

THE LURE OF THE ILLICIT TRADE

Continued proliferation of black market products means reports of reduced smoking incidence may be exaggerated.

By Tabsol Australasia Managing Director Pradeep Kumar.

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The reported volume decline of legal tobacco products is between 10 and 13 per cent compared with 12 months ago. However, this doesn't mean the incidence of smoking is declining at the same rate.

What is not monitored or recorded is the black market of tobacco products and illegal nicotine vapes.

Based on the alarming rate at which new retail outlets are opening and offering under-the-counter cigarettes, tobacco and nicotine products, the incidence of quitting may not be that high.

The ineffectiveness of the Australian Border Force (ABF), the Illicit Tobacco Task Force (ITTF) and the federal police to curb or control the importation of illicit tobacco, cigarettes and nicotine

vapes is fuelling the illicit and extremely lucrative trade.

This trade is not a victimless crime. Perhaps the authorities need to be reminded of those that are affected:

- The ABF and ATO. They're missing out on hundreds of millions of dollars in excise and GST collections.
- The ITTF and federal police. They're losing respect for being unsuccessful in controlling the borders and are being described as 'toothless tigers'. They seem to be mocked for being less organised (than the criminals) and lacking the smarts to control and enforce the legislation that's already in place... Shame indeed!
- The legal importers. They lose sales to illicit and counterfeit products. Tabsol is a case in point. One of our brands has been counterfeited and is being sold in the market for less than half the price of the excise rate per carton.

- The fierce competition to survive in the illicit trade-affected market is forcing major suppliers to scramble for share by using loss leader brands.
- The consumers. The illicit tobacco products are of terrible taste and most likely made in non-quality-focused factories. Tabsol has had numerous consumer complaints for their counterfeited brand, with terrible quality issues including (but not restricted to) foreign matter (plastic, strings, tape, etc) in cigarettes, filters not properly attached, broken cigarettes, and cigarettes lacking tobacco.
- The vape consumers. They need to be aware that synthetic nicotine being used in nicotine vapes is also a poison, according to Therapeutic Goods Administration. The synthetic nicotine used is artificial (unlike natural tobacco nicotine) and may contain harmful chemicals. These vapes also tend to have higher concentration of highly addictive nicotine.
- The retailers. An astonishing number of retailers have told me that they're forced to take up the illicit tobacco and nicotine vape. They complain that without engaging in illicit trade, their sales will continue to decline. Some have already reported up to a 50 per cent decline in sales.

Surviving in an uncontrolled market

Sadly, we cannot rely on the authorities to do their job. They seem to be incompetent in their efforts to control the flood of illicit tobacco and nicotine vapes. The taxpayer funded organisations seem to be overwhelmed by the expertise and the clever ways of the criminal elements to beat the system.

So, what can we, as law abiding corporate citizens, do?

- Despite our complaints falling on deaf ears, we must continue to report any illicit activities to health departments. Online reporting is available. Please check for your respective states and territories.
- Don't adopt the attitude that 'I also need to join them (the criminals); otherwise, I'll lose sales and profit'. If everyone is doing the wrong thing, it's still wrong!
- Governments need to wake up and do what their mandate requires:



enforce the laws of the land and protect corporate citizens. Enough complaints and reports along with proper lobbying will hopefully be noticed by the authorities.

- Advise your customers that cheaper illicit products and nicotine vapes don't have the quality standards, with the message that: 'Price is not more important than your health and life – you don't quite know what chemicals you're consuming when you buy illegal products'.
- As a supplier, Tabsol addresses all counterfeit product complaints it receives by advising consumers to demand a refund from the retailer or report the retailer to the police.
- Retailers, especially those with multiple sites, need to be aware of the legal requirements, as they can be liable for multiple fines.

How to identify illegal cigarettes

- The packaging is non-compliant with Australian plain packaging standards:
 - If coloured packs (other than green) are used without Australian health warnings.
 - If the pack is glossy instead of having a matte finish.
 - If the colour of the 'neck' (the part under the flip lid) inside the pack is different to the green (448c) pantone colour. Some are brown and some are noted to be black.
 - If the pack has any font irregularities – for example, brand

name, variant name, etc.

- Ring markings on the cigarette stick's white paper. These are illegal, as they're not using reduced fire risk paper as required.
- Price per carton. If the price per carton is below \$252, you should question the authenticity of the product, as excise payable on importing cigarettes into Australia is \$250.89 (incl GST) for a carton containing 200 cigarettes.
- The barcode. This should be checked by scanning the pack. Recently, some counterfeit packs have been reported to have another brand's barcode.
- Proof from the supplier. Note that an invoice from the supplier of illicit products is not adequate proof that you as a retailer are not engaging in illicit trade. You need to ask for proof from the supplier that they are sourcing the product from a bona-fide importer.

About Tabsol

Tabsol has been operational since 2018 and has distribution in the Australian and New Zealand markets. Along with an extensive tobacco portfolio, the company offers a range of vapes/e-cigarettes.

