



Committee Secretary  
Parliamentary Joint Committee on Law Enforcement  
PO Box 6100  
Parliament House  
Canberra ACT 2600

26 January 2016

Dear Sir/Madam

**Re: Submission to the Parliamentary Joint Committee on Law Enforcement  
Inquiry into Illicit Tobacco**

As part of the ongoing inquiry into illicit tobacco in Australia, Oxford Economics is delighted to contribute our own research on the subject. We hope that the Committee will find the contents both interesting and informative as it examines the use and consequences of illicit tobacco in Australia.

Oxford Economics recognises that illicit trade in tobacco is a significant issue in Australia and welcome the Committee's decision to consult on the subject. In 2014, we estimate that illicit consumption accounted for around 13.9% of total consumption of tobacco in Australia. This amounts to the equivalent of 3.2 billion cigarettes. This level of incidence is higher than the average for the Asia-Pacific countries and territories covered by our study (see attached "***Asia-16 Illicit Tobacco Indicator 2014***").

Illicit trade in cigarettes both undermines public health objectives and deprives the government of important tax revenues. In the 2013/14 fiscal year, we estimate that over AUD 1.5 billion of revenue was forgone due to illicit trade in tobacco.

One area that continues to play a prominent role in driving illicit tobacco consumption around the world is the implementation and design of excise taxation policy. We have long argued that the concept of affordability should be placed at the centre of any cigarette tax policy design, avoiding tax "shocks" that are likely to lead to the emergence or growth of illicit trade.

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We thank you for taking the time to review our submission and would be happy to discuss the contents in more detail with the Committee should you have any questions.

Yours faithfully,

Adrian Cooper  
Chief Executive Officer  
Oxford Economics

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