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Submission to the Inquiry into the Illegal Tobacco Crisis in Australia

Dear Committee members,

Harm Reduction Australia (HRA) appreciates the opportunity to provide this submission to the Inquiry into the Illegal Tobacco Crisis in Australia.

HRA is a national organisation committed to reducing the health, social and economic harms potentially associated with drug use and drug policy responses. HRA is a membership-based organisation that represents the views of its members who are advocates for the continuation and expansion of harm reduction policies in Australia. HRA takes a non-judgmental approach to drug use within society and aims to ensure that drug policies in Australia first and foremost do no harm and provide real benefit to Australian society through evidence-informed and humane responses to drug use. Further information on HRA can be found on our website [here](#).

Our submission will address the Committee's terms of reference (ToR) with particular reference to ToR b, c, d, and f:

- a) the scale and nature of the illegal tobacco market, including the volume and value of illicit tobacco trade; sources, distribution channels and methods of smuggling or illegal cultivation; and the involvement of transnational serious and organised crime (TSOC) groups;
- b) the impact of illegal tobacco on public health and on government revenue, including smoking rates and the loss of Commonwealth excise and customs revenue;
- c) law enforcement, intelligence and regulatory responses, including the adequacy of:
 - i) penalties and deterrence measures,
 - ii) the strategy and effectiveness of onshore and offshore disruption activities,and

- iii) the current legislative and regulatory frameworks and the current levels of inter-government and inter-agency co-operation;
- d) the social and economic impacts, including on legitimate retailers, especially small businesses in regional and rural areas; the public health implications arising from the spread of unregulated tobacco products; and the safety implications for communities affected by illegal operations;
- e) forecasts, modelling and plausible future scenarios concerning the potential evolution of the illicit tobacco threat, including the prospect for increased violence and the effect of illicit tobacco on the wider TSOC threat;
- f) options for reform, including potential amendments to existing policies and to taxation, customs and/or criminal laws; and
- g) any other related matters.

To address these ToR, HRA submits its recent policy brief, [Tobacco Harm Reduction: Adverse effects of high cigarette taxation and the de facto prohibition of vapes \(June 2025\)](#), as our primary submission to this Inquiry. We have also included a copy of the policy brief in hard copy with this letter.

This policy brief directly engages with key elements of the Committee's terms of reference, particularly in relation to the scale and drivers of the illicit tobacco market, the public health and economic consequences of current policy settings, and options for reform. In particular, the brief highlights how the combination of very high tobacco excise and restricted access to lower-risk nicotine products has contributed to the rapid expansion of a large and increasingly violent illicit market, alongside declining government revenue and ongoing public health harms .

The recommendations outlined in the brief emphasise a shift toward a harm reduction-oriented regulatory framework. These include establishing a regulated legal market for lower-risk nicotine products, recalibrating tobacco excise, strengthening public health messaging, and rebalancing investment away from enforcement-only approaches toward effective regulation and public health interventions .

In addition to the attached policy brief, we draw the Committee's attention to further analysis and commentary from HRA's Tobacco Harm Reduction Advisers, Dr Alex Wodak and Dr James Martin (Deakin University), available via the [HRA website](#) and [Crikey.com](#). These materials expand on the evidence base underpinning our recommendations and provide additional context regarding the relationship between current policy settings, illicit market growth, and associated harms.

HRA would welcome the opportunity to provide further information to the Committee or to appear at a public hearing to elaborate on the issues raised in this submission.

Thank you for your consideration of this submission.

Yours sincerely,

Yours sincerely



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POLICY BRIEF

TOBACCO HARM REDUCTION

Adverse effects of high cigarette taxation and the de facto prohibition of vapes

Executive Summary

Australia now has the most restrictive nicotine control regime in the developed world. Tobacco products are subject to extraordinarily high levels of taxation, while consumer nicotine vaping products remain virtually banned. Although these measures were intended to reduce smoking, they have led to a range of dangerous unintended consequences.

The combination of very high tobacco taxation and limited access to lower-risk nicotine alternatives has contributed to the rapid growth of a large, unregulated black market for tobacco and vapes. This market is now linked to rising levels of violence, including over 220 firebombings, multiple homicides, and widespread extortion. Government revenue from tobacco excise is also in sharp decline.

