



Ontario Budget Leaves Millions In Tobacco Smugglers Pockets

Ontario should look to Quebec, where enhanced enforcement netted \$180 million in 2015-2016

Toronto - (April 27th, 2017) Once again, the Ontario provincial budget missed an opportunity to introduce the most effective measures to address Ontario's booming contraband tobacco trade. 2017 marks the 5th year since Ontario announced that it was "actively" looking into measures that were successfully implemented in other provinces, like Quebec. If anything, the budget will exacerbate the contraband problem by moving away from the predictable inflationary tobacco tax increases that were just announced in the last budget.

"Yet again, Ontario has failed to introduce measures that would have the greatest effect in reducing the province's out of control contraband problem," said Gary Grant, a 39-year veteran of the Toronto Police Service and national spokesperson for the NCACT. "1 in 3 cigarettes purchased in Ontario are already contraband, and in some places the rate is 64%. 175 criminal gangs involved in the trade continue to profit and fund their other illegal activities, including guns, drugs and human smuggling."

The Ontario government's 2012 budget indicated that it was "actively" considering new measures, including best practices from other provinces, to address contraband. While the province has incrementally added some measures since then, half a decade later Quebec-style enforcement measures have not yet been introduced. There, the *Acces Tabac* program and Bill 59 provides the resources and power to local police to conduct contraband tobacco investigations. With this, Quebec has reduced contraband tobacco by half, and netted more than \$180 million in additional revenues in 2015-2016.

"This budget proudly boasts that Ontario has collected \$38 million since 2008 in penalties under the tobacco tax act, but that is just 1/5th of what Quebec's *Acces Tabac* program netted in one year," continued Grant. "There's no reason to believe that Ontario couldn't be similarly successful, bringing in more revenue than the proposed tobacco tax increase is projected to achieve."

The budget did announce measures to licence cigarette materials like acetate tow, to allow for civil forfeiture from tobacco smugglers, and publish convictions under the act. NCACT supports each of these measures, particularly acetate tow licensing, but has long maintained that enforcement must be the cornerstone of contraband reduction. Quebec-style measures remain the gold standard in enforcement.

"Quebec-style enforcement measures disrupts illegal networks, leading to an actual contraband reduction," continued Grant. "Even the budget acknowledges that illegal cigarettes undermine tobacco control efforts. Tobacco control can't work if Ontarians can get cheap, unregulated cigarettes in any part of the province with ease."

Contraband cigarettes are produced in 50 illegal factories in Canada, largely in Ontario and Quebec. Each can produce millions of cigarettes in a day. Contraband tobacco is also a major drain on the public purse. Contraband tobacco was identified as a key area of loss to the underground economy in the Drummond report and the Canadian Taxpayers Federation has estimated that illegal cigarettes cost Ontario taxpayers as much as \$1.1 billion in lost revenues each year.

"Tackling illegal cigarettes is good for Ontario communities. It hurts organized crime and helps to make tobacco control regulations more effective," continued Grant. "It's long past time that Ontario adopt measures

demonstrated to have made real reductions in contraband. As taxpayers, we should be concerned that the province is leaving revenue on the table; as community members we should be concerned that money is instead ending up in the pockets of criminals.”

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About NCACT

The National Coalition Against Contraband Tobacco is a Canadian advocacy group formed with the participation of businesses, organizations and individuals concerned about the growing danger of contraband cigarettes. NCACT members share the goals of working together to educate people and urge government to take quick action to stop this growing threat.

The members of the NCACT are: Association des détaillants en alimentation du Québec (ADA), Association des marchands dépanneurs et épiciers du Québec (AMDEQ), Canadian Chamber of Commerce, Canadian Convenience Stores Association (CCSA), Canadian Manufacturers and Exporters, Canadian Taxpayers Federation, Canadian Tobacco Manufacturers Council, Conseil du patronat du Québec (CPO), Customs and Immigration Union, Échec au crime Québec, Fédération des chambres de commerce du Québec (FCCQ), Frontier Duty Free Association (FDFA), National Convenience Stores Distributors Association (NACDA), Ontario Chamber of Commerce, Retail Council of Canada, Toronto Crime Stoppers, United Korean Commerce and Industry Association (UKCIA), and National Capital Area Crime Stoppers.

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