

Responsible  
Community Retailing

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June 8th, 2012

Public Safety Committee  
c/o London City Council  
300 Dufferin Avenue  
London, Ontario  
N6A 4L9

Dear Members of London Public Safety Committee,

On behalf of the Ontario Convenience Store Association (OCSA) and the many convenience store retailers in London, I would like to address a serious problem impacting not only small businesses in the community, but the safety and security of London residents.

The distribution and sale of contraband tobacco is a growing concern in London. Cigarette butt studies conducted in London between 2007 and 2009 show the consumption of contraband cigarettes at 20%. Butt studies at local high schools show that 35% of cigarettes smoked by youth were contraband products. On January 26<sup>th</sup>, 2012, 75,000 illegal cigarettes were seized by London RCMP officers, reinforcing the fact that contraband tobacco has become a major issue in the London area. This problem that was once limited to Eastern Ontario is growing rapidly in municipalities across our province.

Not only does the sale of contraband hurt small business and government through tax evasion, it contributes to organized crime schemes and the deterioration of community safety. It is a serious public safety concern that must be addressed at all levels.

The health and safety of our young people is also at risk. Contraband is typically sold at very low cost and without age verification checks, making it easily accessible to underage youth.

The Ontario government has taken the important step of addressing contraband in the recently tabled provincial budget, and we want to work with municipalities to ensure timely implementation of the proposed measures set out by Finance Minister, Dwight Duncan (please see the attached excerpt from the Ontario Budget).

We have also attached our proposed motion and we ask that you join other municipalities such as Windsor, Ottawa and North Bay to stop the spread of contraband tobacco in our communities by passing this motion of support.

I hope that London's convenience store retailers can count on your support to address this vital community safety and health issue.

Best Regards,

A handwritten signature in black ink, appearing to read "Dave Bryans". The signature is stylized with a large, looping initial "D" and a horizontal line at the end.

Dave Bryans  
President and CEO  
Ontario Convenience Stores Association (OCSA)

## PROPOSED MOTION FOR ADOPTION BY LONDON PUBLIC SAFETY COMMITTEE

WHEREAS Contraband tobacco has negative public consequences and impacts such as unrestricted youth access to tobacco products, and an increase in criminal activity

AND WHEREAS contraband tobacco products are easily accessible in our community;

AND WHEREAS small businesses are sometimes forced to close because of the sale of contraband tobacco;

AND WHEREAS small business in our community and government in general stand to benefit from the institution of tougher restrictions on contraband tobacco;

THEREFORE be it resolved that this Committee request the Mayor write a letter to the Ontario Minister of Finance in support of the Ontario Government's most recent Budget commitments to eradicate contraband tobacco through the implementation of additional regulatory, enforcement and other provisions in Bill 186 and amendments to the Tobacco Tax Act. Particularly, in support of measures such as:

- increased fines for those convicted of offenses related to contraband tobacco;
- more authority for law enforcement officials with respect to: forfeiture of items seized, and impounding of vehicles.
- drawing on the best practices of other jurisdictions and working collaboratively with the federal government and other jurisdictions to enhance contraband tobacco control through joint enforcement efforts.

AND that the provincial government be encouraged to continue to strengthen their strategies to address the manufacture and supply of contraband tobacco and maintain their commitment to introduce amendments this fall to implement these measures.

AND that surrounding municipalities be made aware of the actions taken by this Committee to address the concerns presented by contraband tobacco.

## **TOBACCO ENFORCEMENT (FROM THE 2012 ONTARIO BUDGET)**

Tobacco use continues to be the leading cause of preventable disease and premature death in Ontario. The government's Smoke-Free Ontario Strategy has made the province a leader in tobacco control. Ontario remains committed to reducing smoking among youth and other vulnerable persons, and to achieving the lowest smoking rate in Canada.

As part of this commitment, the government intends to take the necessary steps to increase fines on those convicted of selling tobacco to youth and to impose stronger sanctions for repeat offenders of Ontario's tobacco-related laws. These sanctions would include prohibiting a retailer from selling tobacco products or lottery tickets and would be implemented by the fall.

The availability of cheap, illegal tobacco makes it easier for non-smokers, especially youth, to start smoking, and removes an incentive for smokers to quit, undermining the government's policies to reduce smoking.

The government will work with key partners to further educate the public about health and social problems associated with tobacco and will undertake research to help measure the impact of its tobacco strategies on smoking levels in the province.

Ontario has also committed to doubling enforcement efforts to address the supply of cheap, illegal tobacco. As part of this commitment, the government will focus on the implementation of additional regulatory, enforcement and other provisions in Bill 186, which was enacted in 2011.

With the goal of enhancing oversight over the distribution of raw leaf tobacco in the province, Bill 186 provides for the regulation of raw leaf tobacco under the *Tobacco Tax Act*, effective October 1, 2012. In this context, raw leaf tobacco includes flue-cured tobacco as well as black and burley tobacco, and it also includes fully or partially processed tobacco. Tobacco growers, dealers, processors, importers, exporters and certain transporters will be required to register and report with the Ministry of Finance in order that this key component in the manufacture of tobacco products can be tracked throughout the supply chain. As the regulations are drafted, the Ministry of Finance will consult with key stakeholders including First Nations leadership.

