

Submission to the Inquiry into the Illegal Tobacco Crisis in Australia

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To: The Secretariat Senate Legal and Constitutional Affairs References Committee
Parliament House Canberra ACT 2600

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Executive Summary

Supabarn Supermarkets Pty Ltd is a proudly Australian-owned and operated independent supermarket group with stores across the Australian Capital Territory and New South Wales. We submit this document to provide firsthand evidence of the escalating harm caused by the illegal tobacco trade — harm that extends well beyond lost revenue, reaching into community safety, public health, and the wellbeing of our staff.

Over the past five years, Supabarn has witnessed a profound transformation in the retail tobacco landscape. Legal tobacco sales across our stores have declined by approximately **90%**, and continue to fall. While changing consumer attitudes have played some role, the dominant driver of this decline is the unchecked proliferation of illicit tobacco products, sold through illegal tobacconists, unregistered mobile vendors, and black-market supply chains. These operators undercut legal prices dramatically, face no compliance obligations, and operate under the protection of organised crime networks.

This submission addresses the following key areas:

1. The scale and nature of the illegal tobacco trade as experienced by Supabarn
2. The impact on community safety and public confidence
3. The direct and serious safety risks to our staff
4. The broader public health consequences, particularly for young people
5. Recommendations for legislative and enforcement reform

1. The Scale and Nature of the Illegal Tobacco Trade

The illegal tobacco trade in Australia has grown from a fringe problem into a mainstream criminal enterprise. What was once characterised by occasional counterfeit product has evolved into a sophisticated, vertically integrated black market with national and international supply chains.

Supabarn observes the following manifestations of this trade on a regular basis:

- **Illegal tobaccoists** operating openly in commercial strips and shopping precincts, often in close proximity to our own stores, with little apparent risk of enforcement action
- **Mobile tobacco vans** visiting industrial worksites, construction zones, and residential areas, selling illicit product at prices that legal retailers simply cannot match
- **Online and social media distribution**, where illegal product is sold through encrypted messaging apps and informal networks with no age verification
- **Unregulated supply chains** that import counterfeit and contraband tobacco from overseas, avoiding excise entirely and undercutting legitimate retailers by 60–80% on price

The price differential between legal and illegal tobacco is the central driver of black market growth. A packet of legal cigarettes retails at approximately \$50 due to Australia's world-leading excise regime. Illegal product is sold on the street for as little as \$10–\$15. No compliance investment, no regulatory overhead, and no tax burden means that criminal operators can sustain this price gap indefinitely, while legitimate retailers are left with a shrinking and price-disadvantaged customer base.

2. Impact on Community Safety and Public Confidence

The illegal tobacco trade is not a victimless economic crime. It has material consequences for the safety and character of our communities.

2.1 The Presence of Organised Crime

The black market in tobacco is not operated by opportunistic small traders. It is controlled and protected by serious organised crime networks. These networks engage in arson, extortion, and physical intimidation to protect their commercial interests and enforce territorial control. Legitimate retailers — including Supabarn stores and surrounding businesses — have become collateral targets.

We are aware of extortion demands directed at retailers in our operating areas reaching as high as **\$5,000**, backed by threats of violence or property damage. Arson attacks on retail premises have been reported across multiple states and are increasingly treated as a cost of operating in areas where black-market tobacco operators are active. This is not an environment that any legitimate business should be expected to endure.

The normalisation of this criminal activity has a corrosive effect on community confidence. When illegal operators function openly, with apparent impunity, it signals to the broader community that the rule of law is unevenly applied — that compliance is a burden carried only by those who follow the rules.

2.2 Erosion of the Legitimate Retail Environment

Supabarn stores are community assets. They provide employment, support local supply chains, contribute to the tax base, and provide a safe, regulated environment in which

consumers can access goods. The financial pressure imposed by illegal competition directly threatens our ability to sustain these community contributions.

When illegal tobacco operators capture market share that would otherwise flow through compliant retailers, the broader retail ecosystem is weakened. Foot traffic declines, co-located businesses suffer, and the economic vitality of local shopping precincts deteriorates. In regional communities — where Supabarn operates through its Supaexpress format — the impact is even more acute, given the limited range of alternative retail options and the sparser presence of enforcement resources.

2.3 Inadequate Enforcement Response

The current enforcement response is not proportionate to the scale of the problem. Police resources are stretched, jurisdictional responsibilities are unclear, and inter-agency coordination remains inadequate. Illegal tobacconists that are closed following a raid frequently reopen within days or weeks. Mobile vendors adapt quickly to avoid detection. Without sustained, intelligence-led enforcement backed by adequate legislative tools, the deterrent effect of any individual action is minimal.

We are particularly concerned about the absence of effective cross-jurisdictional enforcement mechanisms. Illegal supply chains cross state and territory borders as a matter of course, while enforcement frameworks remain largely siloed. This structural mismatch systematically advantages criminal operators.

3. Safety Concerns for Supabarn Staff

The safety of our staff is a matter of paramount concern to Supabarn, and it is here that the illegal tobacco trade has had some of its most direct and troubling impacts.

3.1 Threats and Intimidation

Staff at our stores have been subjected to verbal abuse and intimidation by individuals associated with or sympathetic to illegal tobacco operations. Customers who have been referred to legal purchasing channels, or who have had illegal product refused at our registers, have in some instances become confrontational. The broader atmosphere of criminal activity in our operating environment has heightened the risk of incidents that would not otherwise occur.

