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Australia's War on Tobacco meets the Tobacco Wars: excise, public health and unintended consequences

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Abstract

Australia has one of the lowest smoking rates in the OECD and has been a leader in anti-smoking initiatives since the 1970s. Successive governments have introduced a broad range of innovative measures to discourage tobacco use but regular excise increases have been one of the main (and most effective) pillars of Australia's anti-smoking strategy. However, during the past decade, that progress was under threat as more people picked up vaping and organised crime groups increasingly moved into the illicit tobacco market. In 2025, under-the-counter cigarettes (and vapes) were widely available in cities such as Melbourne and Sydney at prices far cheaper than legal brands. As competition between rival gangs spilled onto the streets in the form of firebombings, robbery and violence, state and federal governments faced a hydra of a problem.

This case study explores the unintended outcomes from the Australian government's use of tobacco excise as a tool to reduce smoking, including its impact on crime, excise revenue and vulnerable populations. It also discusses the

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federal and state governments' attempt to combat the issue and ensure Australia hits its target of a 5% smoking rate in 2030.

ANZSOG case development statement

This case was developed based on desktop and literature analysis. No AI was used in the writing of this case. AI (Co-pilot) was used to assist with content development and structuring of the associated Teaching Note.

Introduction

In the early hours of 16 January 2025, Melbourne entertainer Katie Tangey (27) made a frantic 000 call. She had just woken to find a deadly blaze underway at the Truganina property she was housesitting for her brother and his new wife while they honeymooned abroad. Sadly, the flames were too fierce and fast moving for emergency services to save Ms Tangey, the house or the family's golden retriever (AAP, 2025).

Investigators soon determined that the cause of the fire was arson and that the perpetrators had mistakenly targeted the wrong address. Police linked the attack to the Tobacco Wars, a recent crime surge caused by competing illegal tobacco cartels. Katie Tangey was an innocent victim, but her death was not the first related to the trade of illegal tobacco. Nor would it be the last.

Why had illicit tobacco become so attractive to organised crime? Many observers pointed to excise. Set by the federal government, tobacco excise was the largest single contributor to the cost of cigarettes. Over the years it had been an effective tool to discourage smoking, particularly amongst the young, as well as a useful source of revenue to offset some of the social costs. However, excise increases (especially since 2010) had made Australian cigarettes amongst the most expensive in the world and prompted smokers to seek cheaper alternatives. This included illegal tobacco products which were widely available for a fraction of the price.

Yet as excise revenue fell and tobacco related crimes became increasingly prolific, both federal and state governments were faced with some unintended consequences in need of urgent attention. At the same time, smoking was still a leading cause of premature mortality and preventable morbidity. The economic costs of smoking were also high. Maintaining Australia's public health wins against tobacco was imperative if the federal government wanted to reach its goal and effectively halve the smoking rate to 5% in 2030 as laid out in the National Tobacco Strategy 2023-2030 (Borys, 2023).

In 2023, federal Health Minister Mark Butler was concerned that smoking rates were stagnating (Borys, 2023) and that existing anti-tobacco measures were no longer as effective. The government, however, was not deterred. 'We are determined to keep renewing the fight against an industry that keeps changing its strategy,' said Butler, 'So you can't just set and forget — you've got to remain agile, you've got to recognise what the industry is doing to keep that market share, [that it] keeps marketing the product of death,' (Borys, 2023).

The illicit tobacco battle

Several months after Tangey's death, concern about the impact of illicit tobacco had not subsided. Prior to a June 2025 meeting of health ministers, NSW Premier Chris Minns suggested that the federal government review the tobacco tax: 'We need to have a look at how big this excise is, how it's driving illegal tobacco sales in our community. And is it the best use of NSW Police time to be devoted to tobacco sales when, in the end, the federal government's not getting the excise that they thought...they would?' he asked (Nichols, 2025).

While the Premier stated he was 'completely in support of the public health messaging' he was simultaneously concerned about the growth of illegal sales and the exposure of ordinary citizens to organised crime, 'They [buyers] wouldn't break the law in a million years, but they're being dragged into a black market where they go to the store, they can either buy a \$17 or \$20 packet of illegal cigarettes, or a \$60 packet of [legal] cigarettes', (Commins et al., 2025). According to the Australian Institute of Health and Welfare, an estimated 25% of smokers had used illegal tobacco at some point (Nichols, 2025). The Victorian minister for casino, gaming and liquor regulation, Enver Erdogan, also linked the high cost of tobacco to the rise in criminal activity, 'The price differential between the legal and illicit product is large. Accepting that tobacco is an addiction, and so many people [are] going for the cheaper product, I think we do need a national approach,' Erdogan said (Commins, et al., 2025).

Graham Banks was the head of Taskforce Lunar, established in September 2023 by Victoria Police to combat illicit tobacco and related crime. He traced the origins of the Tobacco Wars in Victoria to about a decade ago when organised crime groups, including outlaw motorcycle gangs, began investing in tobacconists. Smoke shops sprang up around the state with increasing frequency. Some also offered a large range of confectionery, some were sparsely stocked, others looked like regular outlets.¹ Criminal syndicates had long dealt in illegal tobacco (often loose-leaf tobacco, dubbed 'chop chop'²) but a 25% jump in excise in 2010, followed by sustained rises, appeared to have created extra incentive.

Illegal tobacco was still grown in some parts of the country but the most popular option for gangs was to import counterfeit branded tobacco products or brands not permitted for sale in Australia. Once arrived by air, mail or sea, the illegal goods were then distributed amongst networks of sellers, such as tobacconists and convenience stores, where a black-market pack of cigarettes could cost as little as \$13 (Oakes et al., 2025). Obtaining one was often no more difficult than heading to a suburban shopping strip and locating a store with smoking paraphernalia.