By contrast, countries such as New Zealand have embraced tobacco harm reduction by ensuring that less harmful substitutes such as vapes are more accessible than cigarettes. Since implementing these reforms, New Zealand's smoking rate has declined at twice the rate of Australia's, with particularly rapid gains among disadvantaged groups.

Australia should urgently reform its tobacco control strategy. This includes incorporating harm reduction, reducing tobacco excise to pre-2020 levels, and making regulated nicotine vaping products available through licensed, age-restricted outlets.

RECOMMENDATIONS

- Establish a regulated legal market for lower-risk nicotine products.
- Implement a public health messaging campaign.
- Reduce tobacco excise to pre-2020 levels.
- Involve people who smoke or vape in policymaking.
- Shift investment from enforcement to regulation.



Statement of the Problem

Australia's smoking rate is declining more slowly than in several comparable countries that have adopted tobacco harm reduction, including New Zealand, Sweden, and Japan. These countries have made lower-risk nicotine alternatives widely accessible, contributing to faster reductions in smoking across all demographic groups, particularly among disadvantaged populations.

By contrast, Australian policy has focused almost exclusively on preventing youth uptake, with limited attention to reducing smoking among adults. Since 2023, a large and increasingly violent black market has emerged for cigarettes and nicotine vaping products, driven by the combination of very high tobacco prices and the prohibition on consumer vapes (Martin & Jegasothy, 2025).

Illegal cigarettes are now widely available across Australia, typically sold at around one-third the price of legal products. These products are untaxed, often branded, and lack health warnings - undermining Australia's key pillars of tobacco control such as high excise, plain packaging, and graphic warnings (Puljević et al., 2024).

Illicit vapes are also readily accessible and now represent the second-largest illicit drug market in the country by number of users (AIHW 2024).

This policy failure has had serious consequences: substantially reduced government revenue, greater public exposure to unregulated products, and a surge in organised crime, including more than 220 firebombings and multiple homicides (Martin & Jegasothy, 2025).

Since 2023, a large and increasingly violent black market has emerged for cigarettes and nicotine vaping products, driven by the combination of very high tobacco prices and the prohibition on consumer vapes (Martin & Jegasothy, 2025).

People with lived experience of smoking and vaping have been excluded from policymaking, in breach of the principle of "nothing about us, without us." As with drug prohibition more broadly, there is little evidence that relying heavily on increased enforcement can effectively address the illicit market.

Policy Context & Evidence

Australia's current approach is not only unsustainable but increasingly counter-productive

Australia's tobacco control framework has long relied on a combination of taxation to raise cigarette prices and thereby suppress demand, public education, and regulatory restrictions. However, since 2010, this approach has intensified, with a strong emphasis on supply and demand reduction and a clear policy hostility toward harm reduction. Tobacco excise has increased by 282% since 2013, while access to consumer nicotine vaping products remains effectively

prohibited (Martin & Jegasothy 2025). These measures were intended to reduce smoking, but there is limited evidence that very high excise levels have accelerated long-term declines in smoking (Jegasothy & Markham 2024).

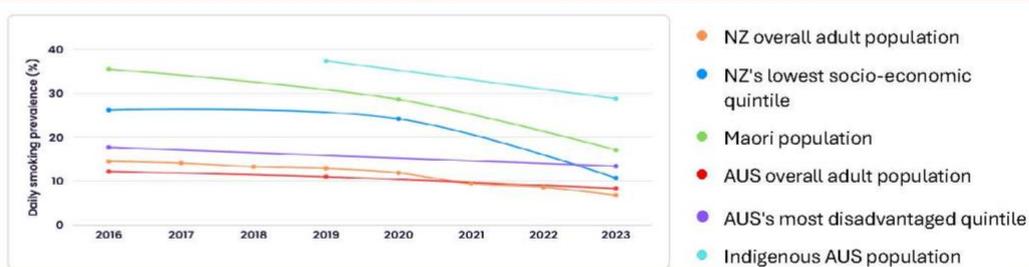
In practice, these restrictive policies have created the conditions for a large and increasingly violent black market. Illicit tobacco and vaping products are now widely available across the country, often sold at a fraction of the legal retail price. These products are not subject to quality controls, taxation, or labelling requirements, undermining Australia's core tobacco control objectives (Puljević et al., 2024).

