



Submission to the Senate Legal and Constitutional Affairs References Committee

Inquiry into the Illegal Tobacco Crisis in Australia

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This submission does not reflect a single Australian Strategic Policy Institute (ASPI) perspective; it is the opinion of the author.

Background

The Senate Legal and Constitutional Affairs References Committee has been tasked with examining a national security, public health and economic challenge that has quietly grown into one of Australia's most complex domestic policy failures: the illicit tobacco crisis. On 27 November 2025, the Senate referred this inquiry for report by 30 June 2026. This submission responds formally to that invitation.

The Committee's terms of reference recognise that illicit tobacco is no longer a marginal compliance issue or a simple matter of tax evasion. It is now a multi-billion-dollar criminal economy embedded across Australian communities, sustained by global supply chains, domestic manufacturing, entrenched demand, and an excise regime that unintentionally creates ideal conditions for organised crime.

The Illicit Tobacco & E-Cigarette Commissioner's 2024–25 Annual Report confirms that illicit tobacco may now constitute half or more of total national consumption, with market dynamics increasingly shaped not by health policy but by the profit incentives of transnational serious and organised crime.

This submission argues that Australia must confront a foundational truth: the illicit tobacco crisis is the predictable outcome of policy frameworks that have not kept pace with market realities. Addressing it requires a strategic reset that integrates public health, national security, tax policy, and law-enforcement capabilities into a coherent national plan.

The challenge is significant, but the opportunity is equally important: to realign tobacco control with its original purpose, dismantle a rapidly expanding organised-crime market, and restore confidence in the integrity of Australia's public health and border control systems.

Executive Summary

Australia stands at a crossroads in its decades-long fight against tobacco harm. For forty years, our nation has delivered one of the world's most successful public health transformations: smoking rates have more than halved, social norms have shifted, and generations of Australians have been protected from preventable disease. This achievement is a testament to national coherence—health authorities, regulators, enforcement agencies, legislators and communities working toward a single, unambiguous goal: driving down smoking.

But the strategic environment has changed. The Illicit Tobacco & E-Cigarette Commissioner's 2024–25 Annual Report reveals that illicit tobacco now accounts for between 50 and 60 per cent of consumption in Australia, with an estimated market value of \$4.1 to \$6.9 billion. Legal imports are collapsing. Violence linked to the illicit market, including arson, extortion and targeted attacks, is escalating. Transnational serious and organised crime groups have industrialised production, distribution and retail, exploiting the enormous profits created by Australia's world-leading excise settings.

Illicit tobacco is no longer a nuisance. It is a national security problem hiding in plain sight.

The uncomfortable truth is this: if tobacco excise were not so high, organised crime would not be in this market. Our tax settings, once the most powerful tool for reducing smoking, now generate the very conditions that allow criminal networks to thrive. For the remaining cohort of heavily addicted, highly price-sensitive smokers, further excise increases no longer prompt cessation—they push consumption into illicit channels. The result is a system that undermines public health, weakens tax revenue, fuels organised crime, displaces legitimate retailers and exposes communities to escalating violence.

Australia's enforcement agencies, including the Illicit Tobacco Taskforce, are performing professionally and with determination. They are seizing record volumes of illicit product, dismantling production farms, disrupting manufacturing operations and arresting offenders. But they are chasing a market whose structural incentives cannot be neutralised by tactical effort. No volume of seizures can offset a price differential that guarantees immense criminal profit.

International cooperation will help at the margins, but it cannot solve a problem rooted in domestic economic settings. Tobacco is legal to grow, manufacture and export in many source countries. Asking foreign governments to police activities lawful within their borders is unrealistic and crucial to their economy.

This submission argues for a strategic reset. Australia must realign tobacco control with its original purpose: reducing smoking, not raising revenue. A temporary pause on excise increases, combined with independent modelling, strengthened national coordination, modernised legislation, and outcome-

focused enforcement strategies, would collapse the economic foundation of the illicit market while restoring coherence to public health policy.