Seizures of illegal tobacco spoke to the extent of the problem. In 2018, the federal government established the Illicit Tobacco Taskforce (ITTF), which included Australian Border Force, Tax Office, Australian Criminal Intelligence Commission and Australian Federal Police personnel. In its first year, officers intercepted more than 400 million cigarette sticks. By 2023, that figure had risen to 1.7 billion (Norman, 2024a). However, authorities had limited capacity to check imports. One estimate suggested that only 16% of illegal tobacco was intercepted, while just 1/16 shipping containers needed to evade detection for gangs to make a profit (Preece, 2024). Another factor was that importing illicit tobacco attracted lighter sanctions than for 'hard' drugs such as cocaine. Custodial sentences were usually 5 years or less but offenders might only receive a fine.

In 2024, just one store selling illegal tobacco could potentially generate \$1 million per year, Banks noted (Bucci, 2024a). However, big profits attracted more players competing for a share of the market. Of the approximately 1300 independent tobacco retailers across Victoria, an estimated 1000 were selling illegal product (Oakes et al., 2025). As rival criminal outfits increasingly encroached on each other, tobacco's major players met in Melbourne in 2023 and attempted to broker a deal. The participants failed to reach agreement and the turf wars escalated, resulting in a prolific spate of violent attacks, property damage and other offences.

Gang members targeted tobacco retailers and forced proprietors to sell their products, pay protection money or change suppliers. Non-compliance could see the outlet robbed or firebombed. Other properties and businesses belonging to rival syndicates might also be attacked. Retaliatory strikes were common. Gangs also raided outlets for legal tobacco to sell via their networks. Profits from illicit tobacco were funnelled into other criminal activities such as human trafficking.

Over a period of 18 months between 2023 and 2024 in Victoria, there were more than 100 arson attacks linked to the Tobacco Wars (Bucci, 2024a). Taskforce Lunar officers arrested 82 people for offences connected to the illegal tobacco trade such as extortion, arson, firearms offences and aggravated burglary. Police also executed more than 200 search warrants at tobacco stores around Victoria (Bucci, 2024a). Meanwhile, several murders of gangland figures with tobacco connections were under investigation.

Although Victoria was the epicentre of tobacco related crime, the trouble had spread to other states. Authorities in South Australia, New South Wales and Queensland were also dealing with arson attacks and a proliferation of smoke shops with dubious inventory. Banks didn't anticipate an end anytime soon: 'While the shopfronts exist, and there's an ability to seek to control them, there will be a conflict,' he said. 'The parties that are in conflict are just not the type that are going to cede control to the other party. We'll make arrests ... but there's so many significant players involved that it will just be seen as an opportunity by others when those people are taken out,' (Bucci, 2024b).

Who smokes?

According to national surveys, approximately 10.5% of Australians over age 14 were regular smokers in 2022-2023 (Australian Institute of Health and Welfare, 2024b) and 2024 (Tabbakh et al., 2025, p.8). Most smoked daily (8.3%) and the remainder smoked occasionally (weekly or less) (Australian Institute of Health and Welfare, 2024b). This was a considerable drop from 1991 when almost 30% of Australians smoked (Australian Institute of Health and Welfare,

¹ Stores also often featured private ATMs to encourage cash sales of illegal cigarettes and facilitate money laundering.

² Legal cultivation of tobacco in Australia ceased in 2006, however, illegal crops were still grown in some areas.

2024b). Furthermore, the number of never-smokers rose over the same period from 49% to 65.4% of people (Australian Institute of Health and Welfare, 2024b). In recent years however, the rate of decline had slowed (Exhibit A). Age-wise, the majority of smokers (59%) were aged 35+ (Tabbakh et al., 2025, p.15).

More troubling however was the finding that vaping had increased markedly. Research for the Department of Health, Disability and Ageing found that 1.4% of Australians aged 14+ vaped regularly in 2018, rising to 9.1% in 2023 (Tabbakh et al., 2025, p.7). Not all vapers consumed nicotine, however, a clear majority (73%) did (Australian Institute of Health and Welfare, 2024a). Vapers also tended to skew younger than smokers: 70% were 34 years and under (Tabbakh et al., 2025, p.15). Looking at smokers and/or vapers combined, the numbers rose from 12.5% of Australians in 2018 to 17% in 2023, before falling slightly in 2024 to 15.7%. (Exhibit B). Roy Morgan research, meanwhile, found that 28% of 18–24-year-olds vaped or smoked in 2025, an increase of 2.1% from 2024 (Roy Morgan, 2025).

As compared to the general population, smokers were more likely to have lower educational levels, be outside the paid workforce, and experience socioeconomic disadvantage (Greenhalgh, Bayly, Scollo, et al., 2024). The majority of unhoused persons and people at risk of homelessness reported smoking (Hanley-Jones et al., 2024). Smokers were also more likely to live outside metropolitan areas and be single parents (Greenhalgh, Bayly, Scollo, et al., 2024). Although smoking had decreased substantially among Aboriginal and Torres Strait Islander peoples over the past two decades, close to 29% of First Nations people were still daily smokers in 2022-2023 (Greenhalgh, Hanley-Jones, et al., 2024). People with a history of mental health or substance abuse issues were also more prone to smoke and be heavy smokers. Tobacco use placed a considerable financial burden on this and other vulnerable groups (Greenhalgh et al., 2022).

