recommendation 11

- 5.37 **The committee recommends the Australian Border Force and Illicit Tobacco and E-cigarette Commissioner work with the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts and Australia Post to understand the prevalence of websites selling illegal tobacco and their distribution methods, with a view to strengthening regulatory options to shut down illegal online retailers.**

Recommendation 12

- 5.38 **The committee recommends that Australia Post be made a partner in the Illicit Tobacco National Disruption Group.**

Senator Leah Blyth

Chair

Government Senators' Dissenting Report

- 1.1 Australia's illicit tobacco market poses a wicked problem for the Commonwealth, state and territory governments and the entire community as the levers to address it cut across jurisdictions and levels of government and impact on various interests and responsibilities in health, customs and border enforcement, policing, taxation, and public safety and amenity.
- 1.2 The committee heard extensive and compelling evidence that while the sale of illicit tobacco was once viewed primarily as a public health issue, over the last decade it has changed into a serious and organised crime issue. The existence and growth of the illegal tobacco market is having unacceptable impacts on community safety and amenity. Unchecked, it has the potential to erode hard fought gains in Australia's efforts to drive down daily adult smoking rates to amongst the lowest in the world while the profits that accrue to organised criminal groups fund and enable other criminal activities.
- 1.3 It is worth remembering why Australia has amongst the tightest tobacco control measures in the world – a position which up until this Inquiry had longstanding bipartisan support. Smoking kills two out of every three long term users. Smoking accounts for over 40 per cent of Australia's cancer disease burden which is a burden which is paid for predominately by the Australian taxpayer. Smoking is still the biggest cause of preventable death and disability in Australia, killing 66 Australians every day.¹ Those smoking related deaths and the expense of treating those who get ill are entirely preventable.
- 1.4 It is in this context that health experts see illicit tobacco, the rapid spread of cheap vapes (under the previous government), and other high-potency nicotine products as one of the greatest threats to Australia's hard-won progress in reducing smoking rates. These gains have been achieved over generations and should not be put at risk. Australia has led the fight to combat smoking over the last 50 years, and it can and should remain the goal of the Government and all political leaders to not take a backwards step in the fight against tobacco and smoking related disease and death.
- 1.5 Newly released data from the Australian Institute of Health and Welfare (AIHW) in relation to smoking rates in Australia is important to consider.² The AIHW provides authoritative data for smoking data in Australia, and it shows that, despite the best efforts of criminals, daily smoking has fallen to record

¹ Cancer Council Australia, *Smoking and Tobacco*, www.cancer.org.au/cancer-information/causes-and-prevention/smoking (accessed 24 August 2026).

² Australian Institute of Health and Welfare, *National Drug Strategy Household Survey 2025: Tobacco, e-cigarettes and other nicotine insights*, 3 August 2026, www.aihw.gov.au/reports/illicit-use-of-drugs/national-drug-strategy-household-survey/contents/insights (accessed 11 August 2026).

lows. The adult smoking rate has decrease from 8.8 per cent in 2022–3 to 5.8 per cent in 2025. For those aged 14 and over the rate has declined from 8.3 per cent to 5.6 per cent across the same period. The fact that smoking rates have continued to fall is remarkable, positive news given the evidence the committee heard about the scale of the illicit tobacco market, and it should give reason to those advocating for a radical departure from Australia’s tobacco control measures to exercise caution.

- 1.6 Labor Senators share the deep concerns, expressed universally by witnesses who appeared before the committee, about the impacts on the broader community of illicit tobacco. This includes the concerns of legitimate retailers who businesses are being harmed and attacked by organised criminals.
- 1.7 Australians are rightly concerned about the weaponisation of the illicit tobacco market by transnational, serious and organised criminal syndicates. The worsened situation risks undermining public confidence in government and the criminal law, as organised criminals weaponise the cheap oversupply of tobacco produced globally to reap huge profits in Australia and then reinvest those profits into market expansion and other criminal ventures. Witnesses before the committee unanimously agreed that criminals cannot be allowed to continue to operate shopfronts in broad daylight, in shopping strips and main streets across the country, and that the problem must be treated with the seriousness and urgency that it demands by all jurisdictions.
- 1.8 The seriousness of the issue ought to have similarly demanded that political leaders approach this Inquiry with an open mind, seeking to understand the complexity of the issues presented to the committee to formulate sensible policy proposals to combat the serious and organised criminals who are benefiting from this trade. It is disappointing that Coalition Senators instead conceived and executed the inquiry in a partisan political manner with the outcome predetermined months before, irrespective of evidence and logic.
- 1.9 Labor senators opposed the decision to allow Phillip Morris to appear privately³ given Australia’s obligations under the World Health Organization Framework Convention on Tobacco Control, ratified under the Howard Government. Article 5.3 of the Convention requires parties to protect public health policies from the commercial and vested interests of the tobacco industry, reflecting the fundamental and irreconcilable conflict between the industry’s interests and public health. It is the strong opinion of the Labor Senators that the tobacco industry should not have been invited to give evidence to this inquiry.
- 1.10 That concern was shared by health experts who gave evidence at the inquiry, and who appeared in transparent public hearings. The Australian Council on Smoking and Health told the committee that the tobacco industry ‘is not a

³ Senator Dorinda Cox, *Committee Hansard*, 4 May 2026 (Philip Morris), p. 4.

neutral stakeholder’ and that its inclusion in processes of this kind ‘does not strengthen decision-making; it compromises it’.⁴ The Cancer Council Australia asked that all witnesses declare any direct or indirect links to tobacco interests; the Lung Foundation, the National Heart Foundation, the Public Health Association of Australia and independent experts including Professor Becky Freeman and Professor Coral Gartner each declared their independence from industry funding and urged the committee to observe Article 5.3.⁵

- 1.11 The industry’s evidence illustrated why Article 5.3 exists. Its central recommendation to the committee was a reduction in the excise tobacco companies pays. At the same time, witnesses from tobacco companies confirmed they had not responded to the ITEC Commissioner’s written request for supply chain and online sales information, and could not describe production or supply controls capable of assuring the Senate that their own legally manufactured product does not enter the illicit market through offshore supply chains. The Commissioner’s evidence was that industry approaches to her office have concerned one subject: excise policy.⁶
- 1.12 Labor Senators also record their deep concern at evidence that public health researchers have faced escalating harassment for contributing to this and other tobacco related inquiries. Particularly concerning was evidence from Professor Freeman that she received a death threat directing her to ‘butt out of the illicit tobacco debate’.⁷
- 1.13 Many of the committee’s recommendations are not nonsensical and some deserve further consideration, however some deserve scrutiny and scepticism.
- 1.14 The committee heard extensive evidence that there was no silver bullet to combatting the illicit tobacco market, and that governments would need to pull multiple levers to achieve a material reduction in the market.
- 1.15 Some of the most compelling evidence was with respect to the efficacy and importance of shop closures and landlord penalties for retail outlets caught

⁴ Ms Laura Hunter, Chief Executive Officer, Australian Council on Smoking and Health, *Committee Hansard*, 4 May 2026, p. 28.

⁵ Ms Jacinta Reddan, Chief Executive Officer, Cancer Council Australia, *Committee Hansard*, 4 May 2026, p. 29; Mr Mark Brooke, Chief Executive Officer, Lung Foundation Australia, *Committee Hansard*, 4 May 2026, p. 27; Professor Gary Jennings, Chief Medical Adviser, National Heart Foundation of Australia, *Committee Hansard*, 4 May 2026, p. 28; Dr Raglan Maddox, Convenor, Alcohol, Tobacco and Other Drugs Special Interest Group, Public Health Association of Australia, *Committee Hansard*, 4 May 2026, p. 15; Professor Becky Freeman, *Submission 73*, p. 1; Professor Coral Gartner, *Submission 72*, [p. 25].