Key Recommendations

1. Australia should implement a temporary pause on tobacco excise increases while undertaking independent modelling on the relationship between excise levels, illicit market share, consumption behaviour and transitional serious and organised crime profitability.
2. Enforcement performance frameworks should shift from input-based KPIs (such as seizures, arrests, and detections) to outcome-focused measures centred on disrupting criminal profitability, reducing illicit market share, and decreasing associated violence.
3. The Australian Government should rebalance its tobacco control approach to reconnect public health, taxation policy and national security—recognising that excise is a tool to reduce smoking, not a revenue measure.
4. Legislative and regulatory frameworks should be modernised to increase penalties for high-volume commercial illicit manufacturing, importation and distribution; expand proceeds-of-crime powers; and tighten licensing and compliance requirements across wholesale and retail supply chains.
5. Targeted cessation and harm-minimisation strategies should be developed for highly addicted, price-sensitive populations most likely to rely on illicit tobacco, especially in disadvantaged and remote communities.
6. The Government should commission integrated health, crime and economic modelling to better quantify the harms of illicit tobacco, including public health impacts, community safety risks and TSOC cross-portfolio financing.
7. Policies governing nicotine-alternative products should be reviewed to ensure they support smoking cessation and reduce reliance on illicit tobacco while maintaining appropriate safeguards against youth uptake and misuse.
8. Australia should adopt a realistic approach to international cooperation that acknowledges structural limits: tobacco is legal in many producing countries, and domestic strategies—not offshore disruption—must drive market compression.
9. Public communication strategies should transparently address the harms of illicit tobacco and explain the rationale for recalibrating excise and enforcement approaches to protect communities and reduce criminal profit incentives.

1. Introduction

Australia has every reason to be proud of its record on tobacco control. Over the past four decades, successive governments, health professionals, researchers, regulators and communities have cooperated to halve smoking prevalence. In 2001, 22.4 per cent of adults smoked daily. By 2022, that figure had fallen to 10.6 per cent, with 12.2 per cent reporting that they were current smokers. The 2022–23 National Drug Strategy Household Survey reported daily smoking at 8.8 per cent. These gains were not accidental. They reflected a whole-of-nation strategy that combined demand reduction, supply regulation, and harm minimisation.

But success changes the strategic environment. The remaining smokers are not the people whom Australia successfully nudged to quit between 2000 and 2020. They are more addicted, more price-sensitive, more marginalised and more concentrated in disadvantaged and remote areas. Daily smoking is over three times more prevalent in the most disadvantaged regions than in the least, and substantially higher outside major cities.

These facts matter because the traditional tobacco control levers that worked for two decades now interact with new market realities in ways that were not anticipated. High excise, once our most powerful deterrent, now creates a structural economic opportunity for transnational serious and organised crime (TSOC). Criminal networks have identified a low-risk, high-margin commodity with enormous, stable demand.

The Illicit Tobacco & E-Cigarette Commissioner's 2024–25 Annual Report confirms the scale of this transformation. According to the Commissioner, the illicit tobacco market now accounts for an estimated 50 to 60 per cent of total tobacco consumption in Australia, depending on assumptions about consumption trends. The corresponding market value ranges from \$4.1 to \$6.9 billion. These are not marginal leakages.

At the same time, legal tobacco clearances have fallen dramatically. The Commissioner's report notes a 30 per cent reduction in legal cigarette imports and a 17 per cent reduction in legal loose-leaf imports in the past year alone. This decline is a central assumption in the Commissioner's methodology for inferring the size of the illicit market. The drop in legal imports is treated as a substitution for the illicit supply.

The strategic implication is unavoidable: Australia's tobacco excise settings have created an economic environment in which organised crime thrives. If excise were not so high, organised crime would have little incentive to participate in the tobacco market. This is not a statement of ideology. It is a statement of economic fact.

We now face an inflection point. Continuing down the current path—ever-increasing excise, enforcement-intensive approaches, fragmented governance—will entrench a violent, resilient, high-profit illicit market. A reset is required.

