

INQUIRY INTO ILLEGAL TOBACCO TRADE

Organisation: CTC Group Pty Ltd

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Submission to the Legislative Council Inquiry into the Illegal Tobacco Trade in New South Wales

Prepared by: CTC Group Pty Ltd

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Submitted to: The Hon Robert Borsak MLC, Chair, and Hon Natasha Maclaren-Jones MLC, Deputy Chair

Executive Summary

Cigarettes Tobacco Cigars (CTC) Group is a long-established national tobacco franchise network with significant representation in New South Wales, comprising small business owners, many of whom have operated legally and in compliance with Australian regulations for over three decades. Since its original establishment prior to the Second World War, CTC has been a fixture of Sydney's tobacco retail landscape. The current owner's family took over the business in 1957, and since then, CTC has maintained a longstanding tradition of legal and reputable retailing in the industry.

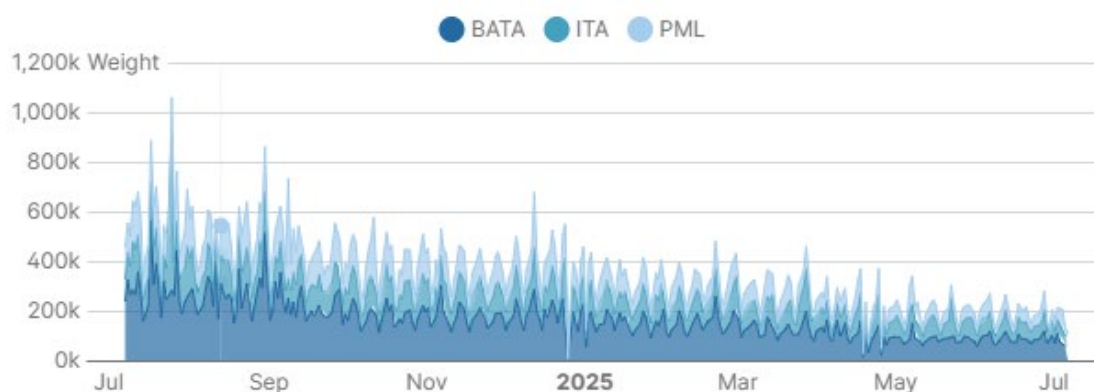
In recent years, the illegal tobacco trade has not only devastated our franchisees but has also fundamentally disrupted the business model of CTC head office. The unprecedented surge in black-market tobacco—now accounting for an estimated 55% of total tobacco consumption in Australia—has led to a significant decline in revenue streams received by head office. As a result, CTC has been forced to pivot and urgently consider alternative avenues to generate income, as the traditional franchise model is no longer sustainable under current market conditions.

This submission aims to highlight the acute and growing threat that illicit tobacco poses to law-abiding businesses, community safety, public revenue, and regulatory integrity in NSW.

CTC and its leadership have a well-established record of constructive engagement with government and regulatory bodies on issues directly impacting our industry and the broader community. We have contributed expert input during the development of the NSW Public Health (Tobacco) Act 2008, helping to shape its regulatory framework. Our commitment to informed policy dialogue was further demonstrated by a dedicated one-on-one meeting with the Hon. Ryan Park, during his tenure as Shadow Health Minister, where we addressed proposed changes to vaping legislation and the escalating challenges associated with the illicit tobacco market. Additionally, CTC was invited by the Hon. David Littleproud to offer insights and recommendations on effective approaches to addressing issues within the illicit tobacco and vaping sectors. These engagements underscore our ongoing commitment to supporting evidence-based, practical, and fair regulation, as well as our willingness to collaborate with policymakers to address emerging challenges in the tobacco and nicotine landscape.

Our franchisees are being driven to the brink of collapse by the explosive growth of black-market tobacco. CTC retailers are subject to threats, extortion attempts, and violence, including firebombings and stabbings. Meanwhile, the regulatory response has failed to evolve alongside the scale and sophistication of illicit operators.

To illustrate the decline in real terms, CTC store volumes have declined by 49.0% in the 12 months to 7 July 2025 compared to the previous period.



This submission offers ground-level insight to assist the committee in understanding the devastating real-world impacts of illicit trade and the urgent need for reform.

(a) Links Between Serious and Organised Crime and Tobacconists

CTC strongly asserts that legitimate tobacconists operating under our brand are not linked to organised crime. However, the rise of independent, unbranded stores across NSW, presents a major avenue for criminal networks. Shadow Minister for Health Kellie Sloane recently highlighted the gravity of this issue, stating that we are seeing an alarming increase in the supply of illegal tobacco in NSW, which has been linked to organised crime syndicates: “These criminals do not care about your health; they care about controlling the illicit market.” (*Minns Labor Government Forced into Inquiry after long silence on Illegal Tobacco Trade, May 8 2025*).