⁶ Witness A and Witness B, Philip Morris, *Committee Hansard*, 4 May 2026 (Philip Morris), pp. 4–6; Ms Amber Shuhyta, Illicit Tobacco and E-cigarette Commissioner, *Committee Hansard*, 4 May 2026, p. 6.

⁷ Professor Becky Freeman, Private capacity, *Committee Hansard*, 18 May 2026, p. 74.

selling illegal tobacco. Labor Senators strongly encourage all State and Territory governments to rapidly uplift their legislative frameworks and enforcement postures to replicate the success that Queensland and South Australia are having in shutting shops that sell illicit tobacco.

- 1.16 It would have been preferable for the committee to hear further evidence regarding the efficacy of these enforcement efforts and more fully understand what else needs to be done by the states and territories to rapidly shutdown the retail shopfronts, however the committee's time was unduly preoccupied with the Liberal Party's total obsession with reducing the tobacco excise and making cigarettes cheaper without regard to a holistic approach to this complex issue.
- 1.17 It was clear before the inquiry even began that the Liberal Party would use the Committee process to advocate for a massive reduction in the tobacco excise to slash the cost of cigarettes.
- 1.18 Excise has been, on the unanimous evidence of the health witnesses, the most effective lever that has prevented uptake and encouraged quitting, and has helped deliver Australia one of the lowest smoking rates in the world which, alongside demand reduction initiatives, has helped to shrink the size of the overall tobacco market. Excise is a deterrent to the roughly 90 per cent of Australians who do not smoke, not only the shrinking minority who do.
- 1.19 It is noted that tobacco excise rose by over 215 per cent under the former Liberal Government and by just over 30 per cent under this Labor Government, including the adjustments that simply ensured that the price of legal cigarettes did not decline in real terms during the post-COVID period of high inflation.
- 1.20 To be clear however, despite the predetermined conclusions that Coalition Senators brought to the inquiry, Labor Senators did not and do not have a closed mind on the question of future excise settings. The question must remain what the evidence says would be most effective in the next stage of policy development to maintain the hard-won gains in driving down smoking rates while combatting the illegal tobacco market and the commodity agnostic organised criminal syndicates that control it.
- 1.21 The committee heard conflicting evidence as to whether reducing the tobacco excise would or would not materially reduce the illicit tobacco market. The weight of evidence from experts with no vested interests was that there would be little to no material impact at this time on the illicit market from cutting tobacco excise which could come at an enormous cost to revenue and to long term health outcomes.
- 1.22 Despite all the noise, and even the spectacle of witnesses to the inquiry calling for excise reductions and then appearing at the National Press Club with a Liberal MP, there was no credible or compelling evidence or modelling placed before the committee as to how slashing tobacco excise now would actually stop the entrenched illicit market.

- 1.23 Credible evidence was received that slashing excise may make little material difference to illegal tobacco markets, including from the ITEC Commissioner, the Department of Home Affairs, the Australian Medical Association, Cancer Council Australia, the Australian Council on Smoking and Health, the National Heart Foundation, the Lung Foundation, the Public Health Association of Australia, NACCHO, Professor Freeman, Professor Gartner, Professor Calma and Emeritus Professor Chapman.⁸
- 1.24 The ITEC Commissioner, who has the broadest data and intelligence picture across health, border, policing, tax and licensing agencies gave direct evidence that she can find no logical correlation internationally between excise settings and the size of illicit markets. Portugal and Ecuador levy an identical 16 cents per cigarette, with illicit markets of 2.4 per cent and 83.6 per cent respectively; France and Finland levy near-identical rates with illicit markets of 37.6 and 19.5 per cent; Canada and Greece levy 14 cents with illicit markets of 38 and 17.5 per cent. Her evidence was unambiguous: ‘...there are market dynamics occurring outside excise settings... If I thought reducing excise would give a tangible difference, that would be my advice to government... Illicit trade can always be cheaper.’⁹
- 1.25 The Department of Home Affairs’ Chief Economist told the committee it is ‘incorrect to think that the excise rate influences and sets the illicit price’, and that even at an excise of one cent, illicit product would remain cheaper. Emeritus Professor Chapman gave evidence that rewinding excise to 2020 levels would still leave a legal pack at approximately \$30 against illicit product available at \$7 by the carton, and that even a zero-tax pack of roughly \$11 would be undercut by product that retails, taxed, for 34 cents in transit hubs such as Cambodia.¹⁰
- 1.26 International experience confirms this. The Australian Medical Association (AMA) drew the committee’s attention to Canada’s decision to halve tobacco excise in 1994 to combat smuggling: youth uptake rose, quitting slowed, provinces that cut excise recorded higher smoking rates than those that did not, and the impact on illicit profitability was short-lived. The AMA also said, there is ‘no evidence to support the idea that reducing the excise will impact illegal tobacco. In fact, the evidence says the opposite’. Sizeable illicit markets persist

⁸ See, for example, National Aboriginal Community Controlled Health Organisation, *Submission 35*, p. 6; Professor Tom Calma AO, Private Capacity, *Committee Hansard*, 18 May 2026, p. 75.

⁹ Ms Amber Shuhyta, Illicit Tobacco and E-cigarette Commissioner, *Committee Hansard*, 4 May 2026, pp. 5, 13.

¹⁰ Mr Justin Douglas, Chief Economist, Department of Home Affairs, *Committee Hansard*, 4 May 2026, p. 12; Professor Simon Chapman AO, *Committee Hansard*, 18 May 2026, p. 72.

in countries with far cheaper cigarettes, including Vietnam and the Philippines.¹¹

- 1.27 It is also important to note that Aboriginal and Torres Strait Islander communities have been hardest hit by smoking rates over generations, and the illicit trade has made its way into remote communities. Professor Tom Calma AO gave evidence that approximately 37 per cent of all deaths among Aboriginal and Torres Strait Islander people are attributable to smoking. This burden reflects structural factors including the historical payment of Aboriginal workers in tobacco rations and the concentration of tobacco outlets in the places where Indigenous people live.¹²
- 1.28 The evidence was equally clear that strong tobacco control works for First Nations communities. The Tackling Indigenous Smoking program funded and supported by all major parties over 16 years has saved an estimated 80 000 lives and prevented an estimated 120 000 Aboriginal and Torres Strait Islander people from taking up smoking. AMSANT told the committee that the high price of tobacco is an important factor for Aboriginal as well as other smokers to quit. NACCHO's submission recommends maintaining strong tobacco taxation policy for that reason, alongside enforcement aligned with the National Agreement on Closing the Gap. Cutting excise would cheapen and re-normalise the very product driving this gap, and Professor Calma's evidence was clear and direct that 'from all the evidence that's around, there's none that will indicate that by cutting excise you'll reduce smoking or vaping. It's counter to that'.¹³
- 1.29 It was not made clear to the committee how making legal cigarettes cheaper would impact the illicit trade, as criminal syndicates retain the ability to undercut the legal market given their production costs and profit margins. Close attention would need to be paid to why the profits of Big Tobacco have increased substantially in recent years and what contribution they should make, and how making legal cigarettes cheaper would form part of a holistic approach given the other evidence the committee heard. It is noted that prior to the last election Liberal Senator Paterson expressed concerns about the impact of a cut to the tobacco excise. When asked directly on 2CC Breakfast radio, Senator Paterson said the following about a hypothetical cut to the tobacco excise: 'That will be a massive tax cut for big tobacco companies. I am not sure that would be well received by the community, and I'm not sure it would be a big improvement for

¹¹ Dr Danielle McMullen, Federal President, Australian Medical Association, *Committee Hansard*, 4 May 2026, p. 16; Australian Medical Association, *Submission 58*, p. 3.

