



Australian Government
Illicit Tobacco and
E-cigarette Commissioner

27 March 2026

Committee Secretary
Legal and Constitutional Affairs References Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Committee Secretary

Thank you for the opportunity to provide a submission to the Legal and Constitutional Affairs References Committee inquiry into the *'Illegal tobacco crisis in Australia'*.

Illicit tobacco and e-cigarettes represent a threat to Australia's public health, community safety, and economy. These markets circumvent long-standing tobacco control measures, expose consumers to unregulated products, and deprive the nation of revenue. Critically, they provide a stable, high-volume income stream for serious and organised crime.

This submission responds to the Committee's Terms of Reference using the evidence and analysis contained in the **'Illicit Tobacco and E-Cigarette Commissioner Report 2024–25'**. This report provides the first centralised national assessment of the scale, drivers, and consequences of the illicit market in Australia. Prepared in accordance with section 163D of the *Public Health (Tobacco and Other Products) Act 2023*, it draws on data from the Australian Government and state, and territory agencies. The report is publicly available and can be accessed on the Illicit Tobacco and E-cigarette (ITEC) Commissioner's website ([Resources | ITEC - Illicit Tobacco and E-cigarette Commissioner](#)). The report is also included as [Attachment A](#) to this submission.

Since the 2024-25 reporting period covered in my report, additional progress has been made by governments in strengthening legislative settings and penalties, restraining the proceeds of crime, and joint operations.

While the Terms of Reference for the Inquiry does not explicitly cite e-cigarettes, the submission intentionally incorporates them to ensure a comprehensive assessment of the current threat environment. Illicit tobacco and e-cigarette markets are inextricably

linked through shared organised crime supply chains, joint illicit retail sales, and parallel threats to established regulatory systems. These markets represent a unified challenge to public health and community safety that cannot be addressed in isolation.

Office of the Illicit Tobacco and E-cigarette Commissioner

Since my appointment on 1 July 2025, my focus has been on driving a comprehensive systems approach to the growing threat of illicit tobacco and e-cigarettes. Under the *Public Health (Tobacco and Other Products) Act 2023* as part of my statutory functions, I am responsible for supporting national strategies, advising on legislative reform, providing administrative governance for intergovernmental responses, and reporting on the prevalence and consequences of illicit trade.

To deliver on this mandate, my office serves as a strategic link between the Australian Government and state and territory governments, and between portfolios including Health, Home Affairs and Treasury. It is essential to distinguish this advisory role from the operational mandates of our partners. As a specialised unit, my office was not established to deliver policy, programs, or frontline operations. Those responsibilities remain firmly with the agencies established for those purposes, including the Australian Border Force, Australian Federal Police, Australian Taxation Office, and the Department of Health, Disability and Ageing (including the Therapeutic Goods Administration). Our impact comes from acting as a unifying strategic resource, ensuring that individual agency efforts are integrated into a cohesive national framework.

In the short time since the office was established, we have changed the national landscape. We have moved beyond fragmented data to a unified evidence base, formalising data-sharing arrangements to accurately estimate market scale for the first time. Through the National ITEC Forum and our national symposiums, we have established the governance necessary to align health, law enforcement, and taxation efforts.

Our current work program builds on these foundations. We are currently focusing on ensuring the integrity of our shared evidence base, so we are collecting and analysing the right data at the right time to inform decision-making across every level of government. Simultaneously, we are working collaboratively with our partners in the states and territories to level the playing field across jurisdictions to ensure a consistent national deterrent through licensing, laws, and penalties. We are also exploring community behaviours, and what supports and information would help consumers make different choices. These are in line with my four priorities (discussed on page 5 of this submission).

By maintaining a clear focus on strategic connectivity, there is a more unified national focus and a deeper understanding of the illicit market than ever before. My office remains a dedicated strategic resource, ensuring that while our partners lead on the front lines, they do so supported by a consistent, data-driven national approach.

Scale and Nature of the Illegal Tobacco Market

The illicit tobacco trade is neither new, nor a problem isolated to Australia.

My office estimates that between 50 to 60 per cent of tobacco sold in Australia in 2024-25 was illicit, representing a value to organised crime of between \$4.1 billion and \$6.9 billion. We have provided a range because consumption data is not available as a point-in-time statistic.

