



**Australian  
BORDER FORCE**



# **Australian Border Force submission to the Inquiry into the illegal tobacco crisis in Australia**

Legal and Constitutional Affairs References Committee

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## Executive Summary

The illicit tobacco market in Australia continues to grow in scale, complexity, and profitability, posing significant risks to public health, government revenue, community safety, and the integrity of Australia's border. Despite record seizures and strengthened enforcement across the border continuum, illicit tobacco remains a low-risk, high-reward commodity for transnational, serious and organised crime groups (TSOC). These networks exploit profitable price differentials, consumer demand, and the adaptability of global supply chains to maintain and expand their presence in the Australian market.

The Australian Border Force (ABF) plays a central role in detecting, disrupting, and deterring illicit tobacco across pre-border, at-border, and post-border environments. Since 2018-19, enhanced funding and capability uplift have enabled significant operational outcomes, including unprecedented volumes of seized illicit cigarettes and loose-leaf tobacco. Offshore engagement through internationally posted officers, intelligence exchanges and cooperation with foreign law-enforcement partners has also expanded, enabling earlier upstream disruption of supply chains before they reach Australia.

Criminal groups rapidly adapt to enforcement activity, absorb losses as a cost of doing business, and increasingly converge illicit tobacco with other commodities to diversify revenue streams and reduce risk.

The ABF's operational experience and intelligence holdings indicate that the threat is becoming more complex and volatile. An effective national response must integrate financial disruption, intelligence-led targeting, and regulatory alignment across federal, state and territory agencies. Multi-agency mechanisms such as the Illicit Tobacco Taskforce (ITTF) and the Illicit Tobacco National Disruption Group (NDG) demonstrate the effectiveness of coordinated criminal, regulatory and administrative levers to dismantle networks, disrupt facilitators and deny profits.

A balanced approach that targets supply, demand and financial enablers simultaneously is essential to delivering enduring reductions in illicit tobacco activity and protecting Australia's communities, revenue, and public health.

## Introduction

This ABF submission is in response to the **Legal and Constitutional Affairs References Committee – Inquiry into the Illegal Tobacco Crisis in Australia**. It outlines the ABF's role and observations across the pre-border, at-border, and post-border environments.

The ABF is responsible for protecting Australia's border, facilitating legitimate trade, and administering customs and excise-equivalent duty on imported tobacco products. Recent government investment, including dedicated funding and strengthened border controls has enabled the ABF to enhance its enforcement response. These investments have supported record volumes of illicit tobacco seized, rising from 631 tonnes in 2018–19 to more than 2,120 tonnes in 2024–25.

Despite these enforcement outcomes, high profit margins remain a powerful incentive for organised crime, and smugglers continue to reconstitute supply chains.

The ABF's operational approach is based on an end-to-end disruption model across the border continuum. This includes upstream engagement with international partners to identify and disrupt illicit supply chains before uplift; intelligence-informed targeting and interdiction at the border; and post-border disruption through coordinated operations, investigations, regulatory and other disruption action including financial intervention.

While this submission focuses on ABF responsibilities and insights, it recognises that effective responses to illicit tobacco rely on sustained national multi-agency cooperation and complementary policy settings beyond border enforcement alone.

## Section 1 – Pre-Border

The ABF, collaborating with partner customs administrations, the World Customs Organization (WCO) and other international organisations and industry, focuses on pushing the border outwards by working to deter or identify and disrupt illicit tobacco supply chains before they reach Australia. This forward-leaning posture is increasingly important as supply chains diversify across multiple regions and criminal methodologies evolve.

The ABF operates a network of internationally posted officers, including three officers (based in London, Hong Kong, and Bangkok) whose primary focus is to combat the illicit movement of tobacco.

These partnerships provide valuable sources of information and data to support earlier identification and upstream interdiction of illicit tobacco destined for Australia. This includes working through formal inter-agency arrangements to share intelligence, strengthen border controls, and disrupt criminal attempts to infiltrate legitimate supply chains. Early disruption remains one of the most effective levers for reducing volumes before they reach Australia.

