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**CRIMINAL
INTELLIGENCE
COMMISSION**

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SUBMISSION

Legal and Constitutional Affairs Reference Committee Inquiry into the Illegal tobacco crisis in Australia

INTRODUCTION

The Australian Criminal Intelligence Commission (ACIC) welcomes the opportunity to provide a submission to the Senate Legal and Constitutional Affairs References Committee inquiry into Illegal tobacco. (U)

The ACIC's purpose is to protect Australia from serious criminal threats by collecting, assessing and disseminating intelligence and policing information. Critically, the agency's tactical, operational and strategic insights into serious and organised crime (SOC) supports whole-of-government decision-making across operational practice, policy, regulatory and legislative environments. (U)

The ACIC:

- provides unique, actionable and insightful criminal intelligence to partners and advice to government on SOC – including where it has a transnational dimension – through collecting and analysing information and data about complex offending patterns, criminal business models, and criminal groups, networks and individuals across multiple crime vectors
- undertakes investigations and operations for purposes including identifying vulnerabilities in particular networks and systems, and collecting and disseminating intelligence – as well as evidence of SOC-related offences – to facilitate enforcement, prevention, disruption and regulation activities
- provides national policing information systems and services to law enforcement and intelligence partners to keep them – and the Australian community – safe
- delivers background checking services to support employment or entitlement decisions and to maintain community safety. (U)

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SOC THREAT ENVIRONMENT IMPACTING AUSTRALIA

Australia's SOC environment is becoming more complex, networked and harmful to the nation's economic and security interests. While illicit drugs remain the largest source of criminal revenue, SOC groups are opportunistic, targeting any market where they can profit – from tobacco and weapons, to trafficking people and our natural resources, or defrauding people and government services. (O)

The ACIC assesses that the criminal landscape has fundamentally shifted and is more sophisticated than in previous decades. Today, SOC networks increasingly operate as borderless, decentralised, digitally enabled enterprises embedded within legitimate systems. These groups demonstrate the agility and sophistication of multinational businesses, using technology, professional facilitators and transnational connections to expand their reach, diversify their criminal activities, and evade intelligence and law enforcement detection. (U)

The scale of the harm caused has likewise grown. The Australian Institute of Criminology (AIC) estimates the total cost of SOC to Australia was up to \$82.3 billion in 2023-24 – equivalent to 3.2% of Australia's gross domestic product. This represents a sharp increase from \$68.7 billion in 2022-23, which underscores the breadth of growth and the impact of SOC groups on the economy, community safety and national security. (O)

Critical to SOC actors' success is the exploitation of digital platforms, encrypted communications and digital money-laundering mechanisms to move profits and coordinate activities remotely, while also recruiting professional enablers to facilitate and legitimise their operations. (U)

SOC actors are also making inroads by diversifying their revenue streams, deepening their infiltration of legitimate markets and supply chains, adapting quickly to regulatory changes, and exploiting both physical and digital vulnerabilities at scale. The growing convergence of criminal enterprises with the legal economy heightens systemic vulnerabilities, amplifies community harm and strengthens the resilience of SOC networks – placing greater pressure on traditional intelligence and law enforcement responses. (U)

Within this increasingly complex and evolving threat environment, the ACIC must operate at pace with an intelligence-led posture, leveraging advanced collection, analysis and assessment capabilities to illuminate hidden and dynamic criminal ecosystems. This also informs operational and policy decision-making to harden the environment against SOC exploitation and to keep Australia and Australians safe. (U)

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IMPACT OF SOC INVOLVEMENT IN THE ILLICIT TOBACCO MARKET

Australia's SOC environment is increasingly shaped by the rapid expansion of the illicit tobacco market, encompassing the importation, cultivation or sale of tobacco products without payment of the required customs duties, excise duties or taxes. The Australian illicit tobacco market's scale, profitability and comparatively low barriers to entry have made it a lucrative revenue stream for SOC groups, enabling them to offset losses arising from the detection and disruption of their traditional criminal activities. (U)

Illicit tobacco is now one of the most significant SOC commodities in Australia. The market is primarily composed of 2 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. (O)

While e-cigarettes are not captured within the terms of reference for this inquiry, the ACIC acknowledges that the Australian illicit tobacco and e-cigarette markets may be operated by the same SOC groups and impact the same small businesses and consumer groups. (O)

In *Estimating the cost of serious and organised crime in Australia 2023-24*, the AIC estimated that the total economic and social cost of illicit tobacco was approximately \$4.0 billion in 2023-24. Further, the *Illicit Tobacco and E-cigarette Commissioner Report 2024-25* estimated the illicit tobacco market to be valued at up to \$6.9 billion – an almost sevenfold increase from \$1.0 billion in 2020-21. After illicit drugs, this growth makes illicit tobacco the second most economically damaging commodity and it is estimated to represent the majority share of Australia's tobacco market. (U)

In addition, the Illicit Tobacco and E-cigarette Commissioner estimated that lost excise revenue from tobacco sales totalled approximately \$11.08 billion in 2024-25 – revenue that would otherwise fund essential Australian government services such as health care and social support. By supplying illicit tobacco products openly across Australia, SOC groups are also undermining regulatory, public health and law enforcement efforts. From a public health perspective, the increasing availability of cheaper and unregulated tobacco products is undermining efforts to reduce smoking rates. (U)

