

Rt. Hon. Stephen Harper, P.C., M.P.
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Minister of Health
Health Canada
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Hon. Peter Van Loan, P.C., M.P.
Minister of Public Safety
House of Commons
Ottawa, Canada K1A 0A6

Hon. Jean-Pierre Blackburn, P.C., M.P.
Minister of National Revenue
7th Floor
555 MacKenzie Avenue
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May 7, 2009

Dear Prime Minister Harper, Minister Aglukkaq, Minister Van Loan, and Minister Blackburn:

We write to you to urge speedy action to stop the proliferation of contraband tobacco sales and distribution across Canada.

Today marks the one-year anniversary of the establishment of the Government Task Force on Illicit Tobacco Products. The mandate of the task force “is to identify concrete measures that will disrupt and reduce the trade in contraband tobacco.” Unfortunately, to date, besides law enforcement efforts by the RCMP and various other police forces, we are unaware of any meaningful, new concrete measures being taken by the Government of Canada to “disrupt and reduce the trade in contraband tobacco.”

The lack of effective action means that more young Canadians will become addicted to the cheap contraband cigarettes flooding schoolyards, especially in Ontario and Quebec, where contraband levels are worst. One out of every two of those teenagers, addicted due to access to cheap contraband cigarettes, will die as a result of tobacco-related diseases if they fail to quit smoking.

In addition the damage to public health and young Canadians, government revenue at both the federal and provincial levels are also greatly impacted by contraband cigarettes. The federal government is losing at least \$1 billion per year in unpaid tobacco taxes. Moreover, the Ontario Auditor General reported in December 2008 that Ontario is losing an additional \$500 million annually. In Quebec, the provincial government estimates it is losing at least \$300 million annually in revenue because of contraband. When you consider the fact that the federal, Ontario and Quebec governments have stopped increasing tobacco taxes out of concern for the contraband market, the actual losses are much greater.

High cigarette prices, achieved largely through federal and provincial tax increases, are widely recognized by researchers and government officials as the single most important means of reducing smoking. But because of the widespread availability of cheap contraband tobacco, progress in reducing tobacco use in Canada has slowed considerably with smoking rates at 19% in each of 2005, 2006 and 2007 according to the Canadian Tobacco Use Monitoring Survey.

There are also huge public safety concerns. The RCMP reports that more than 100 organized crime groups are involved in the illicit tobacco trade. These criminal networks who smuggle cigarettes north into Canada then return south to the U.S., often smuggling drugs, and sometimes weapons or people.

Based on these facts, it is our belief that new policies are needed at the federal and provincial levels in order to effectively stop the growing contraband tobacco crisis in Canada.

Public health groups working on tobacco control across the country have proposed the following comprehensive plan to address the contraband tobacco problem. We endorse these measures and urge you to take action quickly to implement them:

1. The federal government must persuade the U.S. government to shut down the dozen illegal, unlicensed factories located on the U.S. side of Akwesasne. By far the largest source of contraband in Canada originates on the U.S. side of Akwesasne. Eliminating this source must be the top priority. The Americans must act. Indeed it is in the interest of the U.S. to act, for reasons of border security and national security. Criminals that exploit the Akwesasne territory by bringing cigarettes to Canada return to the U.S. with drugs, weapons and sometimes people. If the situation were reversed and the U.S. was flooded with illegal cigarettes from Canada, costing U.S. federal and state governments more than \$10 billion annually by comparison, the U.S. Government would insist that Canada take immediate action.

2. Prohibit the supply of raw materials (including cigarette packaging, cigarette filters, cigarette paper, in addition to leaf tobacco) to anyone without a tobacco manufacturer's licence.

By way of illustration, in Ontario the *Gaming Control Act* prohibits the supply of goods or services used for gambling to anyone without a provincial gaming licence.

For the Americans, control of raw material inputs headed to the U.S. side of Akwesasne would also be desirable, for example by targeting leaf tobacco from North and South Carolina being supplied to manufacturers at St. Regis.

3. Increase the minimum bond to obtain a federal tobacco

manufacturer's licence. At present, the bond ranges from just \$5000 to \$2 million. But it is possible for a new apparently small company to get a licence for only \$5000. This is unacceptable. A meaningful bond would give the government financial leverage to encourage compliance. Breach of laws would mean that the bond would be forfeited in whole or in part.

4. Revoke licences of manufacturers acting illegally, including for violation of provincial laws.

5. Establish a full tracking and tracing system to monitor product shipments, just as Purolator Courier does, and to identify points of diversion.

6. Promote the opportunity to implement a First Nations tobacco tax equal to provincial tobacco tax. Note that there is little awareness that this is already authorized by the federal Budget Implementation Act, 2006. First Nations would require an agreement with the province, and First Nations would keep the revenue. In terms of contraband prevention, there will be benefits in the long term.

Note that the Cowichan First Nation on Vancouver Island has a tobacco tax, and the White Cap Dakota First Nation in Saskatchewan has a new liquor tax. These are examples to consider.

This First Nations tobacco tax should be distinguished from GST. Several dozen First Nations now collect GST on tobacco products, but this may only be \$3 per carton – minuscule compared to provincial/territorial tobacco tax of \$20-\$42 per carton.

7. Increase penalties, in order to better deter the contraband tobacco trade.

Prime Minister Harper, Minister Aglukkaq, Minister Van Loan, and Minister Blackburn, we know that you want to protect young Canadians from a life-long addiction to cigarettes, an addiction that is sure to lead to tobacco-related diseases which will kill 50% of all long-term addicts. We know that you are committed to helping those already addicted to the nicotine in cigarettes to quit.

In moving forward, we would urge you to consult health organizations with expertise on this issue as well as representatives of the aboriginal community. We would also urge you to restore an Aboriginal Tobacco Control Strategy in response to the shockingly-high smoking prevalence of 59% among First Nations, compared to 19% for Canada as a whole.

Today, on the one-year anniversary of the establishment of the Government Task Force on Illicit Tobacco Products, we urge you to take decisive action and implement concrete measures that will effectively deal with this dangerous problem. We do not have the

luxury of delay when it comes to protecting public health and public safety. Indeed, in tobacco control, delay of effective public policy is measured in lives.

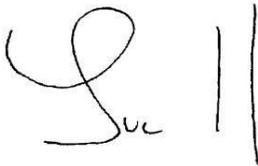
Sincerely,



Hon. Carolyn Bennett, M.P.
St. Paul's
Liberal Health Critic



Don Davies, M.P.
Vancouver-Kingsway
New Democrat Public Safety Critic



Luc Malo, M.P.
Verchères—Les Patriotes
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