2. Scale and Nature of the Illegal Tobacco Market

The Commissioner's report provides one of the clearest contemporary estimates of the scale of the illicit market. Using a methodology based on trends in regulated imports, consumption data, tobacco CPI, wastewater analysis and price assumptions, the Commissioner estimates that illicit tobacco represents:

- 50 per cent of consumption if national smoking continues its downward trend,
- 55 per cent if smoking rates stabilise,
- 60 per cent if smoking increases.

This range demonstrates two major insights. First, the illicit market is massive. Second, its precise size is highly sensitive to consumption assumptions, because Australia's dataset for total consumption is fragmentary and excludes illicit volumes.

The Commissioner's methodology relies heavily on the observed 3,695 tonne reduction in regulated tobacco imports between 2022–23 and 2024–25. The decline in legal imports is interpreted as displaced consumption moving into the illicit market. This assumption is logical and likely correct directionally, but it carries methodological risks. It assumes:

- Consumers do not necessarily reduce total consumption in response to price,
- Switching to vaping does not account for a larger share of the decline,
- Legal import fluctuations are not influenced by lagged stockpiling or supply-chain disruptions.

The Commissioner acknowledges some of these limitations, noting that consumption data is based on 2022–23 trends and that 2024–25 modelling relies on projected assumptions.

Nevertheless, even conservative readings of the report confirm that Australia now has one of the largest illicit tobacco markets in the world.

Criminal methodologies continue to evolve. Containerised misdeclaration, domestic manufacturing, large-scale illegal cultivation, the use of industrial estates, and overlapping distribution networks with methamphetamine and money laundering are now common features. These developments are consistent with TSOC behaviour across other commodities. When a product is high-margin and low-risk, criminal networks professionalise quickly.

3. Public Health and Government Revenue Impacts

Illicit tobacco deeply undermines Australia's public health.

First, price ceases to deter. A \$40 legal packet of cigarettes loses its value as a behavioural signal when illicit packets sell for \$10 to 15 each. This is particularly true for highly addicted, low-income smokers who have already absorbed years of excise-driven price increases.

Second, illicit products bypass all harm-minimisation strategies. They carry no warnings, their composition is unregulated, nicotine content is unknown, and no pathway for cessation support is linked to purchase or usage.

Third, the Commissioner's report documents the extent of criminal harms associated with illicit tobacco, including homicide, extortion, arson and assault. The report acknowledges that attribution remains difficult due to inconsistent crime-reporting frameworks. However, the presence of serious violence is undisputed.

From a fiscal perspective, the Commissioner estimates excise losses between \$7.7 and \$11.8 billion. These figures come with an explicit methodological caveat: they assume that all illicit tobacco consumption would shift to legal purchases if illicit supply were eliminated. The Commissioner notes that this is "uncertain" due to price sensitivity and substitution with alternatives. This uncertainty reinforces the point that high excise has priced smokers out of the regulated market—not into cessation pathways.

It is essential to restate a foundational public policy principle: tobacco excise is intended to reduce smoking, not to raise revenue. A successful tobacco policy would result in negligible excise revenue. Revenue is a by-product, not a goal.

The rise of illicit tobacco means that excise increases no longer deliver public health benefits commensurate with their intent. Instead, they increase illicit market share and fuel TSOC revenue.

4. Law Enforcement, Intelligence and Regulatory Responses

The inquiry's terms of reference rightly draw attention to the scale of law enforcement activity across Australia. Agencies are investing extraordinary effort into detecting, seizing and dismantling illicit tobacco operations. The Australian Border Force (ABF) continues to intercept large consignments at the border. The Australian Tax Office (ATO) routinely destroys illegal crops and shuts down domestic manufacturing facilities. State and territory police are increasingly engaged in responding to firebombings, extortion attempts, arson attacks and other violent incidents driven by competition within the illicit tobacco market.

