

## Physicians for a Smoke-Free Canada Coalition Québécoise pour le contrôle du tabac

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Press release

### Low-tax policy lets tobacco industry scoop additional billion in profits.

Health groups call for minimum tax and standardized pricing on tobacco products.

(Ottawa – August 15) Tobacco control organizations are calling on the federal government to respond to a recent wave of tobacco manufacturer price increases by raising tobacco tax as soon as possible and implementing standardized pricing on tobacco products.

“Federal tobacco taxes have virtually stalled over the past 15 years,” explained Dr. Atul Kapur, president of Physicians for a Smoke-Free Canada, “which has made it easy for the tobacco industry to implement gradual price increases and generate more than a billion dollars in additional revenue each year.”

Data provided by Ontario retailers shows that, in that province, manufacturers have raised their wholesale prices 5 times over the past 22 months, and now collect \$5.50 to \$8.00 more per carton than they did in the summer of 2015. Observations of prices at Quebec retailer outlets suggest even greater increases.

Wholesale prices are provided to Health Canada, which reported in February that the manufacturers’ price increases in 2015 and 2016 “will result in a revenue increase of approximately \$1 billion annually to the industry.”[1]

“By letting the industry increase its profits from tobacco use, the government is worsening the existing problem of allowing the tobacco industry to make Canadians pay for the costs of tobacco-use while extracting profits for shareholders,” said Dr. Kapur. “High tobacco taxes are an important first step addressing this structural problem, especially given the heavy burden tobacco use has on the health care system.”

“For decades, tobacco companies and the retailer organizations that they fund have protested that even the smallest tobacco tax increase will fuel the illegal market for cigarettes,” said Flory Doucas, co-director and spokesperson for the Quebec Coalition for Tobacco Control. “Finance Ministers should recognize that these arguments are a cynical ploy aimed at increasing tobacco profits while the industry discreetly increases its own prices in a way that minimizes their impact on smoking rates.”

High tobacco prices are a well-established way to help people quit smoking and to discourage young people from starting. “Price increases implemented by the industry are much less effective than price increases which result from large tax increases,” Ms. Doucas explained. Unlike an across-the-board and sudden price increase generated by a tax hike, manufacturers don’t shock consumers but simply gradually nudge their prices upwards. Manufacturers also minimize price increases for discount brands, which aim to attract the most price-sensitive smokers, including youth and those who are economically disadvantaged.

“Low federal tobacco taxes are bad public policy, and have led to the continued availability of cheap cigarettes, especially in the most populous provinces,” said Dr. Kapur. “This policy failure is worsened by another policy gap - the lack of controls on the industry’s new pricing strategies.” A little more than a decade ago tobacco companies broke their traditional practice of selling all cigarette brands at the same price, and now use price segmentation, discount brands, retail incentives and pricing practices to keep cigarettes affordable, even for young smokers.

Physicians for a Smoke-Free Canada and the Quebec Coalition on Tobacco Control are calling on the federal government to introduce a minimum tax of 40 cents per cigarette and to implement standardized pricing on cigarettes. These and other recommendations are included in their pre-budget submission to the House of Commons Standing Committee on Finance.

“The manufacturer’s recent price increases confirm that they have confidence in efforts to control the contraband problem. It’s time for governments to recognize the industry’s double-speak on illicit trade. It’s time for the federal government to commit itself to policies that allow tobacco taxes to fulfill their role as a powerful, life-saving measure,” said Dr. Kapur.

*[1] Robert Nugent and Gabrielle Tremblay. Wholesale cigarette prices in Canada: Industry revenue vs. Excise tax. Health Canada. February 2016.*

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