¹² Australian Institute of Health and Welfare, *Aboriginal and Torres Strait Islander Health Performance Framework, Tier 2 - Determinants of Health: 2.15 Tobacco use*, 2020, www.indigenoushpf.gov.au/measures/2-15-tobacco-use (accessed 17 August 2026).

¹³ Professor Tom Calma AO, Personal capacity, *Committee Hansard*, 18 May 2026, p. 75.

public health either'.¹⁴ It is noted that similar concerns to those previously raised by Senator Paterson have also been raised by health experts.¹⁵

- 1.30 There was interesting and persuasive evidence on the pricing behaviour of Big Tobacco companies provided to the Inquiry by Professor Andrew Terry and Dr Fei Gao of the University of Sydney. The submission provided by these experts was succinct, and the committee could have benefited from hearing directly from them regarding their analysis. The following passage from their submission is telling about the role Big Tobacco has played in inflating the prices of legal tobacco:

In 2009, tobacco taxation already accounted for about 69 per cent of the retail price. Today, despite substantial excise increases, that figure remains nearly identical at 70.4 per cent. This indicates that industry “net-of-tax” prices have risen substantially alongside government taxes. This outcome is consistent with economic theory: in a market characterised by low price elasticity, small increases in the industry margin have little effect on demand but significantly increase corporate revenue.¹⁶

- 1.31 It is also worth noting that there was no assurance given to the Committee by representatives for Big Tobacco that in a hypothetical world where excise decreased, that the tobacco industry would similarly lower their prices and profit margins to make the product ‘competitive’. If Big Tobacco genuinely believes this argument, its multinational companies could test it directly by reducing their considerable profit margins for several years and demonstrating that consumers subsequently switch markets.
- 1.32 With respect to Recommendation 1, Labor Senators maintain that governments should always keep an open mind to evidence-based policy solutions and acknowledge that price has done its work over a generation to drive down adult smoking rates.
- 1.33 With respect to Recommendation 2, if credible evidence and modelling emerges that a package of additional enforcement and new excise adjustments may make a material difference to entrenched illicit tobacco markets then that of course warrants proper consideration. However, Labor Senators are of the view that the Coalition’s analysis was unsupported by compelling evidence and modelling, and failed to consider whole of government considerations.

¹⁴ 2CC Breakfast, *Transcript* – Senator James Paterson, 1 April 2025, parlinfo.aph.gov.au/parlInfo/download/media/pressrel/10237063/upload_binary/10237063.pdf (accessed 17 August 2026).

¹⁵ Public Health Association of Australia, ‘Big Tobacco tax cut would hand multinational tobacco companies a \$2.3 billion windfall’, *Media Release*, www.phaa.net.au/Web/Web/News/Media-releases-2026/Big-Tobacco-tax-cut.aspx (accessed 17 August 2026).

¹⁶ Professor Andrew Terry and Dr Fei Gao, University of Sydney, *Submission 21*, [p. 1].

- 1.34 The committee's majority report is 97 pages, yet only 7 pages of this is the committee's so-called analysis, findings and recommendations of a very complex body of evidence. It is regrettable that this was not a serious attempt by the Coalition to engage with the issue and was preconceived as a stunt to try and wedge the Government on a serious issue that was already exploding when the Liberals lost office.
- 1.35 Finally, Recommendation 3 made it very clear that the Coalition's goal is to benefit Big Tobacco and those with a vested interest in flogging more nicotine to Australians. The proposal to 'let vapes rip' and open Australia to all manner of harmful nicotine products would only benefit Big Tobacco and other nicotine sellers who profit from this trade.
- 1.36 The committee heard compelling evidence that the former Coalition Government's failure to deal with the massive influx of cheap unregulated vapes into the nation between 2019 and 2023 was an egregious public health failure which helped to open the floodgates to illicit tobacco. Once criminals got hooked on the 'gateway drug' (i.e. vapes) they couldn't get enough of the nicotine trade. They quickly realised the former Government was sitting on its hands and scaled to other nicotine products like illicit tobacco, utilising the same supply chain and distribution networks as they had already established with the vape trade. By 2023, one in three teenagers between 13 and 17 years old had tried a vape.
- 1.37 Professor Chapman in his evidence put the role of the influx of cheap vapes in creating the illicit tobacco market like this:

I think that's a great question. I've often thought that those people who lobbied long and hard to help the National Party, via Senator Canavan and also Senator Hughes, to really gut the wonderful proposal that Greg Hunt, the health minister in the Morrison government, put up to start controlling vapes, basically saw that in tatters. So criminal elements just decided: 'Well, we can go for our life. The door's been held open for us. Let's do it.' And then the next thing they discovered was: 'Nobody's doing a damn thing about this. We can open seven days a week till 11 o'clock at night and nobody will come and say, "You're not supposed to be doing this."' So it didn't take long for them to think, 'Well, if they're not doing anything about us selling vapes, why don't we sell cigarettes as well? And here are some people offering us some beautifully priced cheap cigarettes that are going to walk out the door.'¹⁷

- 1.38 Dr Scollo provided evidence to the Inquiry on this point as well and stated that:

What happened between 2019 and 2022-23, with COVID in between, is that we saw a really large increase in the number of tobacconists and vape stores, which meant that it suddenly became possible for ordinary Australians to go to their shopping strip and buy illicit tobacco from these tobacco and vape shops. The supermarkets don't sell this stuff. People don't get it from

¹⁷ Professor Simon Chapman AO, Private capacity, *Committee Hansard*, 18 May 2026, p. 77.

the major supermarkets. The tobacconists and vape shops are the most frequent places of purchase. So the inflection point is where you could go to your own shopping centre and buy cheap tobacco and have a sense of normality and not so much being involved in something illegal as a bargain.¹⁸

1.39 Dr Jongenelis concurred with other witnesses and stated that:

I think that 2020-2021 lack of vaping reform really provided nefarious retailers and organised crime with an opportunity to test the market. So they were able to set up shops, they were able to buy and rent retail space, sold vapes, and nothing was done about it. They were able to do it illegally, and I think it provided them with an opportunity to say, 'Well, if no-one's doing anything about vapes, which are clearly an illegal product, maybe we can get away with selling tobacco.' And, because they already had that infrastructure there—those shops that they had either purchased or rented—they then just moved in with a different product. We're seeing them do the exact same thing now with nicotine pouches. They're just grabbing onto the next product that they can sell, and nicotine pouches are it. I completely agree that those 2020-21 vaping reforms that didn't go through provided that opportunity, and we're now seeing it. I think it's short-sighted to say that this started in 2023 when the excise increased. I think this started well before then with the infrastructure build-up.¹⁹

1.40 Furthermore, the evidence of Professor Freeman was highly persuasive regarding the known and documented pathway that access to illicit vaping products has in driving young people toward smoking. The Inquiry heard the opinions and talking points of the vape lobby, who argued that vapes were a method to wean people off smoking. But every public health expert who was asked about the role of vapes in reducing smoking disagreed entirely with this point. Vapes are a gateway to smoking and that is backed up by the research and evidence presented to the Inquiry by Professor Freeman (Chief Investigator of the Generation Vape report) and other public health experts. Australians can take solace in the fact that recent data from the Generation Vape study showed that 14–17 year olds are vaping less. The percentage of those who had never vaped has increased to 85.4 per cent (compared to 84.3 per cent in 2024). But it is clear from evidence to the inquiry that these gains would be eradicated should Recommendation 3 be followed and vaping rates (and then smoking rates) would rise.