The majority of smokers (55.6%) consume tobacco in the form of factory-made cigarettes (FMCs) while 44.4% reported smoking roll-your-own (RYO) cigarettes using loose tobacco. Almost 16% of RYO smokers used this method exclusively (Bayly, Greenhalgh, et al., 2025b). During the past two decades, exclusive use of FMCs had decreased markedly, from almost three quarters of smokers to a little over half (Bayly, Greenhalgh, et al., 2025b). According to the Australian Institute of Health and Welfare, smokers, on average, reported consuming just over 13 cigarettes per day. Some 35% of them consumed a pack or more (20+) daily (Australian Institute of Health and Welfare, 2024b).³

Determining the 'average' cost of cigarettes or loose tobacco – the most common forms of consumption – wasn't entirely straightforward. Tobacco companies produced different brands which were priced and sometimes sized differently.⁴ They didn't always pass on excise rises in full, or uniformly. Prices could also vary according to outlet and geographic area. In general, the average packet of 20 cigarettes cost approximately \$42 in 2025 (Bayly, Scollo, et al., 2025a), while the same-sized pack could range in price from \$34 to \$65 depending on brand.⁵

The high cost of smoking was a major factor in prompting smokers to alter their consumption habits. Some switched to cheaper brands or cut back on quantity while others switched to RYO tobacco, as evidenced by the decline of FMC consumption (Bayly, Greenhalgh, et al., 2025a). Part of the increase in vaping was attributed to smokers looking for cost savings. However, many smokers hoped to kick the habit. Approximately 62% of current smokers in 2022-2023 wanted to quit within the next six months (Greenhalgh et al., 2025). Health and fitness concerns, along with social pressure, were popular reasons for quitting. Yet cost was the most commonly cited reason (53.3%) (Bayly, Scollo, et al., 2025d). This was down somewhat from 2019, when 58% of smokers identified cost as a motivating factor (Bayly, Scollo, et al., 2025d).

In the 2022-2023 Australian National Drug Strategy Household Survey, approximately 70% of respondents with a history of smoking had managed to stop (Australian Institute of Health and Welfare, 2024b). However, quitting is not an easy process. Nicotine (the drug component of tobacco) is highly addictive and smokers are prone to relapse. Only 20% of Australian smokers who attempted giving up in the 12 months before the ADHS survey managed to forgo tobacco for more than a month (Greenhalgh et al., 2025). People often underestimated the persistence required; 30 or more attempts was not unusual (Greenhalgh et al., 2025). Quitting was also typically harder for members of vulnerable populations.

³ N.B Smoking self-reports often underestimate consumption.

⁴ In July 2025, standard cigarette pack (20) and tobacco pouch (30gm) sizes were introduced.

⁵ https://www.smokemart.com.au/cigarettes?sort=price_ASC&page=5 Accessed August 2025

Tobacco control measures in Australia

Tobacco consumption peaked in Australia in the 1960s but this period also marked the beginning of a long downward slide (Scollo et al., 2020). Despite the best efforts of tobacco companies to suppress and distort the truth, medical research increasingly pointed to the adverse effects of smoking on health. In 1973, Australia began putting health warnings on cigarette packs and over the ensuing decades, Australia cemented its place at the vanguard of tobacco control. In 2023, Australia had one of the lowest smoking rates in the OECD – behind only Sweden, Norway, New Zealand and Iceland (Greenhalgh, Bayly, Jenkins, et al., 2024).

Significant initiatives included the introduction of social marketing campaigns, workplace smoke bans, tobacco advertising bans, graphic health warnings, plain packaging regulations, smoke-free public places, education programs and support for cessation therapies including subsidised medications. In 2023, the federal government reviewed its tobacco control legislative framework to explore more ways to discourage smoking. New measures included printed warnings on cigarette sticks and banning menthol flavoured cigarettes.

Though many anti-smoking measures worked simultaneously and synergistically, research from around the world found that the taxation of tobacco products was the single most effective tool in deterring people from smoking and incentivizing them to stop (Scollo et al., 2024). This was particularly true when it came to preventing young people acquiring the habit.

Economically speaking, almost all tobacco control initiatives were found to be cost-saving or cost-effective. Even so, measures like tobacco excise were comparatively cheap and straightforward to implement and quick to bring about behavioral change (Greenhalgh et al., 2020). A 2015 study, for example, determined that a 10% tax-induced cigarette price increase anywhere in the world reduced smoking prevalence anywhere between 4% and 8% (Ekpu & Brown, 2015). Australian Anti-Cancer Council data showed an inverse relationship between tobacco prices and smoking rates (Exhibit C).

Vapes or e-cigarettes were also a concern for governments. They were much more accessible and appealing to young people than cigarettes and many vaping products contained nicotine, even though nicotine-based vapes had been banned since 2021. Young vapers were more likely to take up smoking than non-vapers (Woods, 2025). Although vaping was likely less harmful than smoking, it was not without risk – especially since the effects of long-term exposure were not fully known. However, tobacco companies had entered the e-cigarette market and had lobbied hard for their acceptance. In 2024, the Australian government banned the importation and sale of all vaping products. Instead, pharmacies were authorized to supply a limited range of vaping products for therapeutic purposes, including nicotine vape liquid (juice). Although a prescription was no longer required in most cases, users still had to present ID and consult with a pharmacist (Grace et al., 2025). Most vapers, however, had not taken the legal route and illegal vaping products were still widely available, frequently via the same outlets as illegal tobacco (Bright & Martin, 2024).

Excise trends

Excise was applied to tobacco on a per kilo or per stick⁶ (e.g. cigarette) basis. At the beginning of 2025, that equated to approximately \$1.40 of excise per cigarette or \$2250 per kg of tobacco (Bayly, Scollo, et al., 2025b). Retail tobacco was also subject to a 10% GST (goods and services tax.) Excise funds went into federal government coffers while the states each took a share of the GST revenue. In terms of commonly purchased quantities, excise accounted for approximately 75% of the cost of a 20-pack of budget brand cigarettes (Exhibit E) or 25gm tobacco pouch (Bayly, Scollo, et al., 2025b).

Australian governments had collected tobacco excise since the 19th century; however major reforms occurred in 1984 which included biannual excise increases linked to the Australian Consumer Price Index (Exhibit D). During the 1990s, lobbying by public health advocates led to additional increases and further excise reform. In 2000 the federal government abolished state tobacco license fees and imposed the 10% GST (goods and services tax). The steepest price increase occurred in April 2010 after a snap 25% excise hike and it seemed to have the desired effect. Research found that the sharp price rise reduced smoking prevalence and tobacco consumption while increasing cost-saving behaviors (Wilkinson et al., 2019).