The ACIC has observed that illicit tobacco activity is not isolated to that market but intersects with the broader SOC environment and funds other illicit activities. SOC groups are increasingly competing to seize and maintain control of the illicit tobacco market in Australia. Illicit tobacco is trafficked alongside drugs and other commodities, by the same or similar networks and methodologies, with SOC groups adept at circumventing border controls and exploiting supply chains. To effectively address the illicit tobacco problem, it is essential to address the threat as a wider SOC, border and supply chain issue in parallel with regulatory, health and policy strategies. (O)

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Competition for control of this market has resulted in significant and sustained violence. Since 2023, SOC efforts to dominate the illicit tobacco and e-cigarette market have escalated, contributing to more than 200 fire bombings, at least three homicides (including an innocent civilian), and multiple other non-fatal violent attacks. These acts endanger the community, place pressure on emergency services, and highlight the low-risk, high-reward nature of the market for criminal actors. (U)

Under the crime as a service model, SOC groups involved in importing, manufacturing and/or distributing illicit tobacco may also be sought out to provide services to other criminal actors and, in some cases, foreign or hostile state actors – bringing their activities to the attention of security, intelligence and law enforcement agencies globally. This willingness to commit – or contract out – violent acts represents a concerning and burgeoning linkage between organised crime networks and more traditional national security threats. (O)

SOC networks penetrate markets and create unfair competition by propping up their front businesses with criminal proceeds or forcibly taking market share of some sectors – like tobacco – by forcing out legitimate businesses through extortion, intimidation and violence. Beyond market distortion, the effects of SOC networks' involvement in illicit tobacco have driven up business costs and, by extension, costs for consumers. Arson and other violent acts are driving up insurance costs for legitimate businesses including tobacconists and nearby retailers. Small businesses in close proximity to tobacco market-related fire bombings are also impacted by loss of foot traffic, revenue and reputation. (U)

The ACIC assesses that SOC violence and coercion associated with the illicit tobacco market is highly likely to continue, noting the market's profitability, resilience and adaptability to disruption. The evolving scale and nature of the threat reflects SOC groups' exploitation of regulatory and economic conditions. (O)

The trend of SOC groups recruiting minors is of particular concern. 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. This reflects a broader and growing international trend in SOC exploitation of impressionable youths. (O)

COUNTERING THE THREAT

The ACIC works across government, the enforcement and national intelligence communities to counter the illicit tobacco threat. It is a member of both the Illicit Tobacco Taskforce (ITTF) and the Illicit Tobacco National Disruption Group – contributing unique, actionable and insightful intelligence to counter the illicit tobacco and e-cigarette threat posed by SOC groups to the Australian community. (U)

The ITTF has successfully disrupted the importation of illicit tobacco and e-cigarette products, including an August 2025 seizure containing both tobacco products and e-cigarette products. The tobacco products from this seizure alone represented a total combined potential excise of more than \$10,993,000, while the e-cigarettes represented an estimated street value of more

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than \$1,325,000. Continued whole-of-government national disruption efforts like this seizure rely on and are amplified in impact by the strategic cross-agency leveraging of expertise and related enforcement and regulatory powers. (U)

The ACIC assesses the supply of illicit tobacco from overseas will continue to increase. The agency's work contributes to efforts to harden the environment against SOC groups by increasing understanding of the offshore actors and enablers driving supply and contributing to government efforts to counter the threat. (O)

Case study: Offshore cooperation and a domestic illicit tobacco network

On 13 January 2026, the Republic of Iraq's National Center for International Judicial Cooperation announced the arrest of Kazem Hamad. Hamad had been deported from Australia to Iraq in 2023 in relation to alleged criminal activity, including drug importation and smuggling. (U)

The ACIC previously assessed Hamad as a central figure within Australia's primary domestic illicit tobacco network. The ACIC further assessed that he was involved in the importation and distribution of illicit tobacco products and that he directed and facilitated significant acts of violence to eliminate competitors and maintain control of the illicit tobacco market, including commissioning fire bombings of Australian tobacco shops. (O)

Hamad has been identified as a suspect linked to the facilitation of a synagogue firebombing in Australia on behalf of a foreign state actor. This incident is a manifestation of the risk of convergence between organised crime activity and national security issues associated with this SOC actor. (O)

This case study underscores the critical importance of international cooperation and intelligence sharing in identifying and disrupting offshore actors who enable domestic illicit tobacco supply chains and associated criminal harms. (O)

CONCLUSION

The illicit tobacco market represents a significant and growing driver of SOC activities in Australia. It imposes substantial economic costs, undermines legitimate businesses, fuels violence and strengthens the resilience of criminal networks, all while eroding government revenue and the essential services it funds. (O)

Addressing the threats posed by the illicit tobacco market requires a coordinated, intelligence-led response that combines law enforcement action, regulatory oversight and targeted industry and community engagement. The ACIC assesses that, without sustained and coordinated intervention, the market will continue to expand and further entrench criminal influence in Australia. Such an outcome will compound risks to public safety and health outcomes as well as Australia's economic integrity and national security. (O)