1.41 Labor Senators also note that it took nearly a century of scientific investigation, from the mid-1800s to the landmark US Surgeon General's report in 1964, before smoking was officially recognised as a cause of lung cancer. Recent scientific analysis led by the University of New South Wales draws a link between vaping and cancer, with Professor Bernard Stewart AM stating on release of the review

¹⁸ Dr Michelle Scollo, Senior Adviser, Tobacco, Cancer Council Victoria, *Committee Hansard*, 4 May 2026, p. 33.

¹⁹ Dr Michelle Jongenelis, Private capacity, *Committee Hansard*, 18 May 2026, p. 77.

that: 'e-cigarettes are likely to cause lung cancer and oral cancer' and that 'we can hardly say that e-cigarettes are somehow safer than conventional cigarettes'.²⁰

- 1.42 It would be baffling to anyone who listened to the two days of witness evidence just how the Liberal Senators have arrived at Recommendation 3 given that there was no evidence that widely accessible cheap vapes (which are highly nicotine potent) was safer for Australians or of any discernible public health benefit. In fact, there was plenty of evidence to the contrary. It is especially peculiar that the Coalition should want to let vapes rip and see another generation hooked on nicotine at the exact moment when the AIHW report has shown that vaping levels have now stabilised.
- 1.43 And so, Australians are now left to wonder why the Coalition would recommend selling out Australia's children to the vaping lobby. While mysteries will always remain, Labor Senators observe that while the Labor Party does not take donations from Big Tobacco, the same can't be said of the Coalition.

Senator Jana Stewart
Deputy Chair

Senator Dorinda Cox
Australian Labor Party
Senator for Western Australia

²⁰ Melissa Lyne, *Vaping likely to cause cancer: new findings*, 31 March 2026, www.unsw.edu.au/newsroom/news/2026/03/vaping-likely-to-cause-cancer-new-findings (accessed 17 August 2026).

Australian Greens Senators' Dissenting Report

- 1.1 The Australian Greens recognise the success of Australia's tobacco control and nicotine policies, which over decades have continued to drive down smoking and vaping rates and save lives.
- 1.2 We are deeply concerned by the scale of Australia's illicit tobacco market and support decisive action to address it.
- 1.3 The evidence available, including evidence presented to this inquiry, demonstrates a rise in cheap, easily accessible and unregulated tobacco. Of particular concern is the evidence presented of organised criminal gangs involved in the illicit tobacco trade and the threat this poses to community safety.
- 1.4 These factors undermine the hard-won gains Australia has made in reducing tobacco use and addressing the harms associated with tobacco. Urgent action is needed to address this growing threat.
- 1.5 As Dr Danielle McMullen, President of the Australian Medical Association, said to this inquiry:

Illicit tobacco is no longer a marginal compliance matter. It's a rapidly expanding and highly organised market that's undermining our previously strong tobacco-control achievements, contributing to community harm and violence, and eroding the revenue base that supports essential public services.¹
- 1.6 The Australian Greens present this dissenting report because we do not support all of the recommendations put forward by the Liberal and National majority in their report into Australia's illegal tobacco crisis.
- 1.7 We do, however, support the intent of recommendations that seek to prevent the sale and distribution of illegal tobacco in Australia, improve public awareness of the dangers of illicit cigarettes and vapes, and strengthen data collection, information sharing and collaboration, harmonised enforcement frameworks, penalties, and supply-chain integrity measures.
- 1.8 Of particular note, the Australian Greens strongly support the establishment of a track-and-trace scheme.
- 1.9 Despite these areas of agreement, the Australian Greens dissent from the Liberal and National Majority Report on a number of significant issues.

¹ Dr Danielle McMullen, Federal President, Australian Medical Association, *Committee Hansard*, 4 May 2026, p. 15.

Donations in politics + Philip Morris

- 1.10 The Australian Greens condemn, in the strongest possible terms, the decision to invite tobacco industry representatives, including Philip Morris, who gave evidence during an in camera hearing of this inquiry, despite not appearing on the published witness list.² We note that a transcript was made available following the hearing. This blatantly contradicted long-established obligations placed on Australian members of parliament under the World Health Organisation's Framework Convention on Tobacco Control.
- 1.11 The Australian Greens strongly oppose the decision to allow them to present evidence.
- 1.12 Put simply, Big Tobacco should never be given this kind of access to policymaking spaces, and it is deeply concerning that they were allowed to give evidence.
- 1.13 As Jacinta Reddan, CEO of the Cancer Council, said in response to Philip Morris' appearance:
- ...for Philip Morris to tactically request to be heard in-camera is an example of the lack of transparency. It's been 16 years since big tobacco had a platform in this place. We're very concerned that they were given that opportunity behind closed doors, away from the scrutiny of the Australian public. We're not able to respond to those claims that they made. I think we need to put those tactics on record. It's certainly very concerning to us and to all Australians that they should be given a platform in breach of Article 5.3 of the World Health Organization framework.³
- 1.14 It is the position of the Australian Greens that the evidence and recommendations provided by tobacco companies cannot be treated as anything other than the wish-list of a morally bankrupt cartel of corporate killers attempting to rewrite Australian public health policy in their favour.
- 1.15 Tobacco and nicotine companies continue to deploy a range of tactics to have ongoing political influence, including through donations to political parties, lobbying and participating in government consultation and inquiries. The National Party is the last remaining major Australian political party to accept donations from the tobacco industry. In 2024–2025, the National Party received \$137,500 from Philip Morris and \$88,000 from British American Tobacco.
- 1.16 The Australian Greens strongly believe that tobacco companies should not be permitted to influence public health policy or policymakers in any way.

² *Committee Hansard*, 4 May 2026 (Philip Morris), pp. 1–9.

³ Ms Jacinta Reddan, Chief Executive Officer, Cancer Council Australia, *Committee Hansard*, 4 May 2026, p. 40.

Rebuttal to calls to lower the tobacco excise

- 1.17 Throughout this inquiry, there has been sustained and organised pressure from the tobacco industry, including making submissions and calling for the tobacco excise to be cut.
- 1.18 The corporations argued that lowering excise, and consequently reducing the price of tobacco, would decrease demand for illicit tobacco. However, evidence given by a range of experts to this inquiry showed that the claim that lowering the tobacco excise will reduce the size of the illicit market was, in fact, not based on truth.
- 1.19 Examples were provided from international cases. To put it simply, there was no evidence for a relationship between tobacco excise rates and illicit tobacco sales. In Singapore, they have high rates of tax on tobacco products and have a low illicit tobacco trade. In other countries, including Vietnam, there are low taxes and illicit trade is high.
- 1.20 There was no evidence provided that Australia's excise rate has directly contributed to the illicit tobacco market. The Illicit Tobacco and E-Cigarette Commissioner gave evidence to this effect:

I can't see a logical correlation between the size of excise rates in different countries and the size of the illicit market. You have some of the countries with the cheapest tobacco in the world with sizeable illicit markets.⁴

- 1.21 Dr McMullen went further, testifying that international evidence shows that reducing the excise could lead to increased smoking rates and no change to the illicit tobacco market:

There's no evidence to support the idea that reducing the excise will impact illegal tobacco. In fact, the evidence says the opposite, with jurisdictions that have reduced the excise seeing a horrible combination of increased smoking rates and no tangible impact on the illicit tobacco trade. We saw that in Canada when it halved its tobacco excise to combat smuggling, but the move led to more people, particularly young people, commencing smoking and fewer people quitting. Similarly, the illicit trade persists even in countries with much cheaper cigarettes, including neighbours like Vietnam, the Philippines and Senegal.⁵

- 1.22 The tobacco excise has been shown to have a significant downward impact on smoking rates, among the highest of all anti-smoking measures that have been implemented. Professor Simon Chapman and Dr Raglan Maddox both made this point at a public hearing:

⁴ Ms Amber Shuhyta, Illicit Tobacco and E-Cigarette Commissioner, *Committee Hansard*, 4 May 2026, p. 4.