Operationally, the ABF conducts coordinated enforcement activity with international and regional partners, focusing on high-risk transit points and major logistics hubs used to move illicit tobacco into Australia.

The ABF also targets trusted insiders or roles of intermediaries in supply chain logistics (e.g. brokerage agents, freight forwarders, transport facilitators, licenced depots) who can exploit vulnerabilities in the supply chain.

The ABF maintains active cooperation with priority foreign agencies in high-risk illicit tobacco source and transit countries, including across East and South-East Asia, Europe, and the Middle East. Practical cooperation includes targeting exchanges, actionable referrals, capacity-building, and intelligence-sharing, and parallel enforcement activity offshore. Furthermore, joint operations across Southeast and North Asia designed to identify consignments of interest and disrupt supply chains before products reach Australia, and to support detection of high-risk consignments due to arrive at the Australian border. These operations continue to demonstrate strong outcomes through earlier interdictions and improved visibility of Transnational and Serious Organised Crime (TSOC) methodologies.

The ABF has increased its international engagement and is seeing unprecedented levels of cooperation from our international partners. From 1 July 2025 to 31 December 2025, the ABF has received 972 international referrals with 420 detections made. This reinforces the value of upstream detection in constraining illicit flows before they reach Australia's border.

## Section 2 – At-Border

The ABF plays a critical role in collecting tobacco excise-equivalent customs duty on imported tobacco.

A central component of the regulatory framework for imported tobacco is the requirement to pay excise-equivalent customs duty. As part of its border responsibilities, the ABF administers and collects this duty - known as Excise Equivalent Customs Duty (EECD) - at the point of importation. EECD collected by the ABF forms the entirety of the Commonwealth's tobacco excise receipts for imported tobacco products.

Between 2018-19 and 2024-25, the volume of legally imported tobacco cleared by the ABF has continued to decline, while ABF seizures of illicit tobacco have increased over the same period. These trends are reflected in ABF tobacco clearance data and broader cross-government estimates indicating a growing presence of illicit tobacco in the domestic market. The ABF continues to respond to this shift with strengthened border enforcement, targeting, inspections, examinations, and multi-agency disruption activity.

To support this uplift, the ABF has received several funding packages since 2018 that have expanded capability across the border continuum:

- **Illicit Tobacco Taskforce (ITTF) Funding** – Ongoing support was provided through the Black Economy Package from 2018–19, enabling the ABF and partner agencies to continue a dedicated multi-agency focus on illicit tobacco smuggling. From 2023–24, a further \$68.4 million was allocated to the ABF (and \$26.4 million to partner agencies) over six years.
- **Tobacco and Vape Reforms (2023–24 Budget)** – \$188.5 million over four years from 2023–24 to establish a coordinated multi-agency, multi-jurisdictional response to illicit tobacco. This investment strengthened ABF enforcement capability at and beyond the border. This investment has been instrumental in scaling inspections and examinations and increasing ABF presence in high-risk cargo streams.
- **Illicit Tobacco Compliance and Enforcement Package (2025–26 Budget)** – To strengthen compliance and enforcement of illicit tobacco and nicotine products, the ABF received \$11.6 million over two years from 2025–26.

These measures have enabled the ABF to scale operational activity, enhance intelligence-informed targeting, expand inspections and examinations across cargo and mail streams, and strengthen whole-of-government disruption efforts against illicit tobacco.

During the 2024-2025 financial year, the ABF seized over 2.5 billion cigarette sticks and over 438 tonnes of loose-leaf tobacco, with the illicit cigarettes and loose-leaf tobacco valued at over \$4.4 billion in potential Tobacco Excise duty tax. In addition, over 6 million vapes and accessories were seized. These detections illustrate both increased effort and the adaptability of criminal supply chains.

From 1 July to 31 December 2025 the ABF has:

- made over 7,500 detections,
- seized over 1.04 billion illicit cigarettes and over 147 tonnes of loose-leaf tobacco, valued at over \$1.87 billion in potential excise-equivalent duty protected, and
- equating to approximately 41 detections per day.