⁶ For products not exceeding .80 grams per stick. This would be lowered to .60 grams in 2026.

From 2013 to 2020, the federal government also applied an annual 12.5% tobacco excise increase. This was in addition to the scheduled indexed raises which were now linked to Average Weekly Ordinary Times Earnings (AWOTE) (Bayly, Scollo, et al., 2025b). In 2023, the government launched a 5% annual excise increase, in addition to routine indexation, to last three years. During the last decade, the price of a cigarette pack doubled. (Bayly, Scollo, et al., 2025c).

Tobacco excise revenue peaked in 2020 when the government collected close to \$16.3 billion, although changes to excise collection inflated the figure somewhat. (Norman, 2024a). From there, excise levels fell but further than government forecasts predicted. During 2021-2025, the government took a total of \$17.3 billion less in tobacco excise than anticipated. Meanwhile, budget estimates for tobacco excise to 2029 had been revised downwards by \$12.5 billion due to weaker than expected tobacco consumption and illegal imports (Exhibit F). Over the next five years, the government was forecast to collect approximately \$7 billion per annum in tobacco excise. (Bayly, Scollo, et al., 2025c). According to Australian Tax Office (ATO) estimates, approximately 18% (1,656 tonnes) of all tobacco for sale was illicit and in 2022/2023, cost the government \$2.7 billion in lost revenue (Australian Taxation Office, 2024). The tobacco industry believed the illegal market constituted some 25% of all tobacco sales, however, those figures were questioned by public health experts (Norman, 2024a; Puljević et al., 2024).

The government wasn't alone in losing out on revenue. Fred Harrison, the CEO of Ritchies independent grocery and liquor chain, claimed they had lost \$120 million in legitimate tobacco sales in the past two years, 'Each year now for the last three years, the loss in legitimate sales has been greater and greater, to the point where illicit is now at its highest penetration,' Harrison said. (Norman, 2024a). Convenience stores reported dwindling sales too. On top of that, many legitimate sellers faced spiraling insurance costs. There were reports of small retailers facing premium increases of \$40,000 or more, while some insurers refused coverage altogether (ABC News, 2025). Harrison and other legal retailers wanted the federal and state governments to do more to address the problem.

Former Australian Federal Police (AFP) and Australian Border Force (ABF) officer, Rohan Pike, had seen the problem of illicit tobacco firsthand. Now a consultant to the retail trade industry, he believed that there were a number of changes that could be made to curb the illegal tobacco market. Yet in his view, 'The only real way to reverse that trend is to reduce the price of tobacco. But that is something that most politicians and policymakers simply can't stomach (Norman, 2024a).

An excess of excise?

'Australia's tobacco and vaping policies have transformed two largely legal and peaceful markets into increasingly dangerous and uncontrolled ones,' stated criminologists James Martin and David Bright, 'As the history of prohibition has taught us time and again, there is a "sweet spot" in restricting the sale of harmful products – one that limits access and reduces harm, but is not so onerous as to create a large black market. The violence unfolding on our streets suggests our current tobacco and vaping policies are failing to strike this balance' (Bright & Martin, 2024). They also noted that, 'the dangers of black markets extend beyond systemic violence. Other harms include the influx of inferior and adulterated products, which can pose even more health risks than legal tobacco products' (Bright & Martin, 2024).

They weren't alone in suggesting that continuing excise increases might be an exercise in diminishing returns. Bob Breunig, Director of the Australian National University's tax and transfer policy institute, claimed that: 'The evidence is pretty clear that every time we raise excise at this point we are not reducing smoking at all...I don't think we should lower it [excise], but freezing it is a good idea, and then doing something that deals with illegal tobacco is the next obvious step. Our tobacco policies have been very successful versus other countries. We've had a big success story and we've gone as far as we can go with the excise. Now it's time to pull other levers, such as more education,' (Commins, 2025a).

University of NSW economist Richard Holden agreed that excise had risen to the point that further increases were now counterproductive. However, he believed that it would take a radical excise reduction to reduce the appeal of illicit tobacco (Commins, 2025a).

For some public health researchers and advocacy groups, successive governments had been over reliant on a 'prohibition-lite' approach, pushing excise and abstinence, whilst overlooking harm minimization. (Martin & Jegasothy, 2025). Smoking prevention was pursued in preference to helping existing smokers. The result was that smokers, already more likely to be disadvantaged, also bore the high cost of tobacco taxes, which compounded their problems. Meanwhile, the government had also banned or heavily restricted access to less harmful forms of nicotine for fear of

diluting their anti-smoking message and being seen to help the tobacco industry. This then increased the disease burden smokers faced.

Advocacy group Harm Reduction Australia contended that people with experience of smoking and vaping had been 'excluded' from tobacco policymaking which needed to be rectified. They believed that the government should establish a market for lower-risk nicotine products and lower excise to pre-2020 levels. (Harm Reduction Australia, 2025) University of Sydney public health academic Edward Jegasothy considered excise increases as 'inequitable' and 'regressive in nature'. (Jegasothy, 2023). He believed that further reductions in smoking rates required a more holistic, systemic approach: 'One of the key drivers of tobacco smoking in the country is poverty and disadvantage and marginalisation. And if we're thinking about smoking as a public health issue, we should be looking a bit further upstream and thinking about cost of living and addressing poverty,' he said (Dalzell, 2025).

