

INQUIRY INTO ILLEGAL TOBACCO TRADE

Organisation: Australian Association of Convenience Stores (AACS)

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Submission to the New South Wales Parliamentary Inquiry into the Illegal Tobacco Trade

About AACCS

Established in 1990, the Australian Association of Convenience Stores (AACCS) is the peak body for the convenience industry in Australia. Nationally, the industry employs over 80,000 frontline staff across 7,450 stores.

The majority of these stores operate as small, family-run businesses, often under licence or a franchise agreement, or with independent ownership. They regularly employ family members and people from the local communities in which they operate. The AACCS represents the interests of these small businesses - their owners, staff, suppliers and customers.

Each year the AACCS commissions an independent body to measure key metrics in the sector, which is published as the State of the Industry Report . Turnover in the convenience industry in Australia was valued at \$10.4 billion annually in 2024. The legal convenience industry annual tobacco sales contribution is currently at 25%, down from 40% less than 5 years ago.

Executive Summary

The Australian Association of Convenience Stores (AACCS) welcomes the opportunity to present this submission on behalf of thousands of small, family-owned businesses across NSW who are feeling the brunt of the illicit tobacco crisis every single day.

We give credit where it's due - the Minns Labor Government has moved quickly and decisively. The Premier has shown leadership by pushing tougher laws through Parliament, increasing penalties and working with the Opposition to make sure NSW has the strongest illicit tobacco laws in the country. He has also been willing to acknowledge something Federal Health Minister Mark Butler won't - that tobacco excise policy is a key driver of the black market.

The AACCS supports the Minns Government's proposal to consult on strengthening penalties for landlords who knowingly lease or sub lease premises to illicit tobacco operators. In many cases, illegal outlets do not appear by accident - they are knowingly facilitated through lease arrangements that enable organised crime to operate from legitimate commercial premises. Introducing stronger penalties will help close this loophole and deter property owners from providing a base of operations for illegal traders. It will also give enforcement agencies greater leverage in shutting down problem sites and reducing the spread of illicit tobacco outlets across communities.

The legitimate convenience retail industry has lost more than \$1.5 billion in sales over the last 3 years alone due to tobacco sales leaking to the illegal market. Legitimate retailers would not have any concerns if declining sales were a result of adults choosing to stop smoking, but this is simply not the case as recently reported by Roy Morgan.

The scale of this crisis is no longer just anecdotal. It's showing up in ASX listed company reports and official seizure

data. Viva Energy – the Shell Licensee in Australia & the parent company of OTR Group (OTR, Reddy Express, Liberty and Smokemart Gift Box with over 1300 stores nationally) - reports cigarette sales have plunged 27 percent in just the first six months of 2025 as smokers flock to the black market. That collapse in legal sales drove a 10 percent drop in total convenience turnover, wiping \$835 million off the books in half a year. For a business employing 13,000 Australians and backed by many “mum and dad” investors, this isn’t just a profit issue - it’s jobs and livelihoods being handed over to organised crime.

At the same time, Australian Border Force (ABF) is intercepting record volumes of illicit product. In the last financial year alone, ABF made 23,097 illicit tobacco detections, seizing 2.53 billion cigarette sticks and 435 tonnes of loose-leaf tobacco — equivalent to \$4.36 billion in duty evaded. That’s a 320 per cent increase in cigarette seizures in just four years. They also stopped more than 6 million illicit vapes from reaching our shelves.

These numbers tell one story: the illicit tobacco market is exploding. And every dollar it takes from the legal market is a dollar that should be supporting Australian jobs but is instead fuelling organised crime.

Submission

Current links between serious and organised crime syndicates and tobacconists, and future trends in crime activities, practices, methods and their impact on society

For the Members I represent, the connection between organised crime and illicit tobacco is not theory - it’s lived experience. These are not small-time operators; they are well-organised, well-resourced and utterly ruthless.

Across Australia, there have been more than 230 fire bombings linked to illicit tobacco turf wars. Four people have been killed. Businesses have been gutted, apartments destroyed and insurance premiums for every neighbouring property have skyrocketed.

In NSW, criminal gangs, including some of the most well known networks, are battling for control of this lucrative market using armed robberies, home invasions and “rips” (theft operations targeting tobacco shipments). In one case, a victim’s toe was almost severed during an extortion attempt.