Since December 2025, the ABF has undertaken a significant uplift in operational activity across the border continuum, with a particular focus on increasing the screening, inspection, and examination of cargo.

This has included expanded screening volumes, additional examination lines established through a surge of resources, and increased contracted capacity, resulting in higher examination rates across all regions. These enhancements have already delivered disruption impacts. Officers deployed into both air and sea cargo environments continue to detect and seize prohibited imports at licensed depots, contributing to further compliance action and the disruption of trusted insiders and facilitators within the supply chain. These uplifted activities have produced strong operational outcomes through December, January, and February 2026, demonstrating the immediate impacts of increased effort and capability.

In support of broader government objectives, the ABF leads and contributes to a whole-of-government response to illicit tobacco, including working closely with Commonwealth partners including the Australian Federal Police (AFP), Australian Criminal Intelligence Commission (ACIC), Australian Transaction Reports and Analysis Centre (AUSTRAC), Australian Taxation Office (ATO), Commonwealth Director of Public Prosecutions (CDDP), and with state and territory law enforcement, health and regulatory agencies.

## Section 3 – Post-Border

While border enforcement is achieving record yields, the profitability of the trade contributes to resilience among criminal networks. In response, post-border disruption activity remains a critical component of the ABF's operational model, delivered through coordinated enforcement across Commonwealth, state and territory jurisdictions, including joint disruption operations, targeted warrants, and prosecution activity.

Law enforcement reporting, including insights from partner agencies, indicates that TSOC groups involved in illicit commodities increasingly collaborate across jurisdictions and commodity types. These arrangements resemble commercial partnerships, with actors sharing knowledge of vulnerabilities and methodologies to facilitate larger, multi-commodity consignments. Within Australia, criminal networks appear more willing to form alliances based on need and opportunity, leveraging each other's facilitators, logistics and financial channels. For the ABF, this collaborative model increases the resilience of illicit tobacco supply chains, complicates target identification, and reinforces the need for close coordination between border interdiction and multi-agency post-border disruption.

The uplift in ABF at-border examinations is closely aligned with strengthened post-border disruption activity. Intelligence and detections generated through increased border inspections are feeding directly into targeted operational activity by the ITTF and the NDG, supporting more precise identification of mid-level criminals and enablers, storage nodes, and distribution channels. This coordinated operational picture enhances the ABF's ability to disrupt illicit tobacco networks beyond the point of interception and contributes to a more comprehensive disruption effect across the supply chain ecosystem.

### **Illicit Tobacco Taskforce**

Post border, disruption activity continues to scale as the ABF, through the ITTF, leads coordinated enforcement across Commonwealth, state, and territory jurisdictions against Priority Illicit Tobacco Networks.

The ITTF remains the primary Commonwealth mechanism for disrupting serious and organised crime networks in the tobacco market.

The ABF draws on the combined capabilities of ITTF partner agencies:

- Department of Home Affairs (Home Affairs)
- Australian Criminal Intelligence Commission (ACIC)
- Australian Transaction Reports and Analysis Centre (AUSTRAC)
- Commonwealth Director of Public Prosecutions (CDPP)
- Australian Taxation Office (ATO)

Joint and ABF led operations target and dismantle serious and organised crime networks dealing in illicit tobacco. Joint operations, targeted warrants, and prosecution activities are delivering tangible outcomes against organised crime groups involved in the domestic supply, storage, and retail distribution of illicit tobacco.

This multiagency approach against the most serious and organised crime illicit tobacco syndicates directly strengthens the effectiveness of onshore disruption activities, with the ABF maintaining deep integration with state and territory intelligence functions to refine targeting across the border continuum and align regulatory, enforcement and licensing-based actions across jurisdictions.

Between 1 July 2025 to 31 December 2025, the ABF led seven overt operational activities targeting illicit tobacco and assisted other agencies in seven activities. These operations demonstrate a focused operational tempo and strengthened multi-agency integration.