Despite growing concern, there is little indication that increased enforcement can provide acceptable policy outcomes. Between 2009–10 and 2020–21, Australia tripled its drug enforcement budget (Ritter et al., 2024), yet illicit drug availability has remained high and

prices have declined substantially in real terms (ACIC 2023). Similar patterns are emerging in the illicit nicotine market. Crackdowns on illicit retailers may be theoretically possible but would require extraordinary resources and sustained enforcement efforts unlikely to succeed at scale.

International evidence indicates that there are more effective, harm-reduction policy options. New Zealand and Sweden have demonstrated that making lower-risk nicotine alternatives more accessible than cigarettes can dramatically accelerate declines in smoking. New Zealand's smoking rate is now falling twice as fast as Australia's, with even sharper declines among disadvantaged groups (Mendelsohn et al. 2025). Also, New Zealand appears to have avoided a black market in vapes by ensuring these products are readily available for persons over 18.

Tracking the Decline: Daily Smoking Rates in New Zealand and Australia (2016–2023)



New Zealand

- Overall adult smoking declined from 14.5% in 2016 to 6.8% in 2023.
- Lowest socio-economic quintile: 26.2% to 10.7%.
- Māori population: 35.5% to 17.1%.

Australia

- Overall adult smoking declined from 12.2% in 2016 to 8.3% in 2023.
- Most disadvantaged quintile: 17.7% to 13.4%.
- Indigenous Australian population: 37.4% (2019) to 28.8% (2023).

New Zealand exhibits a more significant decline in smoking rates across all groups compared to Australia. The decline is particularly notable among the Māori population and the lowest socio-economic quintile in New Zealand.

Source: Mendelsohn CP, Beaglehole R, Borland R, Hall W, Wodak A, Youdan B, et al. Do the differing vaping and smoking trends in Australia and New Zealand reflect different regulatory policies? *Addiction*. 2025. <https://doi.org/10.1111/add.70006>

Australia's current approach is not only unsustainable but increasingly counterproductive. Without a shift toward harm reduction, the illicit market and its harms are likely to grow further.

Policy Recommendations

Australia should urgently revise its tobacco control policy to emphasise harm reduction, reduce demand for illicit products, and restore regulatory control over nicotine supply. The following recommendations aim to reduce smoking rates, minimise the black market and associated violence, and improve public health outcomes:

- 1 Establish a regulated legal market for lower-risk nicotine products.**

Create a consumer-accessible framework for nicotine vapes and other reduced-risk products (e.g. vapes, nicotine pouches), modelled on successful international examples such as New Zealand and Sweden. These products should be available through licensed, age-restricted outlets, subject to appropriate safety and quality standards.
- 2 Implement a public health messaging campaign encouraging people who smoke to switch to vaping.**

The introduction of a regulated consumer market for vaping products should be supported by a public health messaging campaign based on the successful ‘switch to quit’ models adopted in the United Kingdom and New Zealand. The campaign should deliver a clear and balanced message: *If you smoke, you should switch to less harmful vapes; if you do not smoke, you should not start vaping.* This dual message communicates the public health benefit of harm reduction for people who smoke, while making clear that vaping is not without risk and should be avoided by those who do not smoke.
- 3 Reduce tobacco excise to pre-2020 levels.**

Immediately lower tobacco excise to levels consistent with those in 2020 to reduce the price differential between legal and illicit products. Further reductions may need to be considered and should be informed by independent economic modelling that considers the size and dynamics of the black market. Reduction of cigarette excise will encourage smokers to switch from illegal back to legal sources and is unlikely to result in any significant recruitment of new smokers.
- 4 Involve people who smoke or vape in policymaking.**

Uphold the principle of “nothing about us, without us” by including individuals with lived experience in the development, implementation, and review of tobacco and nicotine policy.
- 5 Shift investment from enforcement to regulation.**

Reallocate funding from punitive enforcement strategies toward regulatory oversight, public education, and cessation support, recognising that enforcement alone is insufficient to reduce illicit trade. The more low risk nicotine options made available, the better the likely policy outcomes.

