

Abstract

The cigarette industry in Australia is unique in several ways that bear significantly on public policy choices. For one thing, Australia appears to be the only nation in the world that licenses tobacco growers. Attending the International Conference on Illicit Tobacco Trade that convened at the United Nations during August 2002, Margot Rushton of the Australian Taxation Office (Tax Office) noted that 'it was fascinating to find out that we are the only developed country with a licensing regime' (Global Combat, 2000, p. 1). Australia also concentrates its excise enforcement, which is concerned with domestic production, very heavily on the farmers who raise tobacco. In terms of revenue, the tobacco excise tax currently brings in more than \$5 billion, compared to \$12 billion from petroleum and about \$2-\$3 billion from alcohol, the other two major excise tax revenue producers. Until November 1999, Australia calculated the excise levy in terms of the weight of the tobacco involved, which led the manufacturers to market lighter cigarettes (that is, cigarettes with less than common amounts of tobacco) that they could sell at relatively lower costs than today's produce, which is taxed by the 'stick', that is, by the number of cigarettes. A lighter cigarette generally sold in packets of fifty, though the manufacturers were plagued by 'loose end' problems, plug that fell out of the tube.