### **Illicit Tobacco National Disruption Group**

The establishment of the illicit tobacco NDG was formally announced on 19 October 2025, to strengthen Australia's fight against criminals in the illicit tobacco market.

Led by the ABF, the NDG represents a new era in illicit tobacco enforcement by partnering with traditional and non-traditional federal, state and territory partners, to disrupt mid-level criminals and enablers operating in the illicit tobacco trade.

The NDG is a multi-disciplinary, multi-jurisdictional team that delivers disruptive effects to strengthen the impact of, and work alongside, prosecution.

The NDG work with a wide range of partners, such as AFP, Department of Health, Disability and Ageing (including the Therapeutic Goods Administration), Department of Agriculture, Fisheries and Forestry, Illicit Tobacco and E-Cigarette Commission and Services Australia, and state and territory police, health and regulatory agencies and crime commissions, to focus on disrupting mid-level criminals and enablers. This provides a critical operational force multiplier (in parallel with the ITTF and its associated partners), particularly to those actors who are not typically the subject of criminal investigations.

The NDG's fusion capability is designed to disrupt networks that have no regard for Australia's tobacco laws by leveraging intelligence tradecraft and unique enforcement powers to build a comprehensive set of disruption pathways.

Expanding enforcement beyond traditional policing agencies connects regulatory compliance and additional capabilities to a coordinated national disruption response.

By focussing on disruption, the NDG is equipped to enact the rapid use of capabilities and powers of multi-jurisdictional partners to disrupt the illicit tobacco business model removing threats far quicker than prosecution alone.

Enforcement outcomes 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.

The NDG now comprises 27 federal, state and territory agencies, with several other agencies in negotiation. United in purpose, NDG partners are undertaking disruption operations targeting mid-level criminal actors and supply chain enablers. These arrangements are translating into operational results. Active joint investigations are underway of those involved in importation, storage, and distribution at a domestic level, contributing to measurable disruption effects.

While operational sensitivities prevent disclosure of specific live activities, at the time of submission, these operations are expected to deliver outcomes such as seizures, warrant activity, cash and asset confiscations, business closures, licence revocations, tax and welfare compliance actions, visa integrity referrals and strengthened intelligence holdings across partner agencies.

The nationally coordinated operational model will also enable broader multi-agency activity to apply sustained criminal, regulatory and administrative pressure across the illicit tobacco supply chain.

#### **Office of the Illicit Tobacco and E-Cigarette Commissioner**

The ABF is a key partner of the Illicit Tobacco and E-Cigarette Commissioner, bringing frontline border enforcement capability and expertise to the national effort to combat illicit tobacco and vapes. This partnership ensures alignment between border enforcement priorities and national regulatory and health-driven policy settings. The ABF collaborates closely with the Commissioner through direct engagement, intelligence sharing, and representation as a key member of the joint agency National Illicit Tobacco and E-cigarette Coordination forum, co-chaired by the Illicit Tobacco and E-cigarette Commissioner and the Assistant Commissioner of Queensland Police Service.

## Section 4 – Other related matters

### Threat assessment

Based on current modelling and intelligence, the ABF assesses three plausible scenarios for the medium-term evolution of the threat.

<p><b>Scenario A</b></p>	<p><b>Market Consolidation and Retaliation</b> (Likely)</p>	<p>As ABF and domestic law enforcement disrupt supply chains, established syndicates will likely seek to consolidate control over the remaining supply. This will likely manifest in "turf wars" over distribution networks, particularly tobacconists and convenience stores. Smaller operators may be pushed out or coerced into paying "protection," leading to a hardening of the criminal ecosystem.</p>
<p><b>Scenario B</b></p>	<p><b>The "Poly-Criminal" Pivot</b> (Highly Likely)</p>	<p>Criminal networks will increasingly treat tobacco as just one commodity in a diverse portfolio. We assess a high probability of convergence between illicit tobacco and illicit e-cigarette supply chains. With 95.7% of the e-cigarette market estimated to be illicit, syndicates will leverage the same distribution channels for both products to maximise revenue per transaction and mitigate losses if one commodity is seized.<sup>[1]</sup></p>
<p><b>Scenario C</b></p>	<p><b>Displacement to Domestic Production</b> (Plausible)</p>	<p>If border hardening measures (such as the <i>Tobacco Control Act</i> reforms and increased ABF intervention) significantly reduce the flow of imported illicit tobacco, syndicates may pivot toward domestic cultivation to shorten supply chains. While imports currently dominate, historical data indicate the capacity for large-scale domestic growth, which may expand if imports become cost prohibitive.<sup>[2]</sup></p>

