



Press Release  
For Immediate Release

## **British Columbia not immune to contraband tobacco**

### ***Excessive tax hikes shown to drive adult smokers to illegal markets***

**Montreal, February 20, 2018** – While the province of British Columbia may believe that raising taxes on cigarettes will help its bottom line, organized crime is far more likely to be the beneficiary of this misguided budget measure, says Imperial Tobacco Canada, the country’s largest manufacturer of legal tobacco products.

Eric Gagnon, Head of Corporate and Regulatory Affairs for Imperial Tobacco Canada, says his company understands that tobacco taxation is an important revenue stream for governments but cautions that tax ‘shocks’ increase the price gap between legal and illegal products, creating a larger incentive for adult smokers to turn to the contraband market.

The province need only look next door to Alberta for such an outcome. That province increased tobacco taxes by \$10/carton in 2015. Following that increase, tobacco tax revenues have consistently missed their projections. In the year prior to the increase (2013-14), Alberta’s tobacco tax revenue came in above projections at 103 per cent. Since then, actual versus projected revenues have been on a continuous decline:

- In 2014-15, actual revenue fell to 96% of the projected amount.
- In 2015-16, actual revenue dropped again to 94% of the projected amount.
- In 2016-17, actual revenue dropped to a staggering 84% of the projected amount.

Alberta’s performance for 2016-17 is the worst of any province since 2012-13. Also, the revenue shortfall in Alberta for 2016-17 (\$186 million) is by far the largest discrepancy experienced by any province since 2012-13. Finally, the province’s tobacco tax revenue in 2016-17 was only marginally higher than that for 2013-14 – despite the \$10/carton increase.<sup>[6]</sup>

“Excessive taxation is the primary factor that drives consumers to the illegal market. The Federal Government recognizes this when it comes to marijuana, with Federal Finance Minister Morneau suggesting that taxes should be kept low to allow competition with the illicit market,” said Mr. Gagnon.

“BC like all provinces agreed for a coordinated federal-provincial approach to keep taxation of marijuana low in order to compete with the illicit market. That is a prudent approach when dealing with a product that has a large illegal market – yet the logic applied to marijuana is dismissed when it comes to tobacco, wherein prices for illegal tobacco are a fraction of those for legal product,” he added.

.../2

---

<sup>[6]</sup> Alberta Public Accounts, 2013-14 to 2016-17.

“If the Horgan government thinks it will increase revenue and deter smoking, it is sadly mistaken. History has shown huge increases in tobacco taxes lead only to a portion of consumers turning to the black market,” said Eric Gagnon. “If they are serious about reducing smoking incidence in the province, they should instead encourage consumers to switch to potentially less harmful alternatives like vaping or heated tobacco products,” he concluded.

- 30 -

**For more information, please contact:**

Karen Parucha

Torchia Communications

Office: 416-341-9929 ext. 228

Direct: 416-898-4336

[karen@torchiacom.com](mailto:karen@torchiacom.com)