

INQUIRY INTO ILLEGAL TOBACCO TRADE

Organisation: Name suppressed

Date Received: 30 July 2025

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To:

The Secretariat
Portfolio Committee No. 5 – Justice and Communities
NSW Legislative Council
Parliament House
Macquarie Street
Sydney NSW 2000

Subject: Submission to the Inquiry into the Illegal Tobacco Trade in New South Wales

Dear Secretariat,

I write on behalf of _____ a proudly Australian-owned and operated independent supermarket group, to provide a submission to the Inquiry into the Illegal Tobacco Trade, as referred to Portfolio Committee No. 5 – Justice and Communities.

As a long-standing retail operator in New South Wales _____ has always been committed to full compliance with regulatory frameworks. However, in recent years, we have witnessed firsthand the escalating dominance of the illicit tobacco market, the growing criminal threats it entails, and its profound impact on legitimate businesses and public health. Our experience directly intersects with several items raised in the Terms of Reference, notably (a), (d), (f), (g), and (h).

1. Organised Crime, Enforcement, and Criminal Behaviour (Items a & d)

Over the past five years, our stores have seen an **80% decline in legal tobacco sales**. While consumer habits are evolving, the more pressing concern is the parallel rise of a highly organised black market. This includes:

- **Illegal tobaccoists**, often operating openly,
- **Mobile tobacco vans** frequenting worksites, and
- Unregulated supply chains that offer products at a fraction of legal prices.

This underground economy has become fertile ground for **serious and organised crime syndicates**. Reports of **arson attacks, extortion demands (as high as \$5,000), and physical intimidation** are no longer isolated. The law-abiding retailer cannot compete under such conditions, and police resources appear unable to meet the scale and sophistication of the challenge.

These issues point to a clear **failure in enforcement resourcing and legislative adequacy**, as well as **poor allocation of departmental responsibility**. The enforcement burden is too great for current systems, especially without effective inter-agency cooperation or cross-jurisdictional intelligence.

2. Impact on Regional Small Businesses and Communities (Item f)

Our _____ stores operate in both metropolitan and regional areas, and we note that **regional communities are particularly vulnerable**. Local businesses face economic erosion due to illicit competition, while community safety is undermined by criminal actors operating with near impunity. We are concerned that **rural enforcement coverage is especially sparse**, leaving entire regions at risk.

3. Regulatory Overreach and Prohibition Consequences (Item g)

The current approach—featuring **extreme excise taxes and near-total prohibition on alternative nicotine products**—has not eliminated tobacco consumption. Instead, it has **driven demand underground** and emboldened criminal operators with high-margin opportunities.

The **Public Health (Tobacco and Other Products) Act 2023**, which came into full force on 1 July 2025, has effectively banned vapes and pouches. These bans have failed to reduce usage; rather, they have **shifted consumption to the black market**, where there is no age verification, safety regulation, or quality control.

4. Disproportionate Impact on Young People and New Smokers (Item h)

Disturbingly, we are witnessing an **uptick in tobacco usage among young staff and consumers**—many of whom had previously never smoked. Easy access to cheap, illicit products and the erosion of formal retail channels are clearly reversing the gains made in tobacco control over the past two decades.

This highlights a **failure in current policy to protect vulnerable groups**, and raises serious concerns about future pressures on the public health system.

5. Recommendations

To assist the Committee, _____ respectfully puts forward the following recommendations:

- **Tobacco Tax Reform:** Reduce excise to internationally consistent levels to undercut the financial incentive of the black market.
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- **Balanced Regulatory Approach:** Revisit the prohibition model for nicotine alternatives, enabling regulated and controlled access that eliminates the black market's monopoly.
- **Enhanced Enforcement Frameworks:** Invest in cross-jurisdictional databases, regional enforcement teams, and coordinated inter-agency taskforces to combat organised syndicates effectively.
- **Retailer Protections:** Introduce legal and financial protections for legitimate businesses under threat from extortion and violence.

Conclusion

supports strong public health policies and regulatory frameworks. However, the current system is no longer working. It is failing to deter smoking, empowering criminal organisations, and punishing law-abiding businesses. We urge the Committee to consider a comprehensive, balanced, and evidence-based approach to tobacco and nicotine regulation.

Thank you for the opportunity to contribute. We would welcome the chance to provide further evidence or appear before the Committee to elaborate on our experience.

Yours sincerely,

Director