My office modelled three scenarios: the potential for tobacco consumption reducing, remaining stable, or increasing. That is, for the reporting period 2024-25, our modelling outcome for tobacco consumption trending down, is 50 per cent market share and \$4.1 billion market value. If tobacco consumption holds steady, there is a 55 per cent market share and \$5.6 billion market value. If consumption trends up, there is a 60 per cent market share and \$6.9 billion market value.

Illicit e-cigarettes had a smaller market value (estimated to be \$1.6 billion) but constituted approximately 95.7 per cent of the e-cigarette products purchased in Australia.

The market generates significant and stable profits for organised crime and has been perceived as low-risk and high-reward, as penalties have traditionally been lower than those for other illicit commodities. Tax evasion, cash-based or non-conventional transactions, minimal business costs, money laundering, and insufficient deterrence are elements contributing to criminal profits. While there is no single factor driving the illicit market, cheap supply is a key factor driving both profit and price.

Impact on Public Health and Government Revenue

Countries around the world, regardless of their excise and tax arrangements, are seeing tobacco smuggled across borders.

Australia's tobacco control measures have helped to reduce Australia's smoking rates to one of the lowest in the world. By circumventing plain packaging, flavour and ingredient restrictions, graphic warnings and other regulations, the illicit market undermines these health measures and exposes consumers to unregulated products and criminal activities.

Illicit e-cigarettes present additional risks, including exposure to unknown chemical constituents, heavy metals, and in some cases highly dangerous substances such as synthetic opioids.

E-cigarettes and other emerging nicotine products risk introducing new generations to nicotine consumption, addiction and dependence.

My office estimates excise and duty evasion ranged from \$7.7 billion to \$11.8 billion in the 2024-25 financial year. This tax evasion deprives the Australian community of revenue that could be directed to other initiatives that promote health, security, and social equality.

Australia's response remains grounded in established policy frameworks, including the WHO Framework Convention on Tobacco Control, the National Tobacco Strategy 2023–2030, the Guidance for Public Officials on Interacting with the Tobacco Industry, and relevant legislation.

Law Enforcement, Intelligence and Regulatory Responses

Enforcement efforts across the Australian Government and state and territory agencies have intensified in response to the growth of illicit markets. Record seizures were achieved

over the 2024-25 financial year, an over 320 per cent increase in the number of cigarettes seized than four years ago.

While seizures were significant, we identified modest levels of other domestic enforcement activity. For example, total infringement fines of \$27 million over the year were unlikely a meaningful deterrent to organised crime. Addressing this 'low risk, high reward' environment is a central priority; we are providing the strategic advice necessary to strengthen laws and ensure that penalties reflect the serious nature of these illicit activities. We have already seen meaningful progress across jurisdictions, with states and territories undertaking the most significant coordinated uplift in enforcement settings in more than a decade. These include mandatory licensing schemes, tougher criminal and financial penalties, expanded search and seizure powers, and new store closure and landlord liability regimes to disrupt organised criminal activity and remove unlawful operators from the retail environment.

Analysis by my office has also supported the Australian Government to consider what existing Commonwealth legislation can be strengthened to deter criminal actors involved in the illicit tobacco market and enhance the ability of agencies to respond to the illicit tobacco threat.

The 2024-25 and 2025-26 Budgets committed \$84 million over two years to states and territory compliance and enforcement, as well as storage and disposal and matters relating to confiscation of assets. This was part of the \$345 million investment that has helped boost disruption and enable tactical partnerships and joint operations. It is also critical to see continued focus on implementation currently underway of measures committed in the last two federal budgets to realise the full benefits of this significant existing investment.

To maximise impact, significant progress has been made in improving inter-government and inter-agency cooperation, including:

- national governance and cross-portfolio fora
- formalised data-sharing arrangements across jurisdictions and
- increased joint operations and intelligence collaboration.

The results of these are being seen throughout reporting on seizures, closure orders, and charges.

Social and Economic Impacts

Illicit tobacco and e-cigarettes present significant social and economic challenges, impacting health, community safety, and public services. These include health risks, how criminal profits can be invested into even more harmful endeavours, community safety, environmental impacts, and impacts on public services. There is a saturation of illicit retail shopfronts, diverting customers from businesses who follow compliance and regulatory requirements.

While awareness of violence, economic impacts and health risks are regularly reported, the environmental footprint of this illicit activity is also substantial. Illicit disposable

e-cigarettes contribute to a growing electronic waste challenge. Their complex composition makes safe recycling difficult and resource intensive.

