

INQUIRY INTO ILLEGAL TOBACCO TRADE

Organisation: British American Tobacco Australia Ltd

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BAT Australia Ltd's submission to the NSW Parliamentary Inquiry into the Illegal Tobacco Trade

EXECUTIVE SUMMARY

BAT Australia Ltd (**BAT**) respectfully submits this document to the New South Wales (**NSW**) Parliamentary Inquiry into the illegal tobacco trade. BAT commends the NSW Government for its decisive and proactive measures to address the illicit tobacco trade,¹ particularly the Premier's leadership in expediting legislation, strengthening penalties and fostering bipartisan collaboration to ensure NSW implements the nation's strongest statutory framework. BAT further acknowledges the Premier's recognition of the significant role that tobacco excise policy plays as a driver of the illicit market².

The illicit tobacco trade has evolved from a marginal concern into a well-established and pervasive element of serious and organised crime, now amounting to a national crisis. More than 230 firebombings have been recorded across Australia³, resulting in billions of dollars in lost excise revenue. The proceeds from this illicit activity are used to fund drug trafficking, violence and money laundering. The societal impact is severe: there has been loss of life, displacement of small businesses in regional communities and the entrenchment of criminal syndicates. The use of private ATMs to launder proceeds of crime and the strategic targeting of small retailers by organised crime gangs are indicative of the increasing sophistication and reach of such operations.

While BAT supports the recent legislative initiatives introduced by the NSW Government, further urgent reforms are required to ensure that enforcement measures are both effective and commensurate with the scale of the issue. BAT submits that NSW Health does not possess the necessary resources or expertise to address organised crime in this context. It is recommended that enforcement responsibility be transferred to the Liquor and Gaming NSW, an agency equipped with the requisite authority and experience to regulate high-risk, age-restricted products.

BAT also highlights that enforcement resources particularly in regional NSW are severely lacking – with just one compliance officer currently responsible for an area larger than Denmark⁴. To address this shortfall, BAT recommends that federal tobacco excise be redirected to state and territory law enforcement agencies, which now bear the primary responsibility for enforcement.

Key recommendations arising from this submission are:

1. Transfer enforcement responsibility from NSW Health to Liquor and Gaming NSW.
2. Strengthen regulation of private ATMs to prevent money laundering associated with illicit tobacco.
3. Redirect tobacco excise into state-based law enforcement to defray the costs of police investigations related to illicit tobacco.
4. Increase enforcement resourcing in regional areas and promote enhanced cross-jurisdictional data sharing.

5. Implement stricter penalties for landlords who knowingly lease premises to illegal tobacco operators.

Details supporting these recommendations are set out in the body of this submission.

¹ Suite of tough new illegal tobacco measures unveiled (27 July 2025). Retrieved from

<https://www.nsw.gov.au/ministerial-releases/suite-of-tough-new-illegal-tobacco-measures-unveiled>

² Daily Telegraph (2 June 2025). *NSW Premier Chris Minns flags using cops to tackle illegal tobacco, vapes.*

Retrieved from <https://www.dailytelegraph.com.au/news/nsw/tobacco-black-market-able-to-flourish-in-broad-daylight-in-regional-nsw/news-story/fba89464ee31a15e83769c7d7c261faf#:~:text=The%20premier%27s%20comments%20come%20after,across%20the%20area%20by%20car.>

³ Alive Movement (30 July 2025). Retrieved from <https://www.aliveadvocacymovement.com/firebombings>

⁴ Daily Telegraph (2 June 2025). *NSW Premier Chris Minns flags using cops to tackle illegal tobacco, vapes.*

Retrieved from https://www.dailytelegraph.com.au/news/nsw/tobacco-black-market-able-to-flourish-in-broad-daylight-in-regional-nsw/news-story/fba89464ee31a15e83769c7d7c261faf?utm_campaign=EditorialSB&utm_source=Daily+Telegraph&utm_medium=Facebook%26Twitter&utm_content=SocialBakers

Submission

1. Current links between serious and organised crime syndicates and tobaccoists, and future trends in crime activities, practices, methods and their impact on society?

The association between serious and organised crime syndicates and the illicit tobacco trade in Australia is now both well-documented and rapidly increasing. What was once regarded as a form of low-level crime has evolved into a violent and highly structured black-market enterprise with far-reaching consequences for public safety.