Simon Chapman, Emeritus Professor in Public Health at the University of Sydney, had worked extensively in tobacco control and took a very different view, 'Far from being fixated on just tobacco tax, those working in tobacco control in Australia from the 1970s have fought (and won) a multitude of policy battles that in total have greatly increased consumer agency and profoundly changed social norms about smoking' he said (Chapman, 2025a). Chapman also disputed the notion that tobacco excise was unfair: 'When there is income inequality in a society (which is and has always been the case in every nation) then there is inequity in the ability of people with different means to pay for any and every commodity or service, from basic necessities to luxury goods. Cigarettes are no different,' (Chapman, 2025a).

Some researchers argued that tobacco excise was not a regressive tax in that low-income smokers gained the most, economically and health-wise, from quitting as compared to high-income smokers (Bayly et al., 2024). There wasn't a great deal of research on the impact of excise increases on specific populations. However, there was evidence that the 25% excise rise in 2010 found that low and moderate income smokers were most likely to change their smoking behaviors, which included cutting down and quitting (Dunlop, Perez, et al., 2011). Tobacco price rises over 1991-2006 in Australia were also associated with greater reductions in smoking rates among low-income groups. (Siahpush et al., 2009).

An excise problem or an enforcement problem?

Professor of Public Health at the University of Sydney Becky Freeman was clear that the excise policy should continue, 'There's no point in reducing it,' she stated, 'Illicit tobacco is so incredibly cheap that if we were somehow going to try and compete with illicit tobacco by lowering the excise tax, we'd have to so dramatically lower the tax, we would absolutely encourage a frenzy of young people taking up smoking. And that is absolutely not worth the risk,' (Dalzell, 2025). Chapman was also opposed to any excise cut, arguing that it ultimately only benefitted tobacco companies. In Freeman's view: 'We don't have a tobacco tax problem. We have an enforcement problem. What's happening now is we've had the illicit tobacco market has stepped in and taken advantage of the fact that we have high tobacco taxes, but we haven't had the corresponding enforcement to shut those illicit sellers down,' (Dalzell, 2025). It was the one point which stakeholders were inclined to agree on.

The tangle of legislation governing tobacco control didn't help. Nor did the number of different government agencies involved, some with overlapping responsibilities. At the federal level, the Department of Health and Aged Care, the Australian Border Force (ABF), the Australian Taxation Office (ATO), the Therapeutic Goods Administration (TGA), the Australian Federal Police (AFP) and the Treasury played a role in tobacco policy and/or compliance. The states and territories enlisted their health departments, consumer affairs agencies and police to oversee different aspects of the tobacco trade. Meanwhile, local councils in some jurisdictions were responsible for checking that tobacco retailers complied with certain regulations by conducting spot checks.

Historically, there had been little coordination within and between different levels of government. One issue was incentive to cooperate. Illegal tobacco involved federal offences and federal revenue which state authorities had little investment in. There had also been disputes between health officials and police regarding responsibility for enforcement (Tillett, 2025). Some state law enforcement agencies seemingly didn't consider tobacco retailing a priority unless 'serious' crimes like arson were involved (Macken, 2025). A related concern was that stepping up tobacco enforcement would divert resources from more important investigations. Yet at the same time, police were accustomed to performing compliance checks regarding the provision or use of alcohol, firearms, gambling and motor vehicles (Chapman, 2025c). Said Chapman:

The apparent police culture in some states that they are the ones who will decide which laws they will and won't enforce needs to be called out by governments, which control police. Imagine where we would be if police decreed, they would not investigate white collar or cybercrime, or domestic violence, three areas where in the past they were often reluctant to act (Chapman, 2025b).

Meanwhile, health officials were concerned about the proximity of illegal tobacco to organised crime. Recalled Chapman: 'I recently had dinner with the head of a NSW state public health unit. I asked him what his unit was doing about enforcement of the laws on selling illegal tobacco and vapes. He confirmed very little was being done with the major reason being concern about staff safety. (Chapman, 2025b). Funding was another concern. Local councils, for instance, had been particularly strapped for resources which in turn had limited their capacity to monitor tobacco retailers.

Related to haphazard enforcement was a lack of regulation. Although businesses needed licences to sell liquor and lottery tickets, the same wasn't true of tobacco across Australia. In fact, the most populous states – Queensland, Victoria and New South Wales – lacked a tobacco licensing regime. Meanwhile, the penalties for selling illegal tobacco, for example, were not a major deterrent. In the regional NSW town of Bega, retailers caught selling contraband tobacco were issued with on-the-spot fines between \$1100 and \$5500 and had their stock seized (Norman, 2024b). Most restocked and resumed trading within a matter of days.

Chapman didn't see stricter regulations as a cure-all, however. 'Just as every nation has illegal trade in illicit drugs (even in nations where death penalties are given by courts), no regulatory plan will eliminate the tobacco black market,' he said, 'But there is a world of difference between neon-lit, 7 days a week, 18 hours a day high street illegal tobacco trading and what would remain if it was driven totally underground,' (Chapman, 2025c).

Holding firm, stepping up

As updated federal tobacco control legislation came into effect from 2024, the states and territories moved to review their own. States without tobacco licensing, introduced new licensing requirements for tobacco retailers and significantly bolstered penalties for non-compliance. In Victoria for example, from July 2025, all tobacco retailers and wholesalers would need to apply for a licence and submit to financial and criminal background checks. The Victorian government also established a new body – Tobacco Licensing Victoria (TLV) – to administer and enforce the licensing scheme from February 2026. Police were still responsible for investigating serious criminal activity in relation to illicit tobacco sales, while local councils were not expected to play a role.

Under the revised laws, people suspected of holding or selling illicit tobacco faced immediate licence suspension for up to 90 days. Those found guilty could not only lose their tobacco licence but also risked severe financial and personal consequences. Individuals selling illicit tobacco for instance could be fined up to \$366,318 or receive up to 15 years jail. Businesses could be fined in excess of \$1.8 million (Victorian Government, 2025). Meanwhile, NSW boosted their regulatory efforts and introduced enhanced penalties. NSW also enabled landlords to terminate the leases of illegal tobacco retailers and was considering penalties for landlords who knowingly rented properties for the purposes of illicit tobacco sales (NSW Health, 2025).