Additionally, illicit tobacco products often bypass essential fire-safety standards, introducing a heightened risk of accidental fires within the community. Recent academic reporting has also pointed to the biosecurity hazards associated with illicit tobacco, such as exposure to invasive pests that could impact Australia's environment and farming industry.

Forecasts and Future Threat Scenarios

We expect the illicit tobacco and e-cigarette market to remain adaptive and resilient, continually evolving in response to policy shifts and enforcement pressure. Criminal networks are inherently agile, rapidly shifting their distribution methods and exploitation of regulatory gaps to maintain profitability. There is a potential for further entrenchment of organised crime, with the development of innovative product designs and sales channels specifically engineered to evade detection.

As these networks innovate, our national response must be equally dynamic and integrated. Sustained, cross-agency, and cross-jurisdictional action is vital.

While significant efforts are already underway to disrupt the criminal business model, these activities will not come to fruition overnight. It will take time and a sustained, long-term commitment from all levels of government to dismantle these structures and see this work through to its full effect.

Options for Reform

Given the interconnectedness of demand and the supply chain, isolated action in one area without complementary effort in others will not generate the systemic change required. I have advised there are four key areas for action to guide the necessary reform.

a) Stronger consequences

To effectively disrupt the illicit market, work must continue to shift the risk-to-reward calculus for organised crime. Our objective is to make these activities less profitable and therefore less attractive to criminal networks.

b) Multi-agency capability

The complexity of this market necessitates a response that leverages the full suite of government powers. The illicit market cannot be addressed just at the border, or just by enforcement, or by any one agency or level of government alone.

There is an opportunity to drive a national response that is greater than the sum of its component parts. By combining the powers of law enforcement, border protection, and regulatory agencies, a unified approach can focus on consistent targeting, amplified disruption outcomes, and the application of all available legal mechanisms to constrain illicit activities. This also extends to work with international partners.

c) **Unified information and data**

Formalised data-sharing arrangements and continuing to build a national intelligence picture to inform targeted interventions and support risk prioritisation go hand in hand with increased capability. 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 and vape consumption, and early warning of shifts to support development of potential responses. This will become increasingly important as the market evolves.

d) **Demand reduction**

Alongside disrupting supply, a continued downward pressure on demand must be maintained. While a specific cohort of consumers remains resistant to traditional health warnings, we are simultaneously seeing e-cigarettes and emerging products introduce new generations to nicotine addiction. Targeted quit support and prevention strategies are therefore essential, both for public health and for reducing the overall scale of the illicit market.

I have intentionally focused our priority areas for action where impact is likely strongest, changes to excise did not surface as a priority. Based on the information available to me, including from engaging extensively with subject matter experts from all fields, it is not my current understanding that reducing the excise rate would effectively shift the market dynamic. It is not clear that behaviour of customers already participating in the illicit market would change, or that illicit traders would not still maintain a significant price differential. Changing this policy lever would risk a return to higher smoking rates corresponding to lower excise, it should not be taken lightly as a 'simple' solution.

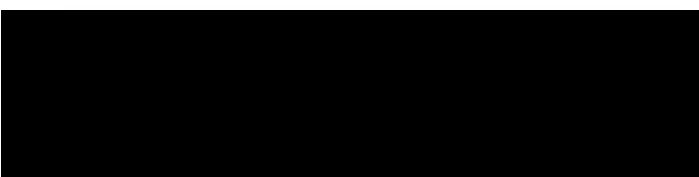
Any shift in this long-standing policy would require a significant new body of evidence to substantiate the potential disruption, interdependencies, and trade-offs. This evidence would need to be free of conflict of interest with those who profit from nicotine trade. Until such evidence is established, my focus remains on the strategic pillars that offer the most direct path to disrupting the illicit trade.

Conclusion

Effective policy and operational responses to combat illicit tobacco and vapes trade will require continued simultaneous effort across all parts of the supply and demand chain, across portfolios and jurisdictions. A sustained, coordinated, multi-pronged response across the Australian Government and state and territory governments is essential to shrink the market, disrupt criminal networks and minimise harm.

I encourage the Committee to consider the ITEC Commissioner Report 2024–25 as part of its inquiry.

Yours sincerely,



Amber Shuhyta

Illicit Tobacco and E-Cigarette Commissioner

Attachment A: Illicit Tobacco and E-Cigarette Commissioner Report 2024–25