### Operational observations

The ABF's operational experience indicates that the illicit tobacco market in Australia is sustained by a combination of strong consumer demand, exceptionally high profit margins, and the capacity of criminal networks to absorb enforcement losses as a routine cost of doing business. While enforcement action remains essential, the scale, resilience and adaptability of the market demonstrate that enforcement alone will not deliver sustained reductions in illicit tobacco activity.

The ABF's role in administering customs and excise equivalent duty, disrupting illicit imports, and working across domestic and international enforcement partnerships provides a unique end to end perspective on the drivers influencing the illicit tobacco market. Drawing on this operational experience, the ABF observes several factors that shape criminal behaviour and the operating environment.

### Profitability and deterrence

Illicit tobacco remains attractive to organised crime due to the significant profit margins associated with avoiding duty. Criminal networks factor seizures, penalties and business disruption into their operating models and rapidly reconstitute supply chains following enforcement action. From an operational standpoint, this cycle contributes to the persistence of illicit activity despite sustained interdiction efforts.

## Financial enablers

The illicit tobacco trade is underpinned by sophisticated financial arrangements, including cash-based economies, and the use of professional facilitators. These financial structures enable criminal groups to move profit offshore, reinvest in supply chains, and diversify their activities. This financial resilience contributes to the adaptability of illicit tobacco networks and their capacity to scale operations after enforcement actions.

## Regulatory fragmentation

Differences in licensing, compliance and enforcement frameworks across Commonwealth, state and territory jurisdictions create opportunities for regulatory arbitrage, particularly at the retail and distribution level. Criminal actors exploit these inconsistencies to move product, conceal ownership, and shift activity between jurisdictions. From an operational perspective, fragmented frameworks can complicate coordinated disruption efforts.

## Convergence and displacement risks

The ABF observes increasing convergence between illicit tobacco and other illicit commodities, particularly illicit e-cigarettes, with shared logistics, storage, and retail networks. At the same time, border hardening measures may incentivise displacement effects, including a potential shift toward domestic cultivation to shorten supply chains and reduce exposure to border controls. These dynamics reinforce the need for flexible, intelligence-informed responses that can adapt to changing criminal methodologies.

## Demand side dynamics

Operational data and market estimates indicate that strong consumer demand remains a critical driver of illicit tobacco. The ABF notes that absent demand reduction measures, enforcement activity alone will continue to be offset by sustained consumer willingness to purchase illicit product. Understanding consumer motivations, substitution behaviours and price sensitivity is therefore important in informing complementary policy responses aimed at reducing the demand pull that sustains the market.

## Integrated national response

The ABF assesses that the most effective responses to illicit tobacco are those that integrate criminal, regulatory and administrative levers across jurisdictions. Multi-agency models such as the ITTF and the NDG demonstrate the value of coordinated disruption approaches that extend beyond prosecution alone. Continued development of these models, supported by appropriate legislative and information sharing settings, will be critical to achieving sustained impact.

Enduring reductions in illicit tobacco activity will require a coordinated policy and operational effort that addresses supply, demand and the financial systems that enable the trade. Strong collaboration with offshore partner agencies and sustained enforcement across the border continuum remain essential, but their impact will be greatest when supported by robust financial disruption, consistent regulatory settings across jurisdictions, improved intelligence sharing, and evidence-based measures to reduce consumer demand. Taken together, these elements form the integrated national response needed to constrain the illicit tobacco market over the long term.