⁵ Dr Danielle McMullen, Federal President, Australian Medical Association, *Committee Hansard*, 4 May 2026, p. 16.

Price is a major deterrent to taking up smoking, and it's a major incentive to quit smoking.⁶

The two main reasons for quitting are, first, the benefits to health, but, second, absolutely the cost of the product. So we have seen smoking prevalence decline from about 50 per cent to about 30 per cent in 2018-19, with cost being the second-largest factor.⁷

- 1.23 There is no evidence to suggest that reducing the tobacco excise would result in a meaningful decrease in the size of the illicit tobacco market, and doing so may undo the progress Australia has made in bringing smoking prevalence down. It feels important to note that an increase in Australians smoking, in turn, would increase the profits of the tobacco industry.
- 1.24 The illicit tobacco market needs a serious response, which will be detailed below. What it does not need is a policy that makes tobacco cheaper, rewards tobacco corporations, and risks increasing smoking rates.
- 1.25 The Australian Greens note that a tobacco excise has been in place in Australia since 1901, with automatic indexation introduced in 1983. This occurs twice a year, in March and September, based on average weekly ordinary-time earnings (AWOTE). This ensures that the excise remains relevant in real terms and maintains its value relative to wages.
- 1.26 In 2023, the Australian Government also introduced an additional 5 per cent annual increase for three years from 1 September 2023, on top of normal indexation. The Australian Greens support the cessation of these additional 5 per cent annual increases for 2026.

Public health-based policy solutions

- 1.27 The Australian Greens acknowledge the urgent need for measures to tackle Australia's illicit tobacco market. We support a broad, multi-faceted and, most importantly, public health-centred approach to combatting the illicit tobacco trade.
- 1.28 All aspects of the tobacco supply chain, from wholesalers through to retailers, must be tightly controlled. Addressing the illicit tobacco trade requires effective action across the entire supply chain. This inquiry received evidence on a range of measures that could reduce the supply of illicit tobacco in Australia.
- 1.29 The evidence also emphasised that no single measure would be sufficient and that a holistic, systems-based approach is required.
- 1.30 The Illicit Tobacco and E-Cigarette Commissioner made this clear in her evidence to the Committee:

⁶ Professor Simon Chapman, Personal capacity, *Committee Hansard*, 18 May 2026, p. 72.

⁷ Dr Raglan Maddox, Convenor, Alcohol, Tobacco and Other Drugs Special Interest Group, Public Health Association of Australia, *Committee Hansard*, 4 May 2026, p. 18.

I would emphasise that the presence of a large illicit market should not be read as evidence that any single agency or policy has failed in isolation. The problem is multidimensional. We need to tackle this with a systems approach.⁸

Licensing reform

1.31 Evidence to the inquiry highlighted the need to strengthen and tighten the requirements for obtaining and maintaining a licence to sell tobacco.

1.32 The Committee heard that Australia has a very high number of tobacco retailers, creating significant challenges for regulators and enforcement agencies, particularly where retailers may be engaging in unlawful activity.

1.33 Mr Mark Brooke, CEO of Lung Foundation Australia, highlighted the low barrier to obtaining a tobacconist licence:

It'll cost you between \$300 and \$1,000 to get a legal tobacco licence in Australia. It's more expensive to put rego on my car than it is to get a licence to sell tobacco.⁹

1.34 Ms Laura Hunter, CEO of the Australian Council on Smoking and Health, proposed greater restrictions on the issuing and maintenance of tobacco licences to address a common retail pathway for illicit tobacco:

We need checks built into the licensing system across all states and territories to ensure that licences are only issued to individuals or businesses that have strong governance systems and a demonstrated capacity to meet due diligence — to meet security and reporting requirements.

Strengthening licensing in this way will go a long way to addressing the illicit tobacco trade.¹⁰

1.35 The framework must provide for effective licence suspension, cancellation and disqualification where retailers fail to comply with their obligations or are found to be involved in the illicit tobacco trade.

Penalties and deterrence

1.36 Evidence to the inquiry also highlighted the need for stronger penalties and more effective deterrence mechanisms to disrupt the illicit tobacco trade.

1.37 Ms Hunter highlighted an inconsistency in the laws applying across Australian states and territories. Some jurisdictions have introduced powers allowing

⁸ Ms Amber Shuhtya, Illicit Tobacco and E-Cigarette Commissioner, *Committee Hansard*, 4 May 2026, p. 2.

⁹ Mr Mark Brooke, Chief Executive Officer, Lung Foundation Australia, *Committee Hansard*, 4 May 2026, p. 36.

¹⁰ Ms Laura Hunter, Chief Executive Officer, Australian Council on Smoking and Health, *Committee Hansard*, 4 May 2026, p. 34.

landlords to terminate leases where tenants are conducting illegal activities, including the sale of illicit tobacco or vapes from leased premises.

1.38 Evidence presented to the inquiry indicates that these powers can be an effective tool for disrupting the illicit tobacco trade. ACOSH is calling for other states and territories to introduce similar measures.

1.39 Ms Hunter explained these powers to the inquiry:

In other states, like South Australia and Queensland, you have landlord termination powers, protections and penalties. If a landlord is knowingly allowing their tenant to operate illegally and sell illegal products, they can be penalised and fined. The termination powers give landlords the power to also terminate lease agreements if they are found.¹¹

1.40 In addition to stronger powers for landlords, the Committee heard suggestions including increasing financial penalties to levels that provide a meaningful deterrent, introducing closure orders, publicly disclosing enforcement actions, increasing inspections and strengthening border controls.

1.41 There is also a need for swifter and more effective action against landlords and retailers who knowingly facilitate or profit from the illegal sale of tobacco and vaping products. These measures should form part of a coordinated enforcement framework designed to make participation in the illicit tobacco trade increasingly difficult and costly.

Public health measures

1.42 Tackling Australia's illicit tobacco market must be accompanied by stronger investment in proven public health measures that reduce tobacco use and support people to quit.

1.43 Strengthening tobacco control policies that protect people from predatory promotion by the tobacco industry is essential to reducing tobacco-related health disparities.

1.44 Improving access to proven smoking cessation medicines, including supporting easier access to nicotine replacement therapies such as patches, gums and inhalers, should also be an urgent priority.

