



## **Written Submission for the Pre-Budget Consultations in Advance of the 2020 Budget**

**By: National Coalition Against Contraband Tobacco**

## **Recommendation**

In order to take effective action against organized crime and their funding sources, we recommend that the federal government launch a national inquiry into the underground economy in Canada, which would include tobacco, cannabis, guns, drugs and human trafficking.

## **Introduction**

Since October 2018, the legalization of cannabis and the black market associated with it have been the main topic of discussion when addressing contraband goods. According to the purpose laid out in the Cannabis Act, one of the main intentions of legalization was to stamp out the black market and this funding source for organized crime. A deeper examination, however, of the current contraband tobacco market, makes it clear that governments will be hard pressed to get rid of the black market without concerted actions.

Contraband tobacco continues to be a major issue in Canada and is a primary funding source for organized crime groups. The Royal Canadian Mounted Police (RCMP) estimate that over 175 organized crime groups are involved in the illicit trade. It is also estimated that governments in Canada lose over \$2 billion in combined federal and provincial excise tax revenues a year. This lost revenue goes directly to criminal organizations who are also involved in other illicit trades, such as drugs, guns and human trafficking. This connection is undeniable and many of the recent illegal tobacco busts have simultaneously led to the seizure of cocaine, meth, fentanyl and guns.

Ontario continues to be the epicentre of contraband tobacco in Canada. One in three cigarettes purchased in the province are illegal, and Ontario alone loses more than \$1 billion in federal and provincial excise tax revenue. Ontario and Quebec are also the only two provinces in the country with illegal tobacco manufacturing; the RCMP estimating that these two provinces have more than 50 illegal tobacco factories located on First Nations land.

## **National Inquiry**

Contraband tobacco continues to be the largest funding source for organized crime groups located in Manitoba, Ontario, Quebec, New Brunswick and beyond. These groups transport millions of illegal cigarettes to all parts of Canada for distribution through communities and retailers. While many believe it to be a victimless crime, clear evidence shows that these organized crime groups have a significant negative impact on the communities they operate in.

While the RCMP and other sources clearly show that contraband tobacco continues to be a major issue in Canada, a comprehensive public inquiry into the issue has never been completed. For this reason, we are asking the federal government to launch an inquiry into the underground economy in Canada, which would include tobacco, cannabis, guns, drugs and human trafficking. By identifying the primary funding sources for organized crime groups – who are also responsible for our country's money laundering issue – the government will better understand the issues and appropriate recommendations can be made.

The information gathered through an inquiry and the subsequent recommendations can better inform actions that the government and policy makers can take to combat the underground economy and contraband tobacco. Besides taking away an important funding source for organized crime, as Quebec has shown with their legislative amendments in 2009, there is a direct revenue benefit to taking action. In their last provincial budget, they showed a gain of nearly \$200 million due to enforcement on contraband tobacco and organized crime. There is the potential that the federal government would have even more to gain financially by addressing contraband tobacco and organized crime. Furthermore, detailed information on contraband cannabis and other illicit trades would be available for the government to act on.

## **Recommendation**

In order to take effective action against organized crime and their funding sources, we recommend that the federal government launch a national inquiry into the underground economy in Canada, which would include tobacco, cannabis, guns, drugs and human trafficking.

## **About**

The National Coalition Against Contraband Tobacco (NCACT) is a Canadian group formed with the participation of businesses, law and order organizations and individuals concerned about the growing danger of contraband cigarettes. Members include the Association des détaillants en alimentation du Québec, Association des marchands dépanneurs et épiciers du Québec, the Canadian Chamber of Commerce, Canadian Taxpayers Federation, Canadian Tobacco Manufacturers' Council, Canadian Manufacturers & Exporters, Quebec Employers Council, Échec au crime, Fédération des cahmbres de commerce du Québec, Frontier Duty Free Association, Ontario Chamber of Commerce, Toronto Crime Stoppers, United Korean Commerce & Industry Association of Canada and Winnipeg Crime Stoppers.