Ontario also proposes to introduce amendments to the *Tobacco Tax Act* in the fall to provide additional enforcement and compliance tools. As part of this process, the government is actively exploring a number of measures, including:

- increased fines for those convicted of offences related to illegal tobacco;
- enabling law enforcement officers to ticket those found with smaller amounts of untaxed, illegal tobacco;
- impounding vehicles used to transport illegal tobacco;
- providing for the use of court-authorized tracking devices;
- forfeiture of items seized as evidence of a contravention of the *Tobacco Tax Act*;
- authorizing a vehicle to be stopped, detained and searched if there are reasonable and probable grounds to believe that it contains raw leaf tobacco and, if there has been a contravention, to seize that tobacco;
- strengthening the registration system for retail dealers;

- replacing Ontario's yellow tear tape with the federal stamp;
- adopting best practices that have proven to be effective in other provinces; and
- strengthening other provisions to improve the effectiveness of the statute in meeting the government's commitments.

Consultation and discussions with stakeholders and key partners, including First Nations communities and organizations, will take place as part of this process.

Ontario will continue its ongoing dialogue with First Nations communities and organizations, band councils, and on-reserve tobacco manufacturers with the goal of expanding its understanding of tobacco issues on reserves. The government will also work with First Nations to explore ways to modernize the system for allocating untaxed tobacco products as well as options related to First Nations self-regulation of tobacco on reserve.

The availability of cheap, illegal tobacco is a significantly complex issue and requires the active involvement of governments of neighbouring provinces; the federal government; First Nations leadership; and numerous policing and enforcement agencies including the Ontario Provincial Police, Royal Canadian Mounted Police, First Nations policing services, municipal public health units and municipal police services. The ministry will continue to actively build relationships with other ministries, governments, First Nations leadership, and various enforcement agencies to work together on common goals and share best practices.

Ontario is working collaboratively with the federal government and other provinces to enhance tobacco enforcement. To effectively address illegal tobacco, joint tobacco enforcement and administration agreements are needed between Ontario, other provinces and jurisdictions, and various federal agencies. Ontario is particularly concerned about the impact of the proposed relocation of the Canada–U.S. border crossing currently located in Cornwall.

Over the next three years, the implementation of Bill 186 measures as well as the proposed measures to address illegal tobacco would raise revenues of \$375 million. By 2014–15, additional annual revenue would be \$175 million, with additional annual enforcement costs of \$34 million.

**Source: 2012 Ontario Budget: Chapter IV: Tax and Pension Systems, March 2012**

## Contraband Tobacco – The Facts

### **What is Contraband Tobacco?**

- Illegal cigarettes, often referred to as contraband tobacco, are products that do not comply with Canada's tobacco regulations –specifically those regarding importation, stamping, manufacturing, distribution and taxation.
- Contraband cigarettes are typically manufactured in illegal facilities on reserves in both Canada and the US. These products are sold and distributed via 350 smoke shacks in Ontario / Quebec, which sell baggies of 200 contraband cigarettes for as little as \$10 - \$15 per baggie.

### **What are the negative effects of contraband on communities and youth?**

- Lost Revenue for Government: Contraband products are not subject to all levels of taxation and can be purchased at a much lower cost to consumers than legal products, resulting in lost revenue from taxes.
- More Accessible to Young People: Contraband products are sold without age verification checks, making them far more accessible to young people to whom they are sold without mandated health warnings.
- Supports organized crime, putting communities at risk: The spread of contraband results in the growth of an underground, illegal economy. The RCMP has identified over 175 organized crime groups involved in the contraband trade. Revenue from contraband tobacco sales also support other illegal industries – most recently, the sale of contraband fuel on reserve which hurts our small businesses further.

### **Why is it important to London?**

- Given the proximity of London to reserves, as well as other border communities, the city serves as an ideal location for the trafficking and sale of contraband products.
- Distribution and sale of contraband tobacco in London is on the rise. Recently, the RCMP seized 75,000 contraband cigarettes from a home in southeast London. This time last year, over 170,000 contraband cigarettes were seized in London during a routine traffic stop.
- While these major busts show tobacco enforcement officials are acting quickly to stop the spread of contraband, it also indicates that London is a hotbed for contraband tobacco activity.
- Our retailers, and the youth in our community cannot afford to have a steady, unmitigated supply of contraband products flowing into London.

### **How can we stop Contraband Tobacco?**

- In the 2012 Budget, the Ontario government has introduced a variety of measures that will help in eradicating contraband tobacco, including more power for law enforcement, tougher fines for violators, and working with other jurisdictions to eliminate this serious problem. These will be enforced through the Tobacco Tax Act and Bill 186.
- We ask our retailers to encourage the Government to implement these measures in a timely fashion so that we can address the contraband tobacco issue in London and throughout our province. We also ask retailers to engage their Municipal councilors in a dialogue on Contraband so that we can move towards eliminating this serious public safety challenge.