1.45 It should not be more expensive to quit smoking than it is to buy cigarettes.

1.46 Continued investment in public education and cessation support is therefore essential to reduce demand for tobacco products and support people to quit. This should include funding public education campaigns that refocus community attention on the serious health risks associated with any level of smoking, increasing and sustaining investment in Quitline, and ensuring that

¹¹ Ms Laura Hunter, Chief Executive Officer, Australian Council on Smoking and Health, *Committee Hansard*, 4 May 2026, p. 35.

government communications about illicit tobacco consistently include clear information about how people who smoke can access cessation support.

Conclusion

- 1.47 The Australian Greens have serious concerns about the prevalence of the illicit tobacco trade in Australia and the risks it poses to hard-won public health gains and community safety, as evidenced throughout this inquiry. We support effective and targeted action to combat the illicit tobacco market and echo the calls of experts for a coordinated, systems-based approach rather than measures taken in isolation.
- 1.48 We strongly emphasise the evidence that reducing tobacco excise is unlikely to address the prevalence of illicit tobacco. Rather, reducing the price of legal tobacco would make tobacco more accessible and could increase smoking rates, undermining Australia's longstanding tobacco control efforts.
- 1.49 We strongly object to the lobbying activities of the tobacco industry throughout this inquiry and condemn, in the strongest possible terms, the appearance of Philip Morris at a hearing of the Committee.
- 1.50 Smoking is, and always will be, a public health issue. Any response to illicit tobacco must therefore place public health at its centre. It is the view of the Australian Greens that this principle has not been adequately reflected in the conduct and outcomes of this inquiry.

Senator Jordon Steele-John
Australian Greens
Senator for Western Australia

One Nation Senators' Additional Comments

- 1.1 I thank the committee and the secretariat for their work and all who took the time to make a submission. One Nation supports the recommendations from this inquiry.
- 1.2 The Committee has made no finding on the need to reduce the price of legal tobacco to remove demand for illicit tobacco. The Oxford Economics report provided by Ritchies Supermarkets, in a survey of 1505 consumers found price was the leading purchase criteria for 69.4 per cent of illicit consumers, and a major consideration for 76.9 per cent of all consumers.¹
- 1.3 As I speak with constituents and supporters across Australia it's clear that in a cost-of-living crisis the attraction of price is the dominant criteria. Consumers of illicit tobacco know they are doing the wrong thing, they know they are assisting organised crime. Nonetheless they simply can't afford the legal product. There is a substantial feeling the very high rate of excise has broken the compact between Government and the people to treat each other fairly. None of the inquiry recommendations, useful as they are, deal with this fundamental market reality.
- 1.4 Oxford Economics' modelling of projected outcomes from different pricing models shows the policing elements of the inquiry recommendations will only slow not reverse the decline.
- 1.5 I would suggest that as a society we have failed to control many illicit drugs and succeeded in eliminating none. Asking law enforcement to police illicit tobacco without a price signal to reduce demand is likely to fail.
- 1.6 The Inquiry Report from 2.27 to 2.81 clearly sets out the current extensive and frequently violent criminal activities in the illicit tobacco industry. Retailers and their staff face real physical danger today. There is no justification for a policy response which may not start to have an effect for months.
- 1.7 The Government must act immediately to use the one lever they have to decimate organised crime and allow law enforcement a fighting chance to eliminate the criminal element. One Nation calls on the Government to reduce the rate of tobacco excise to 25 per cent of the current level until market forces backed by law enforcement remove the criminal element.
- 1.8 At that time the provision of Recommendation 2 for a comprehensive review of tobacco excise should inform the Government in setting a more realistic excise.

¹ Ritchies Supermarkets, *Submission 194*, Attachment 1: Oxford Economics, *Addressing Australia's Illicit Tobacco Market*, February 2026, pp. 6, 39–41.

- 1.9 I note that the unrealistic and quite honestly insane level of tobacco excise has been handed down from the World Health Organisation through the WHO Framework Convention on Tobacco Control 2003. This Convention requires that 75 per cent of the purchase price of a tobacco product should be tax.
- 1.10 The logic behind the decision was flawed. At the time no country had an excise rate of 75 per cent. Countries were at the time increasing their tobacco excises and smoking rates were falling. The WHO concluded these small increases in tobacco excise were working well, so much larger ones would work even better.
- 1.11 It does not appear the WHO even considered the outcome of this decision would be to create an illicit market which has undercut government revenue, placed the welfare of many Australians at risk and increased smoking rates through the widespread provision of cheap illicit tobacco.
- 1.12 The WHO Convention is not legally binding. The WHO's charter is to be an advisory body only. Of the 183 countries who have signed the Framework Convention on Tobacco Control only 41 have implemented the full 75 per cent rate of duty. Australia took their advice, it didn't work and now we are holding a Senate inquiry to work out how to clean up the mess.
- 1.13 The University of Queensland reveals nicotine in wastewater indicates smoking rates have risen 150 per cent in the last seven years. This corresponds with peak tobacco excise revenue which occurred in 2019 and has been falling since. As excise rates rose illicit tobacco increased and smoking rates increased. Cheap illicit tobacco, including being supplied to minors, is causing a surge in smoking. This may be from new smokers and it may be from existing smokers consuming more. Either way high tobacco excise is having the reverse effect – increasing smoking rates.
- 1.14 It is One Nation's contention that the cheap illicit market has increased smoking rates. Reducing the price of the legal product to below the illicit product will fairly be criticised as a measure which will result in further increases in smoking. The sweet spot here is a legal price which is the same or slightly higher than the illicit rate. This is also the point at which much reliance can be placed on policing to close the illicit outlets and websites, to encourage consumers to move back to the legal product without a significant price penalty.
- 1.15 Not every country has experienced Australia's outcome. It seems national culture is a significant element of the equation. While international experience is useful in deciding these matters, the outcomes we are experiencing right now in Australia must be our primary consideration.
- 1.16 It is time to do what is best for Australian consumers, Australian taxpayers, the nation's health and the many everyday Australians whose welfare is at risk from the behaviour of illicit tobacco criminals.

Recommendation 1

- 1.17** The rate of tobacco excise be reduced to 25 per cent of the current rate effective immediately and remain at that level until the illicit market is under control.

Recommendation 2

- 1.18** Once the illicit market has been controlled a new rate of excise should be implemented in line with the framework suggested in Recommendation 2 of this Inquiry.

Senator Malcom Roberts
One Nation Party
Senator for Queensland

Appendix 1

Submissions and additional information

- 1 Northern Territory Police Association
- 2 ALIVE Advocacy Movement
- 3 Coalition of Asia Pacific Tobacco Harm Reduction Advocates (CAPHRA)
- 4 Centre for Independent Studies
 - Attachment 1
- 5 Mr Rohan Pike
- 6 World Vapers' Alliance
- 7 Australian Border Force
- 8 AUSTRAC
- 9 Office of the Illicit Tobacco and E-Cigarette Commissioner
 - Attachment 1
- 10 Victorian Chamber of Commerce and Industry
- 11 Dr John Coyne
- 12 Senator Fatima Payman
- 13 Royal Australian College of General Practitioners
- 14 Johannes Kepler University of Linz
- 15 Karlsruhe Institute of Technology
- 16 Supabarn Supermarkets
- 17 Australian National Audit Office
 - Attachment 1
 - Attachment 2
- 18 Dr Alex Wodak AM
- 19 City of Stonnington
- 20 Australian Criminal Intelligence Commission
- 21 Professor Andrew Terry and Dr Fei Gao
- 22 Harm Reduction Australia (HRA)
- 23 No More Butts
- 24 Professor Ron Borland
- 25 Dr Arthur Laffer
- 26 Cignall
- 27 Dr Simon Chapman
- 28 Myriad Pharmaceuticals Australia
- 29 Alcohol and other Drug Consumer & Community Coalition (AODCCC)
- 30 Cancer Council Queensland
- 31 Cancer Council WA
- 32 Australian Small Business and Family Enterprise Ombudsman