As for the federal government, Health Minister Mark Butler acknowledged that illegal tobacco had 'exploded' and that organised crime had a 'stranglehold' on the market. 'From a health minister's perspective, it is now the biggest threat to our most important public health program,' Butler said (Evans, 2025).

However, he did not blame recent excise increases for the situation: 'The explosion in illicit tobacco was ... a product of significant oversupply in the world, dumping of this product on every single country in the world,' said Butler. Cutting excise, he contended, would not fix the problem. 'Markets like the US, many in Europe that have cheaper legal cigarettes – in the US case, [much] cheaper legal cigarettes – still have rampant black markets,' he said (Tillett, 2025).

For Butler, the way forward was enforcement (Evans, 2025). Treasurer Jim Chalmers outlined further plans to ramp up anti-tobacco efforts, 'There's two ways that we get tobacco excise down... The good way is more people give up the darts, that's a good thing. The bad way is more people avoid the excise, and there is a problem,' he said. 'We're investing more money in enforcement and compliance because we recognise there's a problem here and we need to collect more of this excise because we've got a problem in people avoiding it,' (Dalzell, 2025).

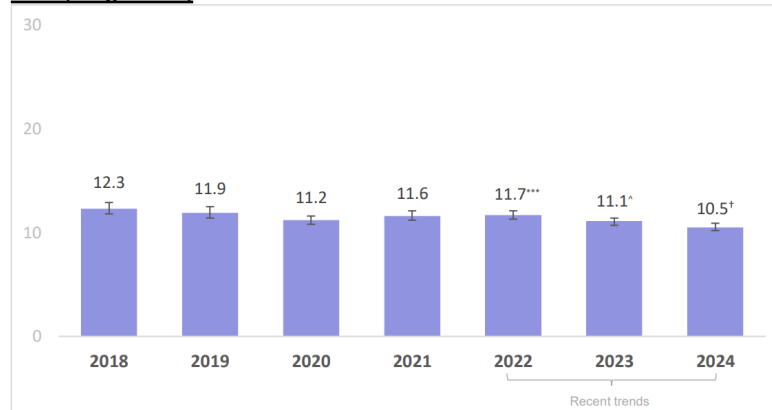
In the 2025 Budget, the federal government allocated \$156.7 million to tobacco control efforts. This included almost \$50 million for law enforcement agencies, \$40 million to support compliance activities in the states and territories, and almost \$32 million to bolster the compliance and enforcement efforts of public health agencies (Butler, 2025). This funding boost was in addition to the \$188.5 million tobacco control commitment made in the previous Budget. The 2023-24 budget also provided \$29.5 million in funding to improve smoking cessation services (Woods, 2025).

In July 2025, the federal government appointed Amber Shuhyta as Illicit Tobacco and E-cigarette Commissioner. The new office was created to develop strategies to disrupt the illegal tobacco and vape market, as well as coordinate the work of different enforcement, health and community agencies across all levels of government (Illicit Tobacco and E-cigarette Commissioner, 2025).

A few months later, on 1 September 2025, the government held firm as the next scheduled rise in tobacco excise took effect (Commins, 2025b). With cigarette prices jumping by almost 7%, commentators weighed in again to support or criticise the move. One group remained silent but not inactive. News out of Melbourne claimed that online retailers were advertising illegal cigarettes for as little as \$7.50 per pack. The latest skirmish in the War on Tobacco had begun.

Exhibit A: Smoking status age 14+

Figure 2: Current smoking among the overall population aged 14+ years, 2018 to 2024 (weighted %)

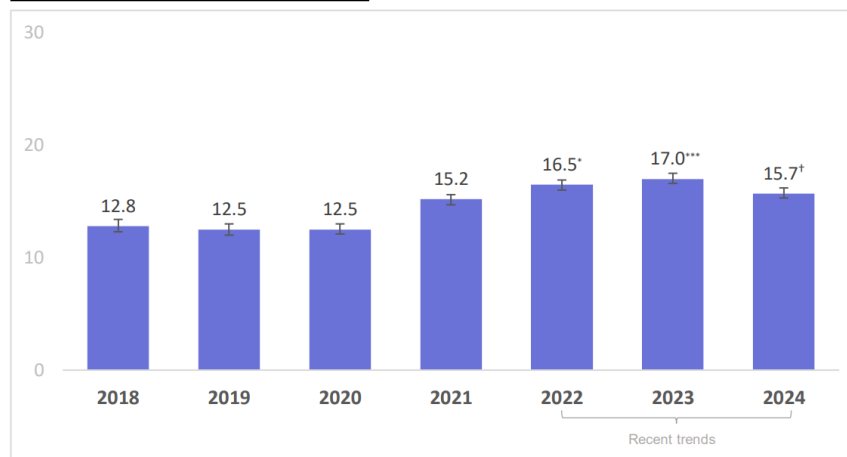


Notes. Current smoking: smokes factory-made cigarettes or smoked roll-your-own cigarettes in the past month (N = 260,450). Error bars represent 95% confidence intervals. 2018 includes February to December only. ***p<0.001, *p<0.10, †Reference year.

Source: Tabbakh et al., 2025, p.8.

Exhibit B: Smoking and vaping rates combined

Figure 3: Current vaping and/or smoking among the overall population aged 14+ years, 2018 to 2024 (weighted %)



Notes. Current vaping and/or smoking: current vaper and/or current smoker (N = 260,450). Error bars represent 95% confidence intervals. 2018 includes February to December only. *p<0.05, ***p<0.001, †Reference year.

Source: Source: Tabbakh et al., 2025, p.9.