The Illicit Tobacco Taskforce (ITTF)—bringing together the ABF, Australian Criminal Intelligence Commission (ACIC), ATO, AFP and AUSTRAC — remains a high-performing multi-agency capability. It has seized hundreds of tonnes of product, arrested offenders and disrupted sophisticated networks operating across multiple jurisdictions. These agencies are not failing; they

are doing exactly what they have been tasked to do. Their operational response is professional, coordinated and tactically effective.

However, the challenge before this inquiry is not operational—it is structural. The ITTF and its partner agencies operate in an economic environment where the core profit incentive for illicit tobacco remains untouched. Australia's excise regime, while designed to reduce smoking, has created a price differential so large that organised crime cannot help but take advantage of it.

As long as illicit tobacco can be imported, manufactured or grown cheaply and sold for a fraction of the regulated retail price, criminal groups will continue to expand their foothold in the market. Enforcement effort alone cannot neutralise the gravitational pull of such profit margins.

I see seven strategic reasons why enforcement, regardless of capability or commitment, cannot suppress a market being reshaped by excise-driven incentives.

First, the profit margins are so significant that seizures become an acceptable cost of doing business. For a network moving tonnes of product, a large seizure may dent one shipment, but the overall financial incentive remains intact. Enforcement victories do not diminish market attractiveness.

Second, disruption is temporary because the underlying capacity is easy to rebuild. Illicit tobacco supply chains are inherently redundant and rapidly regenerating. Containers can be misdeclared or split into smaller consignments. Domestic crops can be replanted or relocated with minimal investment. Manufacturing equipment is inexpensive, portable and easy to conceal.

Third, the market is demand-driven. The remaining cohort of smokers is addicted, highly price-sensitive and largely unable or unwilling to quit. For these individuals, illicit tobacco is not a discretionary choice—it is the only economically viable option. Enforcement can remove shipments, but it cannot remove demand. As long as the legal product remains unaffordable, criminal networks will efficiently meet that demand.

Fourth, organised crime groups adapt faster than enforcement can respond. These networks draw on decades of experience in drug trafficking, financial crime and smuggling. They use counter-surveillance, encrypted communications, corrupt facilitators and multi-jurisdictional logistics. Enforcement actions harden their operations rather than eliminate them.

Fifth, enforcement metrics measure outputs, not outcomes. High seizure volumes may indicate excellent operational performance—or a rapidly growing illicit market. Without affecting profitability, seizures sample the flow of product without constricting it. Inputs such as arrests and detections do not reliably correlate with market contraction.

Sixth, domestic production is geographically dispersed and difficult to suppress sustainably. Crops can be hidden across regional farmland or industrial sites. Manufacturing cells can operate with minimal equipment. The distributed nature of supply ensures that local disruptions seldom translate into systemic pressure.

Finally, illicit tobacco revenue strengthens broader TSOC portfolios. Profits are reinvested into methamphetamine imports, cybercrime infrastructure, firearms procurement and money laundering networks. Even when tobacco operations are disrupted, the capital base of criminal groups remains intact. Enforcement agencies seize the product, but the criminal enterprise persists.

For these reasons, evidence presented to the inquiry consistently depicts an illicit market that is widespread, resilient and increasingly violent. TSOC groups are deeply embedded in production, importation, distribution and retail. Communities are experiencing escalating arson, extortion and retaliatory attacks. Criminal methodologies are becoming more sophisticated.

These patterns reinforce a fundamental truth that this inquiry must confront: no enforcement-led strategy can overcome a market driven by a price differential of this magnitude. Unless the structural incentives created by excise settings are addressed, enforcement alone will continue to treat symptoms rather than causes.

5. Social and Economic Impacts

The social and economic impacts of illicit tobacco are significant and growing.

Retailers face economic displacement from illegal, under-the-counter sales. Many suffer intimidation or violence for refusing to stock illicit products. Communities face firebombings, extortion, shootings and threats. As the Commissioner notes, crimes linked to illicit tobacco include homicide, arson and assault.

The scale of violence observed in Sydney and Melbourne—dozens of arson attacks, shootings, and retaliatory strikes between criminal networks—is unprecedented in the history of tobacco regulation. This pattern aligns with TSOC escalation in commodities where regulatory asymmetries create market opportunities.