- 33 Police Federation of Australia
- 34 Freight & Trade Alliance (FTA)
- 35 National Aboriginal Community Controlled Health Organisation (NACCHO)
- 36 Qld Network of Alcohol and other Drug Agencies (QNADA)
- 37 Cancer Council NSW
- 38 Cancer Council Victoria
- 39 Philip Morris Limited
- 40 Prohibition Does Not Work
- 41 Haypp Group
- 42 Cancer Council Tasmania
- 43 Bega Valley Shire Council
- 44 BAT Australia Limited
- 45 Australian United Retailers (AUR)
- 46 Lung Foundation Australia
- 47 Dr Donald Kenkel and Dr Alan Mathios
- 48 Australian Taxation Office
- 49 Associate Professor James Martin
- 50 Professor Michelle Jongenelis
- 51 Cancer Council Australia
- 52 Tobacco Free
- 53 Shopping Centre Council of Australia
- 54 Cancer Council SA
- 55 Master Grocers Australia
- 56 National Heart Foundation of Australia
- 57 OTR Group
- 58 Australian Medical Association
- 59 The Matilda Centre for Research in Mental Health and Substance Use, The University of Sydney
- 60 Australian Council on Smoking and Health
- 61 Mr Clive Bates
- 62 Thoracic Society of Australia and New Zealand
- 63 Imperial Brands
- 64 Drug Policy Modelling Program, SPRC, UNSW
- 65 Australian Industry Group
- 66 Office of the Director of Public Prosecutions (Cth) (CDPP)
 - 66.1 Supplementary to submission 66
- 67 Healthway - The Western Australian Health Promotion Foundation
- 68 Queensland Health
- 69 Australian Retail Council
- 70 Aboriginal Medical Services Alliance Northern Territory
- 71 Public Health Association of Australia
- 72 Professor Coral Gartner
- 73 Professor Becky Freeman

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- 74 Professor Tom Calma AO
 - 75 New South Wales Crime Commission
 - 76 Australian Nursing & Midwifery Federation
 - 77 Australian College of Rural and Remote Medicine
 - 78 Northern Territory Government
 - 79 Australian Association of Convenience Stores
 - 80 Australian Federal Police
 - 81 VMI Security
 - 82 Mr John Alexiou
 - 83 Mr David Baxter
 - 84 Direct Tobacco Tax (DTT) Initiative
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- 142.1 Supplementary to submission 142

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183 Name Withheld
184 Mr Joshua Byrnes
185 Name Withheld
186 Name Withheld
187 Mr Mark Higginbottom
188 Mr Lewis Johnson
189 Mr David Lloyd Jones
190 Mr Michael Sanderson
191 AVM Group
192 Ritchies Erina Heights
193 Metcash Trading Limited
194 Ritchies Stores Pty Ltd
195 Dr Carolyn Beaumont
 • 195.1 Supplementary to submission 195

196 Mr David Allen
197 Mr Robert Rodie
198 Name Withheld
199 Name Withheld
200 Mr Robert Kerr

- 201 Mr Kevin Nagle
- 202 Mr Brad Mitchell
- 203 Mr Wayne Harriman
- 204 Dr Megan Keaney
- 205 Ms Madonna Waugh
- 206 Mr Yousif Manhal
- 207 Ms Eloise Colett
- 208 Mr Dragan Miletic
- 209 Mr Adam Deane
- 210 Mr Korben Harper
- 211 Miss Mijica Lus
- 212 Christina Jones
 - Attachment 1
 - Attachment 2
 - Attachment 3
 - Attachment 4
 - Attachment 5
- 213 Name Withheld
- 214 Master Grocers Australia
- 215 Guru Brothers IGA
- 216 Name Withheld

Additional Information

- 1 Professor David Thomas, NT Coordinator, Aboriginal Medical Services Alliance Northern Territory (AMSANT), additional information relating to evidence given at public hearing in Canberra on 18 May 2026 - Research paper - Health Prom J of Aust - 2021 - Predictors and reasons for quitting smoking in remote Aboriginal and Torres Strait
- 2 Professor David Thomas, NT Coordinator, Aboriginal Medical Services Alliance Northern Territory (AMSANT), additional information relating to evidence given at public hearing in Canberra on 18 May 2026 - Research Paper - Tax TC 2021
- 3 Mr Clive Bates, additional information relating to evidence given at public hearing in Canberra on 18 May 2026
- 4 Mr David Allen, additional information relating to evidence given at a public hearing in Canberra on 18 May 2026
- 5 Mr Mark Brooke, Chief Executive Officer, Lung Foundation Australia, correction of evidence given at a public hearing in Canberra on 4 May 2026

Answers to Questions on Notice

- 1 Australian Taxation Office - answer to question on notice, 18 May 2026 (received 2 June 2026) - advice on tobacco excise
- 2 Australian Taxation Office - answer to question on notice, 18 May 2026 (received 2 June 2026) - consultation on tobacco excise
- 3 Office of the Director of Public Prosecutions - answer to question on notice, 18 May 2026 (received 3 June 2026) - breakdown of prosecutions related to illicit tobacco
- 4 Department of Health, Disability and Ageing - answer to question on notice, 18 May 2026 (received 16 June 2026) - Presentations to healthcare providers and to hospitals
- 5 Department of Health, Disability and Ageing - answer to question on notice, 18 May 2026 (received 16 June 2026) - advice to Minister on the relationship between excise increases, cost-of-living pressures and illicit tobacco demand
- 6 Department of Health, Disability and Ageing - answer to question on notice, 18 May 2026 (received 18 June 2026) - quit rate versus new smokers
- 7 Department of Health, Disability and Ageing - answer to question on notice, 18 May 2026 (received 18 June 2026) - younger Australian smokers
- 8 Department of Health, Disability and Ageing - answer to question on notice, 18 May 2026 (received 18 June 2026) - tobacco industry
- 9 Department of Health, Disability and Ageing - answer to question on notice, 18 May 2026 (received 18 June 2026) - evidence in relation to people's buying habits
- 10 Department of Home Affairs - answer to question on notice, 4 May 2026 (received 18 May 2026) - update on recent operations of both the Australian Border Force and the National Distribution Group and the success
- 11 Department of Home Affairs - answer to question on notice, 4 May 2026 (received 28 May 2026) - customs duty collection for tobacco imports
- 12 Department of Home Affairs - answer to question on notice, 4 May 2026 (received 18 May 2026) - global market share and volume of illicit tobacco
- 13 Department of Home Affairs - answer to question on notice, 4 May 2026 (received 18 May 2026) - factors that influence the illicit tobacco market
- 14 Department of Home Affairs - answer to question on notice, 4 May 2026 (received 18 May 2026) - conflict in the Middle East and the flow of illicit tobacco in Australia
- 15 Master Grocers Australia - answer to question on notice, 18 May 2026 (received 16 June 2026) - meetings with industry representatives
- 16 Drug policy Modelling program UNSW - answer to question on notice, 4 May 2026 (received 15 May 2026) - Canadian government report
- 17 Public Health Association Australia - answers to written questions on notice from Senator Ross Cadell, 11 June 2026 (received 24 June 2026)
- 18 Phillip Morris Limited - answers to written questions on notice from Senator Jana Stewart, 20 May 2026 (received 24 June 2026)