Implementation Considerations

Implementing a harm reduction–oriented nicotine policy will require overcoming political inertia, public health scepticism, and entrenched opposition to vaping and other less harmful nicotine products. A key challenge will be building consensus across stakeholders who have historically supported prohibitionist approaches to nicotine control.

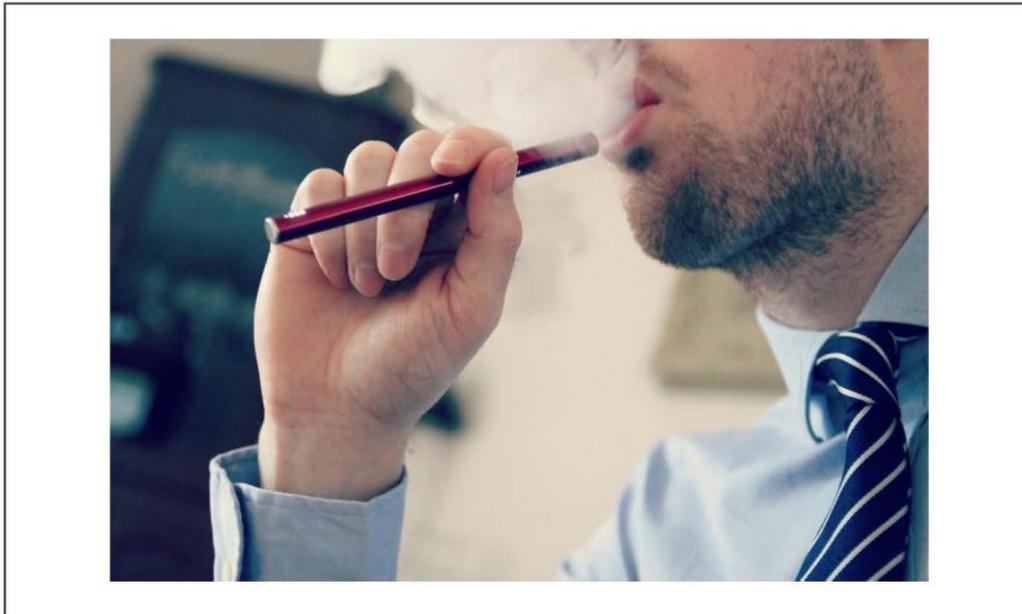
Clear public messaging will be essential to communicate the rationale for reform, particularly the evidence that regulated nicotine alternatives come with substantially reduced but not zero harms, are effective in reducing smoking, and undermine illicit markets. Education campaigns should focus on relative product risks and the benefits of switching from combustible to non-combustible nicotine.

Regulatory infrastructure will also need to be established or expanded, including licensing

systems for retailers, enforcement of quality standards, and surveillance of market trends. These functions are achievable within existing public health and regulatory frameworks, drawing on models from jurisdictions such as New Zealand.

Critically, reform efforts must include people who smoke or vape, community health services, retailers, and harm reduction advocates. Establishing a national advisory council with representation from these groups would support ongoing policy refinement and strengthen legitimacy.

A phased implementation, beginning with pilot programs and independent evaluation, could help address uncertainty and build broader support.



E-Cigarette/Vaping by [Vaping360](#) licensed under [CC BY 2.0](#)

5 Ways Our Recommendations Deliver Public and Policy Wins

Adopting our policy recommendations will:

- **Reduce black market activity and associated violence** by transitioning from prohibition to a regulated, legal nicotine market.
- **Improve public health outcomes** through greater access to safer nicotine alternatives, accelerating the decline in smoking rates.
- **Increase government revenue** by replacing illicit sales with a regulated, taxed market for lower-risk products.
- **Enhance policy coherence and credibility** by aligning tobacco control strategies with evidence and international best practice.
- **Support more equitable health gains** by ensuring harm reduction tools are accessible to populations most affected by smoking.

References

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This policy brief is part of a series that provides summaries of evidence-based best practices and/or policy options on key harm reduction issues. Find the rest of the series here: <https://www.harmreductionaustralia.org.au/>

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