Public health harms are compounded. Illicit products often circumvent age-verification systems, increasing youth access. Their chemical composition is unknown, and no product-level regulation applies.

The Commissioner's report acknowledges the difficulty of precisely quantifying public health harms because existing datasets were not designed to capture outcomes related to illicit tobacco use. This highlights a major gap in national health surveillance frameworks: Australia currently lacks an integrated model to track the health consequences of illicit consumption.

6. Future Scenarios and National Security Risks

Drawing on ASPI's long-standing analysis of TSOC, several plausible future scenarios emerge. Each reflects not just different policy choices but different assumptions about how criminal markets respond to incentives, regulatory pressure and enforcement capability.

In the continuation scenario, Australia remains locked in a feedback loop in which excise rises, illicit market share expands, and enforcement intensifies without shifting the underlying economics. In this trajectory, the legal market continues to contract as more smokers move to cheaper, unregulated alternatives. Criminal groups entrench themselves further along the supply chain—diversifying import pathways, expanding domestic cultivation, refining manufacturing capability and embedding distribution networks within legitimate commercial channels. Enforcement agencies become busier, not more effective, as seizures rise, but profitability remains largely unaffected. This scenario mirrors ASPI's historical observations: when a criminal market consistently delivers high profit with comparatively low risk, suppression efforts achieve tactical success but strategic failure. The market becomes self-reinforcing.

In the hybridisation scenario, illicit tobacco becomes an increasingly important revenue stream within broader TSOC business models. ASPI's work demonstrates that organised crime rarely operates in isolated commodity markets; rather, profits from one activity are routinely reinvested to strengthen others. Illicit tobacco's high margins and stable demand make it an ideal source of working capital for cybercrime infrastructure, drug trafficking ventures, illegal procurement of firearms, money laundering and corruption networks. Evidence of this cross-financing already exists in law-enforcement intelligence holdings, where tobacco operations intersect with methamphetamine distribution, fraudulent document supply and transnational money-movement syndicates. The hybridisation scenario poses a serious national security risk: the longer illicit tobacco remains lucrative, the more it will underpin criminal diversification and strengthen TSOC resilience across multiple crime portfolios.

In the backlash scenario, escalating community harm—particularly firebombings, extortion, shootings and retail intimidation—creates pressure for rapid political action. Without a deep understanding of structural drivers, governments may respond with visible but ineffective interventions: higher penalties, new policing task forces, increased seizures, and symbolic legislative amendments. While these measures may satisfy public demand for action, they do not alter the market's economics. The result is a destabilised environment in which criminal groups adapt even more aggressively, enforcement is further stretched, and policy uncertainty erodes confidence across the retail and regulatory sectors. The backlash scenario risks locking Australia into a cycle of reactive measures that address symptoms while entrenching long-term instability.

In the strategic reset scenario, Australia acknowledges the economic foundations of the crisis and undertakes a whole-of-government recalibration. Central to this scenario is recognising that organised crime is not driven by ideology or opportunism—it is driven by profit. Reducing the price differential between legal and illicit tobacco, better integrating public health and national security objectives, modernising regulatory frameworks, and aligning enforcement KPIs with disrupting criminal profitability rather than operational outputs all form part of a coherent strategy. Unlike the continuation or backlash pathways, this scenario seeks to compress the illicit market not through greater force, but through strategic redesign of the policy environment. This is consistent with ASPI's broader TSOC analysis: enduring change is achieved when governments alter the incentive structures that shape criminal behaviour, rather than simply intensifying enforcement inputs.

Across all scenarios, the evidence is clear: the status quo is untenable. Legal imports are declining sharply, reflecting a market in which regulated supply is collapsing while unregulated supply grows. Illicit market share continues to expand, violence associated with market competition is rising, and criminal networks are adapting more quickly than enforcement agencies can respond. Without structural reform, Australia risks drifting further into a high-crime, high-excise environment in which public health objectives are undermined, communities are endangered, and TSOC groups become more entrenched.

