

SENATE STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS
AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

Question No. 80

Senator Humphries asked the following question at the hearing on 16 October 2012:

Please provide:

- a) The size of the licit tobacco market from importations yearly for the last 5 years? and
- b) The size of the illicit market, and the percentage of tobacco intercepted as a proportion of this figure further broken down yearly for the last 5 years?

The answer to the honourable senator's question is as follows:

- a) The table below shows the size of the Australian licit tobacco market based on imports reported to and released by Customs and Border Protection over the past five financial years. It measures market size in terms of physical amounts of tobacco/cigarette sticks and also in terms of value (including Customs duty and GST).

Year	Product	Quantity (millions of sticks & tonnes of tobacco)	Value (\$ million)	Duty (\$ million)	GST (\$ million)
2011-12	Cigarettes	3,588	116	1,238	136
	Tobacco	1,716	62	740	81
	Total		179	1,977	217
2010-11	Cigarettes	2,073	73	692	77
	Tobacco	1,205	57	502	56
	Total		129	1,195	133
2009-10	Cigarettes	1,350	53	364	42
	Tobacco	1,187	57	400	46
	Total		109	765	88
2008-09	Cigarettes	1,163	37	296	33
	Tobacco	1,160	51	369	42
	Total		88	666	76
2007-08	Cigarettes	996	33	244	28
	Tobacco	1,238	54	379	44
	Total		87	622	71

Please note that the data above only covers tobacco imports released by Customs and Border Protection. There are also additional tobacco imports that are transferred to and controlled by the Australian Taxation Office (ATO). The quantity and value of tobacco imported under these arrangements is also shown in the second table below.

Year	Product	Quantity (tonnes of tobacco)	Value (\$ million)
2011-12	Tobacco	12,419	72
2010-11	Tobacco	16,260	99
2009-10	Tobacco	17,997	123
2008-09	Tobacco	18,100	84
2007-08	Tobacco	16,626	85

Note: Duty (excise) and GST is collected directly by the ATO.

The value of the tobacco imports controlled by the ATO is generally less per kilogram than that released by Customs and Border Protection because tobacco for ATO purposes is mostly raw tobacco that is yet to be processed. The value of the tobacco imports released by Customs and Border Protection includes manufactured and packaged product and includes the costs associated with processing and packaging.

- b) Customs and Border Protection has not estimated the value of the illicit tobacco market in Australia. Customs and Border Protection is also not aware of efforts by any other Commonwealth agencies to formally estimate the size or value of the illicit tobacco market.

However, the Department of Health and Ageing has previously advised the Senate Legal and Constitutional Affairs Committee (in a submission considered as part of the Committee's inquiry into the *Customs Amendment (Smuggled Tobacco) Bill 2012*) that 'the 2010 National Drug Household Survey found that 4.9 per cent of smokers used loose unbranded tobacco (commonly known as 'chop-chop'), and that 1.5 per cent of smokers used loose unbranded tobacco more than half the time.'

In addition to this, Customs and Border Protection is aware of two recent non-government estimates of the size of the illicit tobacco market.

The first estimate, commissioned by the tobacco industry and published by Deloitte in May 2012, estimated the size of the illicit market in Australia as 13.4 per cent of the legal tobacco market, which Deloitte estimated represented 2.3 million kilograms of illicit tobacco per year worth \$1 billion in Government revenue forgone. The Department of Health and Ageing has previously advised the Senate Legal and Constitutional Affairs Committee (also in its submission considered as part of the Committee's inquiry into the *Customs Amendment (Smuggled Tobacco) Bill 2012*) that it 'considers the Deloitte report contains a range of methodological flaws that lead it to substantially exaggerate the size of the illicit trade in tobacco in Australia'.

The second non-government estimate, published by Quit Victoria in May 2012, estimated the size of the Australian illicit tobacco market at 2-3 per cent of the legal tobacco market, which Quit Victoria estimated represented 350 million cigarettes, or 250,000 kilograms of illicit tobacco per year, worth approximately \$165 million in Government revenue forgone. The Quit Victoria estimate is based on the National Drug Household Survey data noted above and on relative seizures of illicit loose-leaf tobacco and cigarettes by Customs and Border Protection. Quit Victoria has previously provided its estimate of the size of the illicit tobacco market to the Senate Legal and Constitutional Affairs Committee as part of the Committee's inquiry into the *Customs Amendment (Smuggled Tobacco) Bill 2012*.

As Customs and Border Protection does not formally estimate the value of the illicit tobacco market in Australia, we are unable to provide an official estimate of the percentage of tobacco intercepted by the agency as a proportion of this illicit market. The table below provides details on the number of detections, physical quantities and value (in terms of duty evaded) of illicit tobacco intercepted by Customs and Border Protection over the past five financial years.

Year	No. of detections	Tobacco (tonnes)	Cigarettes (millions of sticks)	Duty evaded (\$ million)
2011-12	46	175	122	128
2010-11	55	258	82	135
2009-10	42	311	68	120
2008-09	33	180	50	70
2007-08	58	287	107	114