



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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Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Headquartered in Oxford, England, with regional centres in London, New York, and Singapore, Oxford Economics has offices across the globe in Sydney, Belfast, Boston, Chicago, Dubai, Hong Kong, Miami, Milan, Paris, Philadelphia, San Francisco and Washington DC. We employ over 250 full-time staff, including more than 150 professional economists, industry experts and business editors – one of the largest teams of macroeconomists and thought leadership specialists. Our global team is highly skilled in a full range of research techniques and thought leadership capabilities, from econometric modelling, scenario framing, and economic impact analysis to market surveys, case studies, expert panels, and web analytics. Underpinning our in-house expertise is a contributor network of over 500 economists, analysts and journalists around the world and our heritage with Oxford University and the academic community.

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