To date, more than 230 firebombings have occurred across Australia and have been linked to turf wars over illicit tobacco. Tragically, these attacks have resulted in four confirmed deaths, including that of an innocent woman in Victoria who was killed when a residential property she was house-sitting was targeted⁵. Dozens of surrounding businesses and residential dwellings have sustained extensive fire, smoke and water damage. In Victoria alone, the financial toll of illicit tobacco-related violence is estimated to exceed \$70 million. This figure excludes indirect costs such as increased insurance premiums, the diversion of police resources, legal proceedings and medical treatment for victims, indicating the true economic and social burden is likely significantly higher.

There is conflict between transnational organised criminal syndicates and local gangs - most notably including elements of the Alameddine network - competing for dominance within an increasingly profitable illicit tobacco market⁶. In NSW, investigative records and court documents highlight an escalation in violent tactics. So-called “rips” (theft operations targeting illicit tobacco) are now routinely executed. In one such instance, an individual was subjected to a brutal extortion attempt during which his toe was nearly severed⁷.

The illicit tobacco market serves not only as a direct source of profit but as a critical funding stream for a range of other criminal activities, including drug trafficking, weapons importation and money laundering. According to the Australian Border Force Assistant Commissioner Tony Smith, more than 1.2 billion illegal cigarettes and 268 tonnes of loose-leaf tobacco have been intercepted in the current financial year - representing approximately \$2.3

⁵ The Age (18 February 2025). *Melbourne's tobacco war claims the life of 'completely innocent' house sitter*. Retrieved from <https://www.theage.com.au/national/victoria/tobacco-war-to-blame-for-completely-innocent-house-sitter-s-firebomb-death-20250218-p5lctx.html>

⁶ Four Corners (3 March). *Tracking Australia's black-market tobacco from criminal smugglers to cigarette shops*. Retrieved from <https://www.abc.net.au/news/2025-03-03/black-market-tobacco-manchester-cigarettes-four-corners/104978592>

⁷ SMH (23 June 2025). *Tobacco and toe-cutting: The black market driving gang violence*. Retrieved from <https://www.smh.com.au/national/nsw/tobacco-and-toe-cutting-the-black-market-driving-gang-violence-20250622-p5m9ba.html>

billion in lost excise revenue⁸. These proceeds, rather than being used to fund community projects, hospitals or schools, are instead being channelled into organised crime.

Key syndicates implicated in these activities include the Haddara family, long associated with Melbourne's illicit tobacco trade and convicted heroin trafficker Kazem Hamad, who is believed to be orchestrating criminal operations from abroad.

Tobacconists are often both vehicles and victims of this activity - either serving as fronts for illicit distribution or being targeted in violent robberies by rival operators. In some instances, commercial landlords have unknowingly leased premises to criminal entities, while others have knowingly facilitated these operations by leasing properties to those selling illicit products. BAT acknowledges that the NSW Minns Government is set to commence consultation on this issue and we support efforts to strengthen penalties for landlords who engage in or enable such activities.

2. The utilisation of money laundering schemes by tobacconists, including the use of automated teller machines (ATMs)

BAT is deeply concerned by the growing body of evidence suggesting that private automated teller machines (ATMs) are being systematically used to facilitate money laundering and tax evasion in connection with the illicit tobacco trade in Australia. The widespread placement of privately operated ATMs in tobacconists has exposed a significant regulatory blind spot that is being exploited by organised crime.

It's been reported that two major private ATM providers - ATM2Go and Next Payments - have been identified in court documents as having supplied machines to tobacco retailers with known criminal associations, including individuals such as Al Deleymi⁹. Evidence presented in proceedings reported by the ABC indicates that both companies became entangled in a commercial conflict to secure the supply of ATMs to high-volume illicit tobacco operators, highlighting the financial incentives linked to such arrangements. In several documented cases, ATMs situated within these retailers recorded transaction volumes up to three times higher than standard benchmarks, an indicator of potential money laundering activity¹⁰.