Exhibit C: Smoking rates vs tobacco CPI

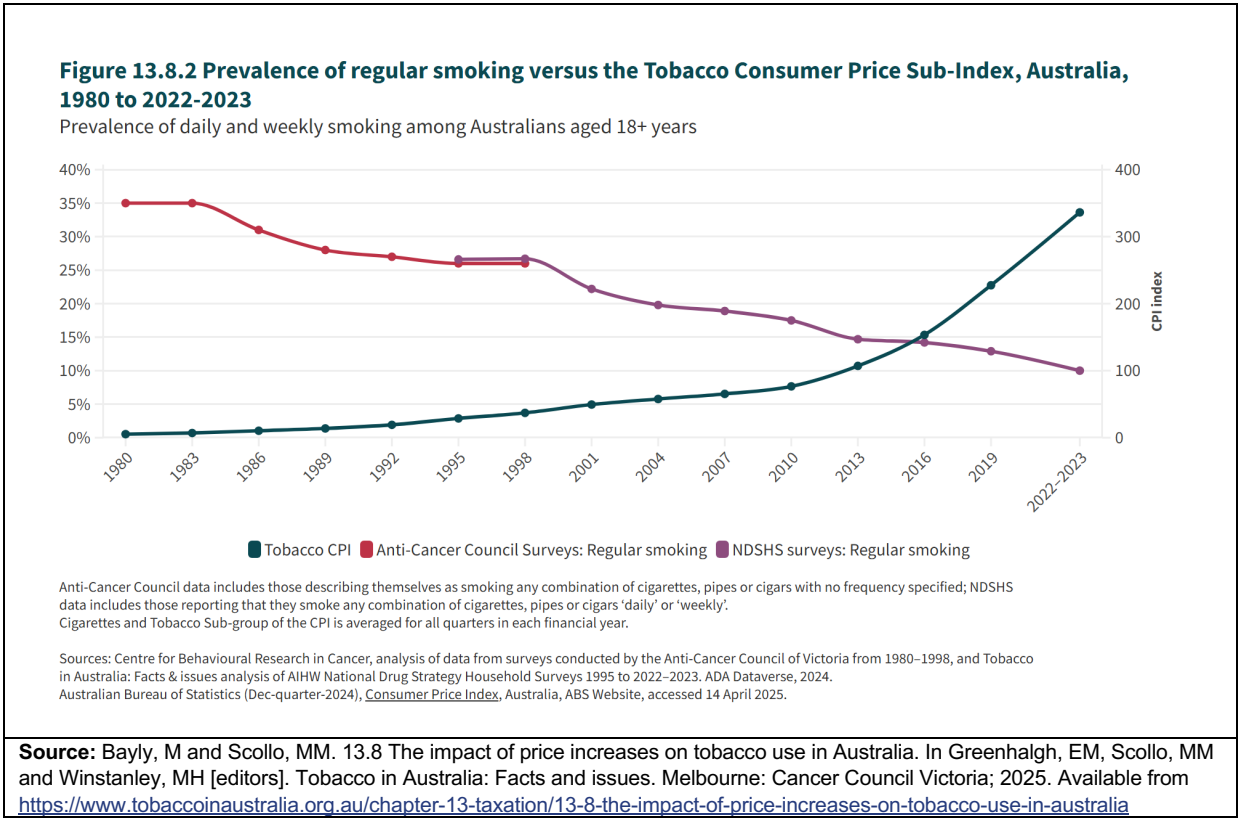
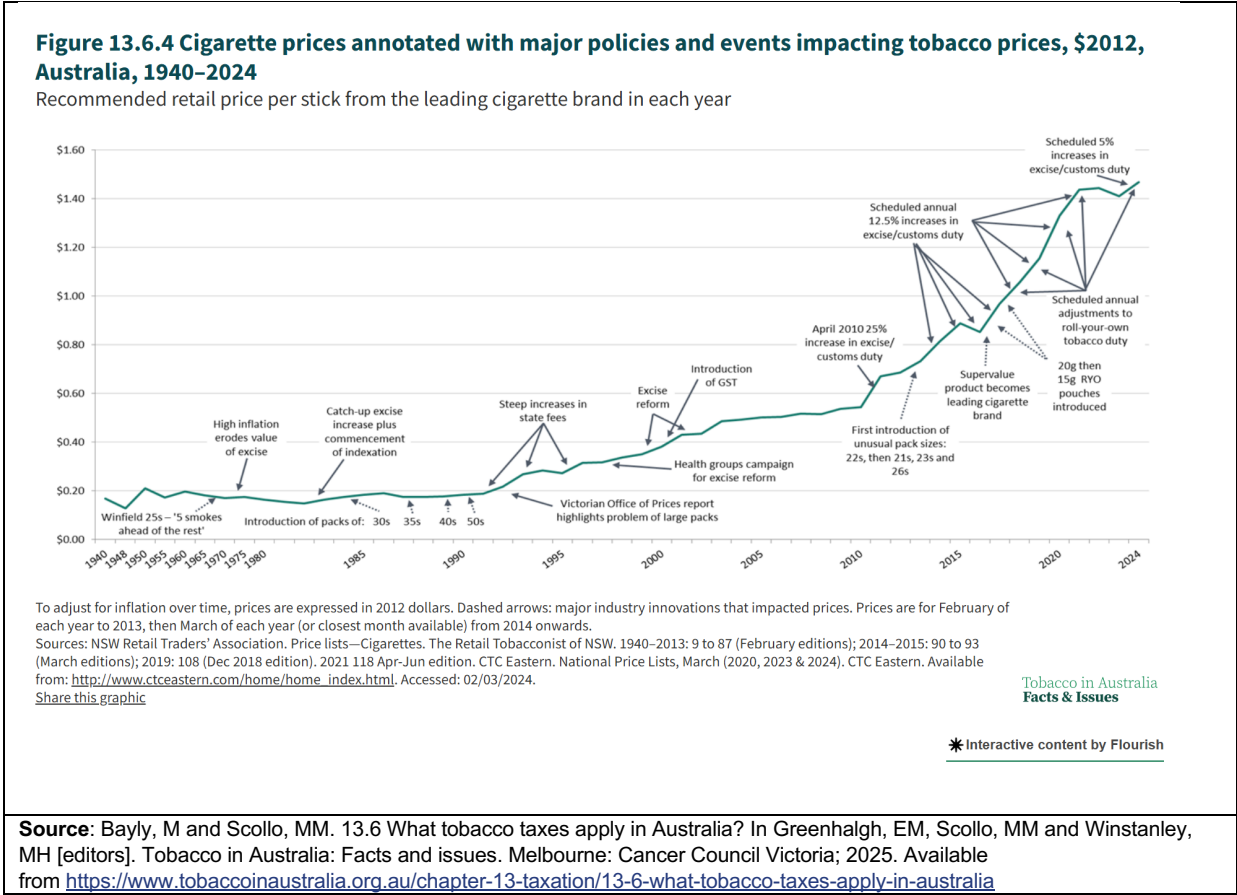


