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AUSTRALIA NEW ZEALAND PACIFIC ISLANDS

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Senate Legal and Constitutional Affairs Committee
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On 4 July 2019 the Senate referred the provisions of the *Customs Amendment (Immediate Destruction of Illicit Tobacco) Bill 2019* to the Legal and Constitutional Affairs Legislation Committee for inquiry and report by 19 July 2019.

The bill would amend the *Customs Act 1901* to empower the Comptroller-General of Customs to cause tobacco products seized as prohibited imports to be dealt with in a manner he or she considers appropriate, including the immediate destruction of the goods.

Philip Morris Limited (PML) would like to thank the committee for the opportunity to provide this submission.

Philip Morris International (PMI), our parent company, is the leading international tobacco company, with six of the world's top 15 international brands. Our goals are to provide high quality and innovative products to adult smokers and reduce the harm caused by smoking while operating our business sustainably and with integrity. We aim to reduce the harm caused by smoking by supporting effective evidence-based regulation of tobacco products and through our investment in developing products with the potential to reduce the risk of tobacco-related disease.

Illicit trade in tobacco hurts our business, exposes consumers to substandard products which do not comply with regulations, robs governments and taxpayers of needed tax revenues, takes business away from legitimate retailers and helps fund criminal organisations. According to World Health Organization (WHO), it is estimated that 1 in every 10 cigarettes and tobacco products consumed globally is illicit and that the illicit market is supported by various players, ranging from petty peddlers to organized criminal networks involved in arms and human trafficking.¹

The illegal tobacco trade is widely acknowledged not only by the WHO, but governments, law enforcement agencies and public health authorities around the world, along with the legitimate industry as a serious and complex problem, with broad and dangerous consequences. Calls for joint action and a multi-sector approach to eliminate this illegal activity are virtually unanimous and echoed by many.

Fighting illicit trade is a top priority for PMI. We are firmly committed to doing our part in the fight to eliminate the illegal tobacco trade. The stakes are high, and the threat to our business from the criminals

¹ <https://www.who.int/news-room/fact-sheets/detail/tobacco>

behind this illegal activity is real. We sell our products in more than 180 countries around the world including Australia. It makes reputational and business sense for us to ensure that our products are legally sold in the markets for which they are intended.

We are a business with genuine interests to protect and advance in opposing, disrupting and preventing the illicit tobacco trade. Our reputation is invested in being a responsible corporate citizen with a commitment to demonstrating this in high level strategic and everyday actions and our company's dedication to ethical conduct and regulatory compliance.

Moreover our commitments and investment in combatting illicit trade make good business sense. We lose revenue and market share due to the illegal tobacco trade. Every time an adult smoker in a high-price market such as Australia buys one of our premium brands smuggled from low-price markets, we lose multiples of the revenue we could have earned if the product had been sold in the intended market of sale.

Fighting illicit trade remains a top priority for PMI, and we continue to invest significant resources to ensure strong controls in our supply chain, raise awareness, and enhance our understanding of the issue. This includes undertaking a broad series of measures to secure our supply chain to ensure that our products are protected and that consumers get the genuine high-quality product they expect.

Illicit tobacco trade is a complex, global and growing problem that can only be solved by the industry, governments, law enforcement and civil society working together.

PMI fully support the intent of the *Customs Amendment (Immediate Destruction of Illicit Tobacco) Bill 2019* and the need to give the Comptroller-General of Customs powers to deal with the seized tobacco products in a manner he or she considers appropriate, including immediate destruction of goods. In order to ensure effective supply chain controls are in place and determining points where goods might be diverted from normal sales channels, we respectfully request the ability to inspect and collect codes from PMI products before destruction.