3.2 Pressure to Facilitate Illegal Sales

Supabarn has directly experienced attempts by illegal tobacco operators to infiltrate our legitimate retail network. 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.

Supabarn has trained staff to respond to these approaches by advising that any such decision would need to be referred to head office and is not within the authority of store-level employees. This protocol has proven effective in protecting our staff — notably, none of these individuals have ever followed up by contacting head office — confirming that these approaches are opportunistic attempts to compromise store-level employees rather than genuine commercial inquiries.

While our protocol has served us well, the fact that staff are being directly targeted in this way is deeply concerning. It places an unreasonable burden on frontline employees, who should never be put in the position of having to deflect criminal solicitation as part of their working day. It also highlights the sophistication of illegal operators, who are actively seeking to launder their product through compliant retail businesses using falsified documentation.

3.3 Psychological and Occupational Health Impacts

Operating in an environment characterised by criminal activity, threats of violence, and regulatory uncertainty takes a toll on staff wellbeing. Employees who are aware of the threats directed at retail operators — including arson and extortion — reasonably question their personal safety at work. This is not an acceptable baseline for any Australian workplace, and it is a direct consequence of the failure to effectively address the illegal tobacco trade.

Supabarn has invested in staff training, security measures, and communication protocols to mitigate these risks. However, no private employer should be required to shoulder the burden of protecting their workforce from organised crime activity in the absence of an adequate public enforcement response.

4. Public Health Consequences

4.1 Reversal of Tobacco Control Gains

Australia has invested decades of public health effort and billions of dollars in tobacco control. Plain packaging, graphic health warnings, and progressive excise increases were designed to denormalise tobacco use and reduce uptake, particularly among young people. These measures achieved real progress.

The illegal tobacco trade is actively reversing these gains. When illicit products are available at a fraction of the price of legal alternatives, the price signal that deters uptake — particularly among price-sensitive young people — is eliminated. Products sold through illegal channels carry none of the regulated health warnings, are not subject to plain packaging requirements, and are frequently more attractive in their presentation than their legal equivalents.

4.2 Youth Uptake

Supabarn has observed a disturbing increase in tobacco and nicotine product use among young employees and customers — including many who had previously not smoked. The

availability of cheap illicit product, including flavoured cigarettes and unregulated nicotine pouches that are banned in the legal market, is directly contributing to new uptake among young people.

This represents a profound policy failure. The regulatory framework that prohibits these products in the legal market has not eliminated demand; it has simply transferred supply to criminal operators who face no compliance obligations and exercise no age verification. The public health system will bear the long-term cost of this failure.

4.3 Unknown Health Risks of Illicit Products

Regulated tobacco products, while harmful, are subject to ingredient disclosure and manufacturing standards. Products sold through the black market are not. Illicit cigarettes and counterfeit nicotine products may contain substances — including heavy metals, pesticide residues, and undisclosed additives — that pose health risks beyond those associated with regulated products. Consumers, including young people accessing these products, are exposed to these unknown risks with no recourse.

5. Recommendations

Supabarn respectfully submits the following recommendations for consideration by the Committee:

5.1 Tobacco Excise Reform

Conduct a rigorous, evidence-based review of Australia's tobacco excise regime with the explicit objective of narrowing the price gap between legal and illegal product. A legal market price point that is closer to the cost of illegal alternatives would significantly reduce the financial incentive driving black market demand, without abandoning public health objectives.

5.2 Regulatory Reform for Nicotine Alternatives

Revisit the blanket prohibition on nicotine alternatives including vapes and pouches. A regulated, controlled-access framework — modelled on approaches taken in the United Kingdom and New Zealand — would provide harm-reduction pathways for existing smokers while removing the black market monopoly that currently supplies these products without any safeguards.

5.3 Enhanced and Coordinated Enforcement

Establish a dedicated national or multi-jurisdictional taskforce to combat illegal tobacco, with cross-border intelligence-sharing capabilities, adequate resourcing, and legislative tools appropriate to the scale of organised criminal involvement. Enforcement actions must be sustained and consequential, not episodic.

5.4 Protections for Legitimate Retailers

Introduce a formal support framework for legitimate retailers targeted by criminal actors in connection with the tobacco trade, including expedited access to law enforcement, financial assistance for security upgrades, and legal protections that recognise the particular vulnerability of compliant businesses in this environment.

5.5 Staff Safety Standards

Recognise the occupational safety dimension of the illegal tobacco trade and develop industry guidance and support mechanisms to assist employers in protecting staff from threats, intimidation, and pressure associated with criminal tobacco networks.

5.6 Public Awareness Campaign

Fund a targeted public education campaign explaining the connection between illegal tobacco purchases and organised crime, including arson, extortion, and violence. Many consumers do not understand that purchasing illicit tobacco directly finances criminal networks that threaten community safety.

Conclusion

The illegal tobacco trade is not simply a commercial inconvenience for legitimate retailers. It is a serious public policy failure with consequences for community safety, public health, and the welfare of Australian workers and families.

Supabarn remains committed to full regulatory compliance and to the communities we serve. We have absorbed significant commercial harm as a result of the current environment and we are deeply concerned about the trajectory — for our business, our staff, and our customers — if the present policy settings remain unchanged.

We urge the Committee to approach this issue with the urgency and ambition it deserves, and to pursue the comprehensive, evidence-based reforms that are necessary to restore the integrity of Australia's tobacco regulatory framework.

Yours sincerely,

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