7. International Cooperation: Structural Limits

International cooperation remains a cornerstone of Australia's counter-narcotics and counter-trafficking architecture. However, the dynamics of illicit tobacco fundamentally differ from those of illicit drugs or prohibited imports. This inquiry must recognise that while cross-border coordination can enhance intelligence flows and disrupt particular syndicates, it cannot serve as the primary strategy for constricting illicit tobacco supply. The reason is structural: tobacco is a lawful global commodity.

Tobacco leaf, manufacturing equipment and finished cigarettes are legal to grow, produce and export in major source countries. They sit within legitimate agricultural and industrial sectors, often supported by domestic policy frameworks and export incentives. Unlike precursor chemicals for synthetic drugs, which can be tightly controlled through international agreements, tobacco has no comparable regulatory regime. There is no international convention obliging producer states to restrict production, monitor exports or police diversion into illicit channels. Thus, even if Australia were to request targeted action from exporting nations, those governments would be asked to expend resources regulating activities that are fully legal, economically significant and aligned with their national interests.

This structural reality means partner governments have minimal incentive to intervene. Source countries are not acting unlawfully; they are participating in legitimate global trade. From their perspective, diversion into Australia's illicit market is a downstream problem—an issue created by Australian price settings, demand dynamics and domestic regulatory choices. Expecting

foreign governments to allocate scarce enforcement capability to protect another country's tax base, public health model, or domestic price regime is unrealistic.

Furthermore, traditional supply-side interventions used in narcotics control—such as precursor regulation, targeted crop eradication, producer-country policing, or mutual legal assistance requests—do not translate effectively to tobacco. There are no illicit fields to destroy, no banned chemicals to track, and no upstream criminal conspiracies operating outside the boundaries of lawful production. When the commodity itself is legal, supply chains cannot be interdicted in the same manner, and trafficking becomes a matter of diversion rather than clandestine manufacture.

This creates a high degree of supply-chain resilience. Even if Australia were to disrupt one exporter, network or transit point successfully, the global tobacco supply is vast, stable and easily reconfigured. Organised crime groups can pivot to new suppliers, exploit complex trans-shipment routes, or misdeclare consignments under legitimate tariff codes. International cooperation may help illuminate these pathways, but it cannot meaningfully compress them.

The unavoidable conclusion is that the decisive levers for suppressing illicit tobacco are domestic, not international. Australia must focus on altering the economic and regulatory environment that makes illicit imports profitable in the first place. While international partnerships will continue to provide value—particularly in intelligence exchange, money laundering investigations, and joint targeting—they cannot substitute for addressing the structural drivers created by domestic excise settings and demand patterns.

The inquiry, therefore, faces a critical insight: illicit tobacco is not a foreign supply problem waiting for an international solution. It is a domestic policy challenge fuelled by a price differential and market incentives that neither cooperation nor interdiction abroad can realistically overcome. The centre of gravity for reform lies within Australia's borders.

8. Options for Reform: A National Strategic Reset

A strategic reset would begin by re-establishing clarity of purpose. Australia's objective is, and always has been, to reduce smoking and its associated harms. This objective has become obscured by the scale of the illicit market and the accumulated weight of policy settings that no longer function as intended. A reset would restore coherence by aligning taxation, public health, law enforcement, and the regulatory architecture under a single strategic direction rather than allowing these systems to operate in conflict.

The first element of a reset would involve pausing further excise increases while independent modelling is undertaken. This modelling would examine the real-world effect of excise settings on consumption, illicit substitution, TSOC profitability and community safety. It would assess whether current price structures continue to encourage cessation or whether they now operate as a barrier, pushing smokers out of the regulated market and into criminal supply

chains. It would also provide a credible evidence base for future policy decisions, ensuring they are driven by strategic outcomes rather than historical habit or fiscal assumptions.