CTC franchisees routinely report being approached by criminal figures offering illicit stock or demanding protection money. Those who refuse face intimidation, violence or arson threats. Several of our franchisees have received demands of up to \$5,000 per month for “protection” from illegal operators. One CTC retailer was recently stabbed by a customer angered by legal tobacco prices, a tragic illustration of how tensions in the market are manifesting in violence.

The reality is that criminal groups control a massive share of the retail market and target legitimate tobacconists with violence, coercion, and extortion to either co-opt or eliminate competition.

(b) Money Laundering Schemes and Use of ATMs

While CTC's operations do not utilise cash ATMs for transactions, we believe many independent unregulated outlets serve as laundering vehicles for proceeds of crime. Anecdotally, we understand these stores often deal almost exclusively in cash, refuse EFTPOS or receipts, and operate with inconsistent trading hours—all red flags for money laundering activity.

As highlighted in a June 2025 ABC News investigation into illegal tobacco businesses, networks of private automatic teller machines are fuelling the underworld industry and they're largely unregulated. As the report states: "It's absolutely something the Australian government should look at, considering the amount of ill-gotten gains that could be processed through those machines from illegal tobacco" (*ABC News, June 2025*).

(c) Legal Protections for Landlords Who Lease to Tobacconists

Insurance and tenancy issues are now critical barriers to operating a legitimate tobacco business in NSW.

Several of our long-standing franchisees have faced eviction after landlords were unable to obtain insurance coverage, due to perceived risk stemming from proximity to illicit trade, especially following violent incidents in Victoria and NSW.

The NSW Small Business Commission has acknowledged these challenges, stating that "tenants and landlords have the potential to be impacted depending on the nature of the building and arrangements under the lease," and that "parties to a lease can face significant challenges in obtaining and maintaining property and public liability insurance for premises leased to certain types of businesses, particularly tobacconists." (*Consider insurance risks before entering or renewing a lease, November 11, 2024*).

We support the introduction of legal protections for landlords who lease to legitimate, licensed tobacconists. Without this, the legitimate market will collapse under the weight of fear, liability, and cost.

(d) Adequacy of Existing Legislation and Enforcement

Current enforcement and legislation are woefully inadequate. NSW Health is the primary enforcement body, but health inspectors lack both the legal authority and physical safety to act meaningfully.

Inspectors have told our members they are “too frightened” to enter black-market stores. Meanwhile, NSW Police are under-resourced and diverted to higher-priority areas such as domestic violence and youth crime.

We urge the establishment of a dedicated multi-agency taskforce with federal and state coordination, similar to Strike Force Pyrmont, but with greater permanency, resourcing, and oversight.

(e) Resourcing and Staffing for Enforcement

Enforcement agencies at both state and federal levels are under-resourced and misaligned. Only 1 in 20 shipping containers is inspected despite known smuggling operations from Asia and the Middle East. Illicit tobacco stores are able to set up and trade for weeks or months before enforcement is even alerted, if at all.

CTC believes that cross-jurisdictional intelligence sharing, streamlined licensing registers, and real-time data access are essential. Enforcement bodies must also be properly resourced to visit, investigate and shut down illegal operators, especially in regional areas where compliance is effectively non-existent.

(f) Impact on Small Businesses and Regional Communities

CTC currently operates 168 stores nationally, with 67 of these located in regional areas. These stores are overwhelmingly run by mum-and-dad business owners serving local communities. In regional NSW, where job opportunities are more limited, tobacconists often provide essential employment and income.

The rapid expansion of the illicit tobacco trade has had a devastating impact on these small businesses. Franchisees are being lost on a weekly basis, some of those with over 30 years of legal trading history. Loyal customers are turning to illegal outlets, often directly across the road, due to a 70%–80% price difference. Retail jobs are vanishing, and staff are being laid off due to declining volumes and unviable margins.

The crisis is particularly acute in regional communities, where the closure of a single store can mean the loss of a key local employer and the erosion of community character. The NSW legal tobacco retail sector is at crisis point. If action is not taken, there may not be a legal industry within 12 months.

CTC's landmark store in Kings Cross, the oldest surviving tobacconist in Sydney, has now been forced to close its doors after decades of operation, a direct result of being surrounded by illicit tobacconists rapidly appearing in the area. This closure not only marks the end of a historic chapter for the business but also highlights the existential threat posed by the unchecked proliferation of illegal operators. In response, the business is currently exploring ways to reconfigure its store offering, aiming to reduce dependence on cigarette sales in order to cover costs and ensure future viability.

Testimonial from a NSW Tobacconist

"As a small business owner running a tobacconist store in Western Sydney for over 12 years, I've never seen the trade environment as volatile and unsafe as it is now. The rise of illicit tobacco has drastically affected our sales, we estimate a loss of at least 40% year-on-year, and it's getting worse.

What's even more alarming is the safety risk it poses to me and my staff. We've had multiple incidents where customers have become aggressive after being told we don't sell cheap 'chop-chop' or illegal vapes. One of my staff members was recently threatened when a customer accused us of 'ripping them off' compared to what's available out of a car boot in the parking lot. It's frightening, and we now feel vulnerable doing something as simple as locking up at night.

