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ALBERTA GOVERNMENT FUELS ILLEGAL TRAFFICKING IN LATEST BUDGET

Montreal, October 25, 2019 – Alberta’s decision to increase the price of a carton of cigarettes by \$5 will fuel an already significant illegal tobacco market, and its stated intention to tax vapour products will simply make it more difficult for adults to choose an alternative to smoking.

“Today’s announcement will have no impact on the health of Albertans,” said Eric Gagnon, Head of Government and Regulatory Affairs at Imperial Tobacco Canada. “We’ve seen it before, and some government have learnt from their mistakes, a tax shock like this will simply drive more smokers to the illegal market.”

With plain tobacco packaging coming into effect in November, smokers will already be looking to the illegal market for cheaper unbranded products, or counterfeit branded products. High legal prices will drive even more smokers to purchase their products illegally.

“What is most shocking to us is that in a couple of weeks the illegal tobacco problem in Alberta is already poised to get much worse as it will be impossible to differentiate between a legal and illegal product,” continued Gagnon. “Now the government has gone and made illegal products significantly more attractive to consumers by increasing the price gap between a legal and illegal pack of cigarettes.”

Alberta’s History Shows Excise Shocks equals revenue shortfalls

In 2015, Alberta increased the price of a carton of cigarettes by \$10. The following year, illegal tobacco sales increased by 20 percent according to a Western Convenience Store Association study. In addition, since the 2015 increase, Alberta has missed its tobacco tax revenue forecasts by over \$400 million – the largest shortcoming of any province or territory in Canada in recent years.

“The over \$400 million tax shortfall Alberta has experienced since it shocked the market in 2015 should be a serious cause for concern for the Alberta government, as their own data shows that smoking rates in the province have remained stable,” said Gagnon. “The government can look forward to even larger tax revenue shortfalls as more Albertans turn to untaxed, unregulated,

illegal tobacco products, just as they did in 2015. This decision will surely help Alberta maintain its distinction of having the worst projected-versus-actual tobacco revenue shortfall of all provinces – a position they have held since 2012.”

Imperial Tobacco Canada Recommends a Prudent Approach with Vapour Products

The Canadian Federal Government has recognized vaping products as a harm reduction tool, and Health Canada’s website affirms that “Vaping is less harmful than smoking.” Health Canada it is not alone in its approach to vaping. Multiple studies and academic journals have reaffirmed the less harmful nature of vaping products, while many health groups, including Public Health England (the United Kingdom’s equivalent of Health Canada), have estimated that vaping products are at least 95 percent less harmful than traditional cigarettes. The UK’s approach to vaping has resulted in over 2.5 million smokers quitting according to Action on Smoking and Health UK.

“In order for vaping products to achieve their full potential, it will require governments across Canada to ensure regulatory frameworks are in place that allow and support responsible communication to adult smokers, education of retailers on the appropriate methods of sale, and proper enforcement and penalties to ensure youth do not gain access to these products,” added Gagnon. “This is a new and fragile category, and nobody wins but the criminals if an illegal market for vaping products is created due to unsound, short-sighted, policy decisions.”

During the last election campaign, the United Conservative Party said they would not impose a tax on vapour products. "We do not intend to introduce new taxes on products that are already illegal for minors to obtain," the UCP said in a statement. This promise was reconsidered in their latest budget announcement.

“Vapour products are an important component for any tobacco reduction strategy, and we encourage the Alberta Government to stick to their promise and take a prudent approach when it comes to vaping,” concluded Gagnon. “We’ve seen it time and again how easy it is for criminal organizations across Canada to flood the market with illegal cigarettes each time taxation gets out of hand.”

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