The ABF seizure data shows just how much product is still getting through. 2.53 billion sticks in a single year - despite record enforcement. That sheer volume explains why legitimate retail sales are collapsing, with ASX listed companies like Viva Energy, Ampol, Metcash, Coles & Woolworths publicly warning investors that the black market is gutting their legal tobacco revenue.

Some tobacconists are fronts for these criminal operations; others are victims of them. Either way, this is no longer a public health enforcement issue - it’s serious organised crime operating in plain sight.

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

Illicit profits have to be cleaned before they can be spent or reinvested - and one of the most effective tools for doing that is the privately operated ATM. These machines are often found in tobacconists and, in many cases, are loaded with cash from illegal sales by the shop owners themselves.

Some of these ATMs process three times the transaction volume of a normal machine. Court documents have linked

certain ATM suppliers to retailers with known criminal connections.

Other countries, like Canada, have acted decisively. They require ATM owners to be registered, declare their cash handling processes and disclose beneficiaries. In Australia, there are no such safeguards.

This loophole needs to be closed. We need to ban self-loaded ATMs in high-risk businesses, establish a proper register and ensure AUSTRAC, banks and law enforcement share data to dismantle these laundering networks.

Additionally, the provision of payment terminals to these illegal operators by any payment services provider including the large 4 banks needs to come into review. The financial services industry is very heavily regulated by AUSTRAC, and there are certain requirements that the AACCS believe may be in breach. Specifically, the KYC (Know Your Customer) and the AML (Anti Money Laundering) requirements.

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

The Minns Government has introduced strong new laws to address the illicit tobacco trade; however, effective enforcement will depend on placing responsibility with the most appropriate agency. At present, enforcement sits with NSW Health, whose primary focus is on regulatory compliance rather than dismantling organised criminal networks.

South Australia provides what the AACCS believes should be the gold standard model. In South Australia, tobacco enforcement is managed by Consumer and Business Services (CBS) - a regulator with investigative powers, access to criminal intelligence and a proven enforcement capability. NSW could strengthen its approach by transferring responsibility to Liquor & Gaming NSW, which already regulates high-risk, age-restricted products such as alcohol and gambling. This would align enforcement functions with the expertise and operational culture required to combat organised crime.

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

In regional NSW, enforcement capacity is particularly limited. For example, within the Southern NSW Local Health District, there is only one compliance officer covering hundreds of kilometres and multiple towns.

This level of resourcing significantly limits the ability to identify, investigate and disrupt illegal operators, many of whom operate in full view of the public.

At the same time, the Commonwealth collects billions in tobacco excise annually, while the states bear the bulk of enforcement costs while receiving significantly reduced amounts of GST income distribution from the impact of the illicit tobacco & vape markets. A more sustainable approach would see an agreed portion of tobacco excise redirected to state and territory law enforcement agencies. This funding could be used to establish dedicated specialist teams, conduct targeted operations in high-risk areas and enhance cross-jurisdictional intelligence sharing to address the problem more effectively.

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

For regional convenience store owners, illicit tobacco is an existential threat. They're losing legal sales every day, facing intimidation for refusing to sell illegal product and watching illicit tobacconists set up next door with untaxed prices they can't match.

The IGA supermarket chain has reported losing \$150 million in legal tobacco sales over three years to the black market, plus another \$30 million in associated grocery sales. That has forced them to cut staff hours, lay off employees and slash \$15 million from wages.

Viva Energy's figures show the same story. A 27 percent fall in tobacco sales in just six months isn't a normal market shift - it's a sign the black market is hollowing out the legitimate trade. And it's not just businesses that lose - it's local jobs, tax revenue - and community safety.

Small business owners already deal with day-to-day shoplifting, assaults and abuse. Now they face organised crime that will happily burn down their businesses, threaten their families or take over a retail strip if it helps them control the market.

Conclusion

Illicit tobacco is no longer a public health problem - it's an organised crime problem that is killing businesses, costing jobs and putting communities in danger.

The Minns Government has made a strong start with tougher laws, but without proper enforcement, adequate resourcing and tobacco excise funding going to frontline policing, these laws won't stop the black market from growing.

NSW has an opportunity to lead the nation in shutting this down. That means putting the right agency in charge, resourcing them properly, targeting money-laundering channels and standing with the small businesses who are under attack.

AACS remains committed to working in partnership with all governments, law enforcement and community leaders to protect local jobs, uphold a fair and competitive retail sector and ensure our main streets remain safe, vibrant and free from the influence of organised crime.

The AACCS CEO welcomes the opportunity to discuss this further throughout the consultation.

Yours sincerely,