We've also had to install extra security and cameras, which is a cost burden, but sadly necessary. The proliferation of unlicensed operators and backyard sellers, with no regulation, no overheads, and no care for the law, is putting legitimate businesses like ours at breaking point.

I support stronger enforcement, better penalties, and more proactive policing of illegal tobacco sales. If the government doesn't act quickly, more law-abiding retailers will be forced to shut their doors."

NSW Tobacconist (Name and location withheld for safety reasons)

CTC Group Statement on the Escalating Impact of Illicit Tobacco Trade

As a national retail franchise group with a strong footprint across New South Wales, Victoria and Queensland, CTC Group is deeply concerned by the escalating impact of illicit tobacco trade on the safety, wellbeing, and viability of our franchisees, particularly in NSW, where the issue is now at crisis levels.

From reports across our NSW store network, we are hearing consistent and alarming accounts of illicit trade representatives directly approaching legitimate tobacconists, asking for black market brands such as *Manchester* or *Double Happiness*. When told these products are not stocked, these individuals often offer to supply them illegally from the boot of their cars, right outside the store.

More disturbingly, several of our franchisees have been subjected to threats and extortion. In one case, a retailer was told they must pay \$5,000 per month or face the risk of their store being burnt down. These are not isolated incidents, intimidation, coercion, and fear are becoming a daily reality for many of our mum-and-dad retailers.

The situation is not confined to NSW. One of our founding stores in Melbourne experienced a violent incident where a customer, angry about the price of legal tobacco products, jumped the counter and stabbed the retailer. This retailer, a respected operator with more than 30 years in the trade, has since made the heartbreaking decision to sell their business.

The safety of our retailers and their staff is our number one priority. The rise in violent incidents, aggressive behaviour, and black-market interference is a direct consequence of unchecked illicit trade. The problem is growing at an alarming rate, most recently highlighted on 28 July 2025, when a tobacconist in NSW was the target of a deliberate firebombing attack. This latest attack comes just one month after a similar incident in Ettalong, where another tobacconist was completely destroyed. As the voice for our franchisees, they are desperate for immediate action. They are being forced to navigate an impossible environment, losing legitimate sales to the black market while simultaneously facing intimidation to participate in it. The current situation is unsustainable, and we welcome the support from this inquiry to protect small business owners and uphold the rule of law.

The collective experience of CTC's network—spanning both metropolitan and regional Australia—demonstrates that the illicit tobacco trade is not just an economic threat; it is a force undermining the livelihoods of small business owners, the stability of regional communities, and the integrity of the legal retail sector as a whole.

(g) Impact of Prohibition on Organisations in Over-Regulated Markets

The government's well-intentioned but ideologically rigid stance on tobacco and vaping is backfiring. Prohibition of vaping (outside prescription access) has handed the market to criminal networks. CTC was forced to shut down its vaping business (Inner Vape Co), lay off staff, and incur major financial losses.

Consumers are addicted, yet all legal avenues for safer alternatives have been closed, while criminals freely sell unregulated, unsafe products. As reported by ABC News "The prescription model has not worked. It's created a thriving black market and made it harder for people to access safer alternatives" (*ABC News, April 18, 2024*).

(h) Disproportionate Impact on Vulnerable Communities

Low-income communities, regional Australians, and ethnic minority groups are disproportionately affected. Legal tobacco is priced out of reach, while illicit tobacco thrives in disadvantaged suburbs. Small ethnic businesses operating legally are at higher risk of targeting by criminals, who often operate within the same communities.

(i) Other Matters: A Path Forward

CTC proposes the following measures to address the illicit tobacco crisis:

1. Reduce tobacco excise to a level that restores competitiveness with illicit product. NSW Premier Chris Minns has called on the federal government to consider lowering the tobacco excise, suggesting its current level may be contributing to the rise of illegal tobacco across the country. Premier Minns further emphasized the issue, stating "This will be the only tax in the history of the world that has doubled and revenue has declined by 33 per cent. Where is all that money going ... into the illegal tobacco sector." (*Two Canadians among seven men arrested in Sydney over massive illegal tobacco, drugs bust, June 3 2025*),
2. Establish a dedicated enforcement taskforce including NSW Police, ABF, and federal health and revenue agencies,
3. Introduce a mandatory state licensing regime with retailer vetting, compliance inspections, and public register,
4. Implement heavier penalties and retail bans for those found selling illicit products,
5. Allow regulated access to vaping products through licensed, trained retailers – not just pharmacies or via prescription, and
6. Provide government-backed insurance access or landlord protections for legitimate tobacconists.

Conclusion

CTC and its members are not seeking protection from market forces. We are asking for a level playing field, where those who follow the law are not punished, and those who break it are prosecuted.

We call on the NSW Legislative Council to recognise the dire and deteriorating situation for legitimate tobacco retailers and act decisively. Without intervention, a lawful industry will be decimated, and criminal gangs will continue to profit, unopposed, from government inaction.

We thank the committee for the opportunity to make this submission.