A particular concern arises from the operational model whereby retail owners are permitted to load their own cash into privately operated ATMs. This practice allows for substantial volumes of unmonitored, cash-only transactions in

⁸ ABC News (3 March 2025). *Tracking Australia's black-market tobacco from criminal smugglers to cigarette shops*. Retrieved from <https://www.abc.net.au/news/2025-03-03/black-market-tobacco-manchester-cigarettes-four-corners/104978592>

⁹ ABC News (18 June 2025). *Macquarie Group company's private ATMs are helping fuel the illegal tobacco trade*. Retrieved from <https://www.abc.net.au/news/2025-06-18/macquarie-group-next-atm-illegal-tobacco-trade/105399234>

¹⁰ ABC News (13 July 2025). *ATM suppliers atm2go and Next Payments in battle for tobacco crime figure's business, court filings reveal*. Retrieved from <https://www.abc.net.au/news/2025-07-13/atm-suppliers-competing-tobacco-crime-business/105514842>

connection with illegal tobacco sales. Furthermore, as both the shop owner and the ATM provider typically share in transaction fees, there exists a strong commercial incentive to sustain and expand this form of activity¹¹.

The absence of meaningful regulation in this space is notable. Unlike countries such as Canada, where legal frameworks now require disclosure of private ATM ownership, cash handling processes and beneficiary information, Australia imposes no such requirements.

The AUSTRAC National Risk Assessment (2024)¹² has already flagged illicit tobacco as posing a medium and increasing money laundering threat, warning that serious and organised crime groups are leveraging high-value, cash-based transactions to disguise illegal proceeds. Techniques include the use of onshore and offshore structures, third-party transfers, remittance channels and trade-based laundering.

BAT supports the introduction of stronger regulatory controls in this area, alongside enhanced collaboration with major financial institutions to detect, disrupt and prevent the misuse of private ATMs for illicit activity.

3. The adequacy of existing legislation and the allocation of departmental responsibility for enforcement, including in other jurisdictions

BAT strongly supports the Minns Government's recently announced reforms to combat the illicit tobacco and vaping trade in NSW¹³. The proposed legislation represents a significant and welcome step in addressing what has become one of the fastest-growing areas of organised crime in the state.

However, while BAT endorses the legislative direction, we believe the allocation of enforcement responsibility remains a critical weakness in the current framework. We respectfully submit that NSW Health is not the appropriate agency to lead enforcement of what is now a serious and highly violent criminal issue. The illicit tobacco trade has escalated well beyond a public health concern; it is a criminal matter driving arson, extortion, public shootings and a billion-dollar excise loss.

BAT urges the NSW Government to consider adopting the approach taken in South Australia, where Consumer and Business Services (CBS) oversees tobacco licensing and enforcement. In South Australia, tobacco is treated appropriately as a regulatory and criminal compliance issue, rather than a health matter. CBS officers are empowered to conduct investigations, issue penalties and disrupt black-market operators with the weight of criminal enforcement behind them.

¹¹ ABC News (24 July 2025). *Macquarie Group-backed ATM provider begins removing machines from suspected illegal tobacco stores*. Retrieved from <https://www.abc.net.au/news/2025-07-24/next-payments-removing-atms-suspected-illegal-tobacco-stores/105562702>

¹² Regulating additional high-risk services (30 July 2025). Retrieved from <https://www.homeaffairs.gov.au/criminal-justice/Pages/regulating-additional-high-risk-services.aspx>

¹³ Suite of tough new illegal tobacco measures unveiled (27 July 2025). Retrieved from <https://www.nsw.gov.au/ministerial-releases/suite-of-tough-new-illegal-tobacco-measures-unveiled>

In contrast, NSW Health inspectors are not experienced enough, nor have the required investigative tools to dismantle organised criminal networks. These networks are not selling unlabelled jars of tobacco behind counters—they are firebombing businesses, laundering money and terrorising communities. Enforcement must be carried out by a regulatory agency with proven experience in licensing, compliance and criminal disruption, such as Liquor and Gaming NSW.

The scale of the illicit market further shows the need for serious enforcement capability. There are now approximately 60 tobacconists for every McDonald's in Sydney¹⁴ - a massive statistic that highlights how entrenched the black market has become and how urgently effective, resourced and empowered enforcement is required.

BAT therefore recommends that:

- Responsibility for enforcement be transferred from NSW Health to Liquor and Gaming NSW, which already regulates age-restricted, high-risk products such as alcohol and gambling.

4. Review of the resourcing, administrative arrangements and staffing for enforcement in metropolitan and regional New South Wales, including the adequacy of cross-jurisdictional databases to meet current and future needs.

The current enforcement resourcing and administrative arrangements in NSW are inadequate to meet the scale and complexity of illicit tobacco-related crime - particularly in regional areas.

