

**Canadian Cancer Society
Non-Smokers' Rights Association
Physicians for a Smoke-Free Canada
Québec Coalition for Tobacco Control**

Abnormally low tobacco taxes are a rip-off of public money and are prolonging the tobacco epidemic, health groups say

Oct. 25, 1999 — Abnormally low tobacco taxes in much of Canada are taking a huge toll on public health and depriving public coffers of billions of dollars, according to a new report released today by a coalition of health groups. They emphasized that a symbolic tax increase of \$1.20 per carton of cigarettes, as has been rumoured in recent media reports, would be grossly inadequate.

“Increasing the price of cigarettes by just 15¢ per pack wouldn’t have an appreciable health impact,” says Ken Kyle, Director of Public Issues, Canadian Cancer Society. “It would be like trying to put out a major house fire with a few buckets of water. Canada’s experience with cut-rate cigarettes over the last five years has been disastrous.”

The report notes the public purse has suffered enormously from the 1994 tobacco tax rollback. By conservative estimates, the federal government lost \$2.87 billion in revenue in the first five years of the low-tax régime; the five provincial governments that joined in the rollback collectively lost \$1.98 billion. In contrast, the other five provinces saw slight increases in tobacco tax revenues over the same period.

“As usual, tobacco companies have been the big beneficiaries,” points out Cynthia Callard, Executive Director of Physicians for a Smoke-Free Canada. “Their profits have climbed 62% since the tax rollback, for a windfall of \$1.33 billion.”

The damage is just as clear with respect to public health. In the five provinces (the four Western provinces, and Newfoundland) that refused to slash their tobacco taxes in 1994-95, per capita cigarette consumption in the 1990s declined roughly three times as quickly

as in the five provinces where taxes were cut, according to industry data filed with Health Canada. This confirms the effectiveness of tobacco taxes in dealing with the number one cause of preventable death in Canada, responsible for approximately 45,000 fatalities per year.

“Of all the policy measures that have been tried to date, higher tobacco taxes are the single most effective means of stopping kids from smoking and decreasing cigarettes sales,” says Ken Kyle of the Canadian Cancer Society.

In the early 1990s, tobacco companies claimed that drastically lowered cigarette taxes were the only way to combat smuggling along the U.S.-Canada border. Developments in the United States have destroyed whatever plausibility that argument may have had at the time. As a result of state lawsuits against the tobacco industry, tobacco prices have been going up rapidly south of the border, including litigation-related increases of more than 33% (roughly \$11 Canadian per carton) in the last year alone.

“Ontario and Quebec now have the sad distinction of having the cheapest cigarettes in North America,” says David Sweanor of the Non-Smokers’ Rights Association. “Prices here are now lower than in Kentucky, West Virginia and North Carolina, in the heart of the U.S. tobacco belt.”

Canada used to be a world leader in tobacco control. “We now have not only the lowest tobacco prices in North America, but some of the lowest prices in the Western world,” Sweanor notes. Cigarette prices in Central Canada are now on a par with those in Greece and Portugal, two of the poorest countries in the European Union.

Tobacco-control spending far below what's needed

While federal and provincial governments dither on restoring tobacco taxes to normal levels, Ottawa continues its chronic underfunding of other tobacco-control measures, such as public education programs. At the time of the tax rollback, Ottawa imposed a Health Promotion Surtax on tobacco industry profits. That surtax raised \$94 million last year, of which only \$20 million was spent on anti-tobacco programming.

“Back in 1994, Jean Chrétien promised his government would fund ‘the largest anti-smoking campaign this country has ever seen,’” recalls Louis Gauvin, Co-ordinator of the Québec Coalition for Tobacco Control. “This campaign was supposed to reduce the impact of half-price cigarettes in much of the country. Five years later, we are still waiting for the government to come up with a sustainable, properly financed public education campaign to explain the true nature of the tobacco industry and its products.”

Minor tax increases are not enough

The health coalition unanimously recommends a tax increase of at least \$10 per carton in the five low-tax provinces — an increase that would still leave prices lower than in 1993. “Public health took a giant step backwards in 1994,” says Ken Kyle of the Canadian Cancer Society. “Governments shouldn’t now be allowed to present symbolic tax increases of a few cents a pack as major health initiatives. Baby steps forward are not enough to make up for the damage of the last five years. In many provinces, tobacco taxes haven’t even kept up with inflation since the rollback.”

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The report is available in electronic format (PDF) at:

- 1) www.nsra-adnf.ca
- 2) www.smoke-free.ca