

## **National Coalition Against Contraband Tobacco**

### **Responses**

#### **1. Economic Recovery and Growth**

*Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?*

Controlling spending has rightly been a part of the federal government's plan to return to balanced budgets, and the National Coalition Against Contraband Tobacco expects that this will continue into 2013. It is equally important that the federal government receives the tax revenues to which it is entitled. Every dollar recovered from tax loss is one less that must be cut. The NCACT believes this is particularly true for tobacco taxes lost to the trade in contraband tobacco. Canada loses as much as 2.1 billion dollars a year in lost tax revenue- 1.1 billion federally- from the contraband tobacco market. Because of this revenue loss, Ontario and Quebec have made curbing the illegal cigarette market a priority in each of their budgets. It is important that the federal government play its role in these efforts. This is not just a question of government allowing money to go uncollected. Contraband tobacco is a cash cow for organized crime, with the RCMP estimating that there are 175 criminal gangs using the trade to finance their other activities, including guns, drugs, and human smuggling. These criminals are unencumbered by tobacco regulations put in place to protect Canadians, especially young people. This makes contraband tobacco a prime source for teen smoking. In fact, a recent study by the Centre for Addiction and Mental Health flagged the ready availability of contraband tobacco as a reason for Ontario's stubbornly high youth smoking rate. The NCACT suggests the government do a number of things. First, it should create a taskforce on illegal cigarettes with provincial governments, particularly Ontario and Quebec, as well as First Nations leadership. Second, it should increase the scope of existing law enforcement taskforces that deal with contraband. Third, the government has previously committed to increase criminal penalties for tobacco smuggling and to dedicate 50 RCMP officers to the problem. These should be implemented. Any changes to the border crossing in Cornwall, Ontario should also include increased anti-contraband enforcement. Finally, government should target the supply of illegal cigarettes by inspecting and shutting down unlicensed cigarette factories and enforcing Health Canada regulations in smoke shacks.

#### **2. Job Creation**

*As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?*

Small and medium sized businesses are the engine of the economy, creating jobs, spurring innovation, and providing excellent services to Canadians. It is important that the government make sure that outside influences do not unduly limit their ability to succeed. Illegal tobacco's prominence hurts small businesses that play by the rules, including convenience stores and other small retailers. A "baggie" of 200 contraband cigarettes can cost as much as \$90 less than legal product. This low price and easy availability deters sales from these businesses, often costing a substantial reduction in revenue. This limits their ability to hire additional employees and, in some cases, can even cause them to close. Creating stable, quality jobs, is an important objective, and must begin with efforts to protect those jobs

held and created by existing small businesses. Ensuring that small businesses do not face unreasonable competition from a parallel illegal market is critical. We must make sure that we protect those businesses that play by the rules and punish the unscrupulous ones that do not.

### **3. Demographic Change**

*What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?*

### **4. Productivity**

*With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?*

### **5. Other Challenges**

*With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?*

The government has invested substantial resources into tobacco regulations designed to control access and discourage use. These include sales to minors laws, product labeling, display restrictions, and excise markings. Unfortunately, the contraband tobacco market undermines all of these and makes a mockery of government efforts. Illegal cigarettes are cheap and readily available. They are usually sold to consumers directly in clear, re-sealable plastic bags without Health Canada's health warnings. A "baggie" of 200 costs as little as \$10, as much as \$90 less than legal product. This price disparity, paired with the fact that contraband dealers don't check age verification ID, has made illegal cigarettes a prime source for youth smoking. In fact, a recent study by the Centre for Addiction and Mental Health indicated that 43% of cigarettes smoked by Ontario high school students were illegal, flagging contraband availability as a reason why youth smoking rates in the province have remained high. This corresponds with independent scientific studies conducted for NCACT members that confirm a high prevalence of contraband cigarette use amongst Canadian youth. The price of illegal cigarettes may be low, but the trade has proven lucrative for the criminals that make and sell it. The RCMP estimates that there are more than 175 criminal gangs that use illegal cigarettes as a cash cow to finance their other illegal activities, including hard drugs, guns, and human smuggling. The government cannot allow the law to be flaunted in this fashion, allowing regulations designed to protect Canadians to be undermined by criminals. Meaningful action must be taken. This includes stronger collaboration between the federal and provincial governments, along with First Nations leadership, and the expansion of existing anti-contraband enforcement task forces. Government should also monitor and inspect unlicensed cigarette factories and smoke shacks. Where they do not adhere to appropriate Health Canada regulations, they should be shut down.