The second element would require establishing a unified national illicit tobacco strategy with a single point of accountability. The current response is fragmented across agencies, jurisdictions and policy domains. A reset would consolidate responsibility within a designated lead—supported by a clear mandate, authority to coordinate cross-government activity, and the ability to align health, enforcement, intelligence and regulatory functions. This approach is consistent with ASPI's broader analysis of TSOC: dispersed accountability produces tactical effort but strategic drift, while unified leadership creates coherence and clarity.

The third element would focus on enforcement reform. Law enforcement agencies are currently evaluated based on outputs such as seizure volumes, arrests, and disruptions. While these metrics demonstrate effort, they do not measure impact. A reset would recalibrate performance indicators to focus on criminal profitability, network resilience and market contraction. Success would be defined not by how much illicit tobacco is seized but by whether the profit motive for engaging in the market has been materially reduced. This shift would incentivise smarter, intelligence-led operations targeting the financial structures of criminal groups rather than their physical product alone.

The fourth element would modernise regulatory and legislative frameworks. This would include strengthening licensing requirements for wholesalers and retailers, simplifying compliance obligations for lawful operators, expanding powers to freeze and seize criminal assets, improving data sharing between federal and state authorities, and updating penalties to reflect the seriousness of large-scale commercial illicit tobacco operations. These reforms would create a regulatory environment in which legitimate businesses can operate with confidence and criminal entities face meaningful consequences.

The fifth element would address the demand side of the market. A reset would recognise that the remaining cohort of smokers is not responsive to traditional public health messaging or price signals. These individuals require targeted interventions grounded in addiction science, mental health support, culturally informed programs and accessible cessation services. Without reducing demand among this group, illicit supply will continue to thrive. A reset would also include a considered review of regulated nicotine alternatives to ensure they support cessation rather than drive consumers into unregulated markets.

The sixth element would strengthen intelligence, analytics and data integration. At present, Australia lacks a comprehensive national picture of illicit consumption, market flows and harm patterns. A strategic reset would invest in integrated data systems across health, enforcement, finance and border agencies to build a shared operational picture. This would allow policymakers to assess the effects of interventions in real time rather than relying on lagged, incomplete, or sector-specific datasets.

The seventh element would involve a transparent and forward-looking public communication strategy. Communities must understand why a reset is needed, how it will protect them from violence, how it will reduce TSOC influence, and how it will support smokers seeking to transition away from harmful products. Without public understanding, reforms risk misinterpretation and political resistance.

Taken together, these elements would form a genuinely strategic approach—one that reshapes the environment in which the illicit market operates rather than simply increasing tactical pressure on its symptoms. A reset would not abandon the achievements of decades of tobacco control; it would preserve them by ensuring they remain fit for purpose. It would broaden the range of policy tools available to the Government, reduce the profitability of criminal networks, enhance public health outcomes, and stabilise communities currently bearing the brunt of illicit-market violence.

Most importantly, a reset would acknowledge and act upon the central insight that now governs this entire policy domain: structural problems require structural solutions. Enforcement alone cannot defeat a market built on powerful economic incentives. Only by recalibrating those incentives can Australia regain control of its tobacco policy, protect its communities and restore coherence to its national strategy.

9. Conclusion

Australia's tobacco-control achievements were built on coherence: demand reduction, supply regulation and harm minimisation working together.

That coherence has fractured.

The Commissioner's 2024–25 report demonstrates that Australia now has a deeply entrenched illicit tobacco market of an unprecedented scale. The incentives created by high excise outweigh the deterrent effect for remaining smokers. Criminal networks have an industrialised supply. Violence is escalating. Communities are suffering.

Enforcement agencies, including the ITTF, continue to perform at a high level. However, they are caught in a structural bind: they cannot overcome an excise-driven economic environment that guarantees criminal profitability.

This is not sustainable.

A strategic reset is required. One that rebalances excise, integrates enforcement into a national strategy, and restores coherence between public health, law enforcement and national security.

If Australia confronts these uncomfortable truths, it can both reduce smoking and dismantle one of the country's most profitable illicit markets. If we do not, the illicit market will continue to grow, violence will escalate, and public trust will erode.