

# HIGH COST OF CIGARETTES FAILING TO DISCOURAGE SMOKERS

## ILLICIT TOBACCO CONSUMPTION AT RECORD HIGH

Australia's illicit tobacco consumption has reached an all-time high and as tobacco excise pushes the cost of cigarettes to record levels, a new report has revealed one in every five cigarettes smoked is an illegal product.

The annual KPMG in the UK Report into illicit consumption in Australia found the illicit trade now accounts for around 20.7% of total tobacco consumption, a huge increase from 14.1% last year. This is supported by the number of undeclared tobacco seizures, which rose to 286,663 in 2018/2019, an annual increase of 46%.

"Rather than discouraging people from smoking, we believe that multiple tobacco excise increases have sent smokers to the black market in search of cheaper tobacco," Imperial Brands Australasia's Head of Corporate and Legal Affairs Kirsten Daggar-Nickson said.

"In its submission to the Parliamentary Joint Committee into Law Enforcement earlier this year the Australian Border Force said excise increases may impact the size

of the illicit tobacco market, as the rising cost of licit tobacco may drive increased demand for cheaper alternatives, including illicit tobacco."<sup>1</sup>

Ms Daggar-Nickson said smoking rates in Australia had remained relatively flat since 2014, despite the world's toughest tobacco control measures.

"There are still around three million smokers in Australia with official data showing that between 2014-15 and 2017-18 the daily smoking rate remained 'relatively similar', only declining from 14.5 per cent to 13.8 per cent.

"Already there are an estimated 227,000 vapers in this country<sup>2</sup> who import smoke-free products such as nicotine-containing e-cigarettes and heated tobacco devices because they are not legally available in Australia.

"Smoke-free products are already available in more than 50 countries around the world. In order to achieve its 10% smoking rate goal, the government should acknowledge that smoke-free alternatives can play a role and have a positive impact on public health in Australia."

Ms Daggar-Nickson said the illicit tobacco trade is supporting the criminal activities of syndicates with links to terrorist groups instead of funding vital government projects.

"The Police Federation of Australia says it is universally agreed that serious and organised crime is behind the illicit tobacco trade, with investigations suggesting it is under the control of Asian and Middle Eastern crime gangs, and fears links are being established with South American gangs."<sup>3</sup>

"This is a massive issue which needs to be addressed. Since the illicit trade was first measured in Australia in 2012, evaded duty has cost the Government more than \$12 billion," she said.

"As recently as mid-April police charged a man with terror links who had also been involved in the illicit tobacco trade, further proof of these syndicates operating in Australia<sup>4</sup>."

"We know many small businesses are suffering severe losses and facing closure as criminal elements continue to flush the market with illicit products. Organised crime continues to strengthen its foothold, actively operating via the dark web and offering refund guarantees for seized orders.

"Federal Government agencies including the Australian Border Force (ABF), Australian Tax Office (ATO) and the Illicit Tobacco Taskforce (ITTF) have had encouraging success dismantling larger operations but increased funding and resources must be directed to state based investigations.

"In addition to more resources directed at a Federal level, we need targeted, state-based taskforces to focus on retail enforcement in suburban areas."

Media contacts: Shannon-lee Mackay, Imperial Brands Australasia: 0408654478 or Luke Holmesby, Philip Morris International on 0447407454.

**Report Link:** [https://www.imperialbrandsplc.com/Kpmgaustralia\\_5th\\_May\\_2020.pdf](https://www.imperialbrandsplc.com/Kpmgaustralia_5th_May_2020.pdf)



Kirsten Daggar-Nickson, Head of Corporate and Legal Affairs – Imperial Brands Australasia



*KPMG in the UK undertakes economic analysis, commissioned by the tobacco industry, in a variety of jurisdictions. The OECD considers the methodology of KPMG the "most authoritative assessment of the level of counterfeit and contraband cigarettes" in the EU. The 'Illicit Tobacco in Australia' report was prepared by KPMG LLP in the UK and is an independent piece of work which gives a reliable insight into the level of illegal tobacco consumption. It was commissioned by Phillip Morris Limited and Imperial Brands Australasia. KPMG in the UK recognises the wider public policy context within which governments decide regulatory and fiscal changes for the tobacco industry, and that the analysis in this report only considers one aspect. KPMG in the UK expresses herein no view, nor makes any recommendation, in relation to future policy for the industry in this regard.*

[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Law\\_Enforcement/IllicitTobacco46th/Submissions](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Law_Enforcement/IllicitTobacco46th/Submissions)  
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