- 19 Australian Council on Smoking & Health - answers to written questions on notice from Senator Ross Cadell, 11 June 2026 (received 25 June 2026)
- 20 Australian Medical Association - answers to written questions on notice from Senator Ross Cadell, 11 June 2026 (received 30 June 2026)
- 21 Cancer Council Australia - answers to written questions on notice from Senator Ross Cadell, 11 June 2026 (received 25 June 2026)
- 22 Heart Foundation - answers to written questions on notice from Senator Ross Cadell, 11 June 2026 (received 25 June 2026)
- 23 Lung Foundation - answers to written questions on notice from Senator Ross Cadell, 11 June 2026 (received 25 June 2026)
- 24 Australian Federal Police - answer to question on notice, 18 May 2026 (received 11 August 2026) - websites selling illicit tobacco
- 25 Australian Federal Police - answer to question on notice, 18 May 2026 (received 11 August 2026) - shipping notice details
- 26 Australian Federal Police - answer to question on notice, 18 May 2026 (received 11 August 2026) - Australia Post
- 27 Australian Federal Police - answer to question on notice, 18 May 2026 (received 11 August 2026) - website payment details
- 28 Australian Federal Police - answer to question on notice, 18 May 2026 (received 11 August 2026) - Australia Post, volume of product
- 29 Australian Federal Police - answer to question on notice, 18 May 2026 (received 11 August 2026) - parcel carriers
- 30 Australian Federal Police - answer to question on notice, 18 May 2026 (received 11 August 2026) - use of data and information
- 31 Australian Federal Police - answer to question on notice, 18 May 2026 (received 11 August 2026) - disruption versus size of illicit market

Tabled Documents

- 1 Professor David Thomas, NT Coordinator, Aboriginal Medical Services Alliance Northern Territory (AMSANT), Opening statement tabled at a public hearing in Canberra on 18 May 2026
- 2 Dr Nicholas Coatsworth, opening statement tabled at a public hearing in Canberra on 18 May 2026
- 3 Mr Theo Foukkare, Chief Executive Officer, Australian Association of Convenience Stores (AACS), Opening statement tabled at a public hearing in Canberra on 18 May 2026
- 4 Mr David Allen, opening statement tabled at a public hearing in Canberra on 18 May 2026

Appendix 2

Public hearings and witnesses

Monday 4 May 2026

Committee Room 2S3

Australian Parliament House

Canberra

Australian Border Force

- Mr Tony Smith, Assistant Commissioner Customs Compliance and Enforcement
- Ms Alex O'Rourke, Assistant Secretary ITEC Governance Strategy and Reporting
- Mr Justin Douglas, Chief Economist

Office of the Illicit Tobacco and E-Cigarette Commissioner

- Ms Amber Shuhyta, Illicit Tobacco and E-Cigarette Commissioner (ITEC)

Public Health Association of Australia

- Associate Professor Dr Raglan Maddox, Convenor

Australian Medical Association

- Dr Danielle McMullen, Federal President

Australian Council on Smoking and Health

- Ms Laura Hunter, CEO

National Heart Foundation of Australia

- Professor Garry Jennings, Chief Medical Adviser

Cancer Council Australia

- Jacinta Reddan, Chief Executive Officer
- Anita Dessaix, Director
- Dr Michelle Scollo, Senior Adviser Tobacco

Lung Foundation Australia

- Mr Mark Brooke, Chief Executive Officer

Australian Council on Smoking and Health

National Heart Foundation of Australia

Cancer Council Australia

Lung Foundation Australia

Freight & Trade Alliance (FTA)

- Mr Sal Milici, General Manager

Australian Industry Group

- Louise McGrath, Head of Industry Development and Policy
- Dr Jeffrey Wilson, Head of Research and Economics
- Aleks Mitreski, Senior Advisor - Industry Development and Policy

Drug Policy Modelling Program, SPRC, UNSW

- Dr Paul Kelaita, Postdoctoral Fellow
- Ms Liz Barrett

Associate Professor James Martin et. al.

- Associate Professor James Martin
- Professor Wayne Hall
- Dr Edward Jegasothy

Monday 4 May 2026

Committee Room 2S3

Australian Parliament House

Canberra

Phillip Morris International

Monday 18 May 2026

Committee Room 2S3

Australian Parliament House

Canberra

Australian Criminal Intelligence Commission

- Mr Adam Meyer, Acting Deputy Chief Executive Officer, Intelligence
- Mr Chris Davey, National Manager, Operational Analysis

Australian Federal Police

- Ms Hilda Sirec, Deputy Commissioner National Security Investigations
- Ms Raegan Stewart, Acting Assistant Commissioner Crime

Office of the Director of Public Prosecutions (Cth) (CDPP)

- Ms Roberta Devereaux, National Practice Leader, Human Exploitation and Border Protection
- Mr Mark de Crespigny, Commonwealth Solicitor for Public Prosecutions

AUSTRAC

- Mr Bradley Brown, National Manager, Regulatory Operations
- Mr Anthony Helmond, National Manager, Law Enforcement

Department of Health, Disability and Ageing (incl. Chief Medical Officer) (No submission)

- Ms Ashley McLachlan-Bent
- Ms Trish Clancy
- Ms Karlie Brown
- Mr Chris Bedford
- Mr Michael Kidd, Chief Medical Officer

Australian Taxation Office

- Justin Clarke, Acting Assistant Commissioner, Criminal Law Program via videoconference
- Jade Hawkins, Deputy Commissioner, Fraud and Criminal Behaviours via videoconference

Australian Small Business and Family Enterprise Ombudsman

- Ms Lynda McAlary-Smith, The Australian Small Business and Family Enterprise Ombudsman
- Mr Aidan Storer, Executive Director Policy and Advocacy, ASBFEO

NSW Small Business Commissioner (no submission)

- Ms Catherine Ellis, Acting Small Business Commissioner
- Mr Michael Miller, Director Mediation Services

Shopping Centre Council of Australia

- Mr Angus Nardi, Chief Executive
- Mr Oliver Everett, Senior Advisor

Victorian Chamber of Commerce and Industry

- Ms Amelia Bitsis, Executive Director

Australian Association of Convenience Stores

- Mr Theo Foukkare, Chief Executive Officer

Master Grocers Australia

- Mr Martin Stirling, Chief Executive Officer

Baxter's IGA - Launceston

- Mr David Baxter, Director

Cobargo

- Mr David Allen

Junee

- Marney Wishart

Margate (via videoconference)

- Mr Robert Rodie

Devonport (via teleconference)

- John Alexiou

Dr Nick Coatsworth, Private capacity

Dr Alex Wodak, Private capacity

Mr Clive Bates, Private capacity

Prohibition Does Not Work

- Mr Michael Ellis, Representative

Professor Ron Borland, Private capacity

Professor Michelle Jongenelis (via teleconference), Private capacity

Professor Becky Freeman, Private capacity

Aboriginal Medical Services Alliance Norther Territory (AMSANT)

- Professor David Thomas, NT Coordinator Smoking Cessation Support & Coordinator Top End Tackling Indigenous Smoking team

Professor Tom Calma AO, Private capacity

Professor Simon Chapman, Private capacity

Police Federation of Australia

- Mr Scott Weber APM, CEO

Bega Valley Shire Council

- Mayor Russell Fitzpatrick, Mayor
- Ms Emily Harrison