As reported by The Daily Telegraph, a single compliance officer is responsible for enforcing tobacco laws across a 44,000 km² region in Southern NSW, encompassing multiple towns and a four-hour driving span. This reflects a broader failure to resource enforcement in line with the risk. The Australian Criminal Intelligence Commission has noted that the economic impact of organised crime now exceeds Australia's annual defence budget.

Traditionally, federal tobacco excise has been returned to health portfolios to help with the impact of tobacco-related health impacts. However, given the criminal nature of the modern illicit tobacco market, it is appropriate that the excise revenue be reallocated to state and territory law enforcement agencies, who now bear the primary burden of addressing this threat. This shift would not only align funding with enforcement responsibilities, but also incentivise proactive engagement by frontline agencies.

¹⁴ SMH (19 May 2025). *60 tobacconists for every McDonald's: How Sydney's streets became consumed by smoke shops*. Retrieved from <https://www.smh.com.au/national/nsw/60-tobacconists-for-every-mcdonald-s-how-sydney-s-streets-became-consumed-by-smoke-shops-20250428-p5lute.html>

5. The impact of the tobacco trade on small businesses and communities in regional New South Wales

The illicit tobacco trade is having a profound impact on small businesses and communities across regional NSW. It is undermining legitimate local retailers, fuelling organised crime and threatening local employment.

BAT has heard directly from small businesses that are losing significant legal sales and, in some cases, facing threats and intimidation for refusing to participate in the black market. When retailers stand their ground, criminal operators often establish illicit tobacconists directly adjacent to their premises, siphoning customers through illegal pricing and avoiding compliance altogether.

The IGA supermarket chain alone has lost \$150 million in legal tobacco sales over the past three years to the illicit market¹⁵. Critically, the lost value is not confined to tobacco: the average cigarette customer typically spends an additional \$24.92 on groceries, amounting to over \$30 million in lost revenue. This has forced IGA stores, many of which service regional and remote communities, to cut back staff hours or lay off employees entirely. The company estimates a \$15 million reduction in wages, equating to hundreds of local jobs lost.

As noted by the Member for Coffs Harbour Gurmeh Singh, criminal activity is often occurring “in plain sight” due to inadequate compliance resources¹⁶.

Conclusion

Illicit tobacco is no longer a fringe compliance issue - it is a national crisis that is costing the country billions in lost revenue, destroying small businesses and endangering the community. The Minns Government is to be commended for recognising this reality and taking swift, bipartisan action to bring in some of the toughest tobacco laws in the country¹⁷. These reforms are essential, but they must be backed by enforcement systems that are fit for purpose and properly resourced.

BAT urges the Government to go further by reallocating enforcement responsibility to Liquor and Gaming NSW, strengthening oversight of high-risk cash infrastructure like ATMs and calling on the Commonwealth Government to redirect tobacco excise to provide additional funding to carry out seizures and destruction of these products.

NSW has an opportunity to lead the nation in shutting down the black market and protecting communities from the real and growing harm of the illicit

¹⁵ Herald Sun (1 January 2025). *IGA Supermarket's staggering \$180m loss as illegal tobacco trade booms*. Retrieved from [https://www.heraldsun.com.au/news/victoria/iga-supermarkets-staggering-180m-loss-as-illegal-tobacco-trade-booms/news-story/b8b954a09aad15cebf1b7eb62155812b#:~:text=Victoria%20Exclusive-,IGA%20Supermarket%27s%20staggering%20\\$180m%20loss%20as%20illegal%20tobacco%20trade,Video%20Player%20is%20loading](https://www.heraldsun.com.au/news/victoria/iga-supermarkets-staggering-180m-loss-as-illegal-tobacco-trade-booms/news-story/b8b954a09aad15cebf1b7eb62155812b#:~:text=Victoria%20Exclusive-,IGA%20Supermarket%27s%20staggering%20$180m%20loss%20as%20illegal%20tobacco%20trade,Video%20Player%20is%20loading).

¹⁶ Coffs Coast News of the Area (15 May 2025). *Inquiry launched into illegal tobacco trade*. Retrieved from <https://coffscoast.newsofthearea.com.au/inquiry-launched-into-illegal-tobacco-trade-in-nsw>

¹⁷ Suite of tough new illegal tobacco measures unveiled (27 July 2025). Retrieved from <https://www.nsw.gov.au/ministerial-releases/suite-of-tough-new-illegal-tobacco-measures-unveiled>

tobacco trade. BAT will work constructively with the NSW Government to support this important effort.