Exhibit D: Policy and events affecting cigarette prices

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Source: Bayly, M and Scollo, MM. 13.6 What tobacco taxes apply in Australia? In Greenhalgh, EM, Scollo, MM and Winstanley, MH [editors]. Tobacco in Australia: Facts and issues. Melbourne: Cancer Council Victoria; 2025. Available from <https://www.tobaccoinaustralia.org.au/chapter-13-taxation/13-6-what-tobacco-taxes-apply-in-australia>

Exhibit E: Cigarette pack cost breakdown

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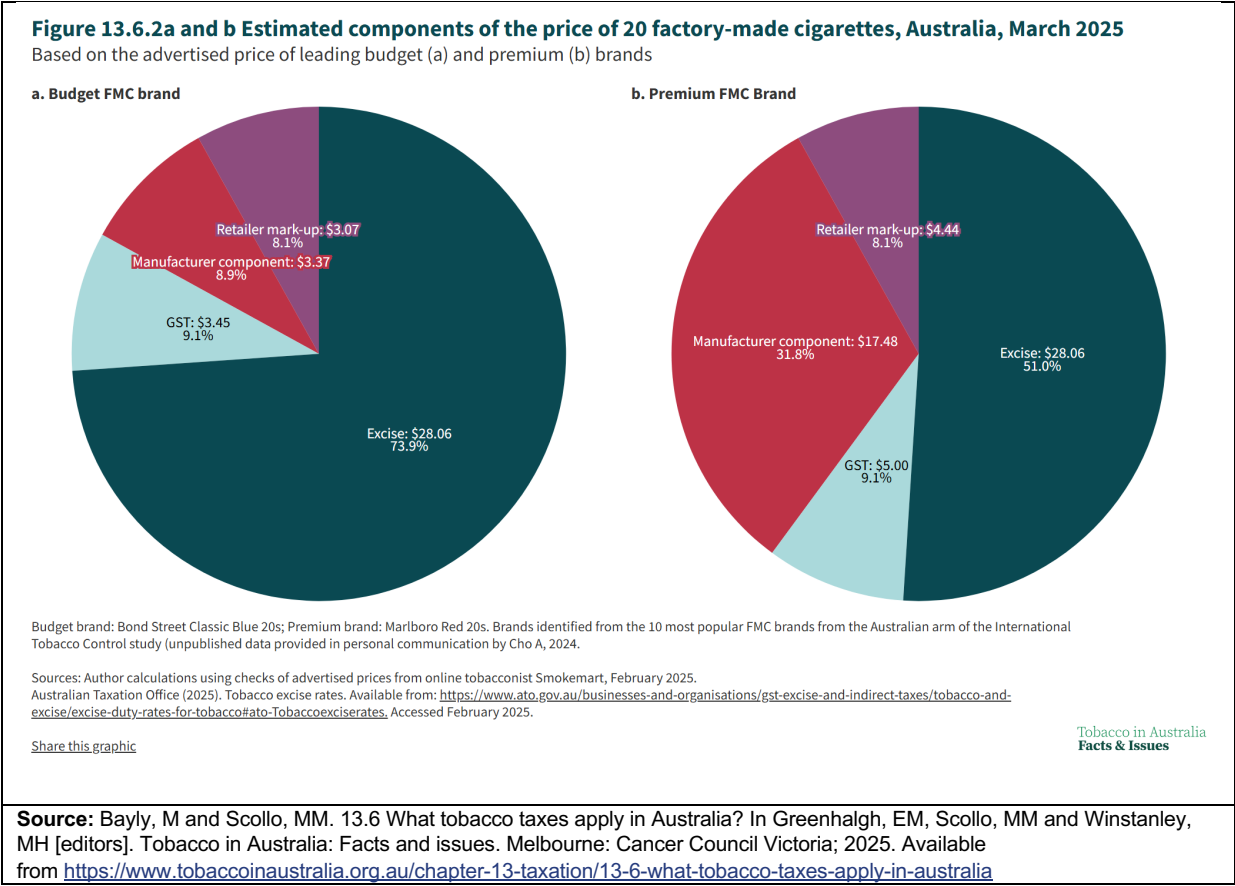


Exhibit F: Excise revenue forecast versus actual

Year	Forecast	Outcome	Difference
2024/25	15.3	11.6	-3.7
2023/24	15.3	10.5	-4.8
2022/23	17	12.6	-4.4
2021/22	16.1	12.6	-3.5
2020/21	15.2	14.3	-0.9

Source: Norman, J. (2024a, May 29). *Billions are lost to gangs as fake cigarettes flood Australia. Is the war on smoking at a tipping point?* ABC News. <https://www.abc.net.au/news/2024-05-30/cigarettes-flood-black-market-costing-billions-in-lost-revenue/103869440>

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