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August 20, 2020

Mr. Amarjot Sandhu, M.P.P.  
Chair, Standing Committee on Finance and Economic Affairs  
Room 261, Legislative Building, Queen's Park  
Toronto, Ontario  
M7A 1A8

Dear Mr. Sandhu:

In recent weeks we have briefed several of your colleagues on developments with Ontario's illegal tobacco trade, some of which are directly linked to the COVID-19 pandemic. As such, we were encouraged to write to your Committee to be considered as a future witness as you study the impacts of COVID on various sectors of the economy.

Briefly by way of background, Ontario has a big contraband tobacco problem, with illegal cigarettes making up around 35% of the market and costing the Province \$750 million in lost tax revenue annually, according to a report from [EY Canada](#). Other estimates have pegged the losses at \$1 billion annually.

However, there was some revealing data stemming from the near shutdown of the economy in March and April as the legal tobacco industry and retailers saw a significant increase in sales volumes as the supply of illicit tobacco was disrupted due to some First Nations temporarily shutting down access to non-residents to their territories. During that period in which this sales increase took place, we estimate provincial tobacco tax revenues will increase by around \$52 million versus the same period last year. If you were to stretch that over a year, the increase would be over \$200 million.

This experience shows that smokers will return to the legal market when it is more difficult to get cheaper, illegal alternatives. From a revenue perspective, which ought to be top of mind following the August 12 fiscal update, the pandemic showed the potential for a world with significantly less illegal tobacco. That increased revenue could become a long-term reality if the Government acted on its past commitments to fight illegal tobacco, notably those outlined in the 2018 [Fall Economic Statement](#).

Such action is increasingly urgent as the pandemic also offers bad news on illegal tobacco. As the economy reopened, we quickly saw legal volumes start to retreat as the illegal tobacco supply chain reopened.



We are also very concerned about the long-term trend as the economic realities of the pandemic hit home, namely high unemployment and stretched household finances. Without enforcement actions, these are conditions that are likely to lead to a major expansion of the illegal tobacco market.

In addition, there was a major Ontario Provincial Police operation (Project CAIRNES) announced on June 11 (see attached OPP press release and infographic) that showed why action is needed for reasons beyond lost revenue: the beneficiaries of government inaction on illegal tobacco are organized crime cartels. As the OPP clearly states in its release, those arrested in this illegal tobacco operation “are closely associated with members of Traditional Organized Crime and other organized crime groups.”

Worse still, illegal tobacco is closely linked to other criminal activities, as this law enforcement operation also seized large amounts of cannabis, cocaine and fentanyl. In fact, in this one operation alone, enough fentanyl was seized to kill 650,000 Ontarians. Police also seized huge amounts of cash and weapons – and among the charges was conspiracy to commit murder. A few weeks later, another operation (Project OSWARDTAIL – see attached released) showed similar dynamics, seizing 55,000 illegal cigarettes, 35 kilograms of cocaine, heroin, opium and an even larger quantify of fentanyl than Project CAIRNES.

These two operations ought to dispel any remaining myths about the type of people involved in the illegal tobacco trade. Anyone concerned about gangs, guns and drugs – as Premier Ford stated in [announcing new money](#) for police on August 9 – has to recognize that these criminal activities and their perpetrators are closely linked with the illegal tobacco trade. The latter is one of their primary sources of funding, and failure to address illegal tobacco will continue to undermine efforts to fight guns, gangs and drugs.

We hope that your Committee will be interested in this issue, and we look forward to a future appearance to discuss it. There are at least three important angles to consider: the revenue implications of illegal tobacco and lessons learned from the pandemic; the links between illegal tobacco and other organized crime activity; and the measures needed to fight illegal tobacco, which were outlined in the 2018 Fall Economic Statement but not implemented.

More generally, MPPs will soon have to ask themselves two important questions. First, are you willing to defend inaction on illegal tobacco to your constituents, knowing those behind the trade are often members of organized crime groups using it as currency to also traffic illicit drugs and/or conduct other illegal activities? Second, as the fiscal realities of the pandemic take hold, are you willing to defend budget cuts to your constituents knowing the Government is losing upwards of \$750 million annually due to a lack of enforcement on illegal tobacco activities?



Thank you for your time and consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. Charbonneau", is positioned above the printed name.

Sébastien Charbonneau  
Director, Government and Regulatory Affairs  
Imperial Tobacco Canada

Copies to: Committee Members  
Ms. Julia Douglas, Committee Clerk

Enclosures (3)

## OPP INVESTIGATES CRIMINAL ORGANIZATION MANUFACTURING AND DISTRIBUTING CONTRABAND TOBACCO, ILLICIT CANNABIS, COCAINE AND FENTANYL

Enforcement action in Ontario, Quebec and British Columbia leads to arrest of 16 people for 218 offences



(TORONTO, ON) - Significant enforcement action has taken place in several locations throughout Canada, including Ontario, British Columbia and Quebec in relation to the the illegal manufacturing and distribution of contraband tobacco and illicit cannabis across Canada.

Project CAIRNES commenced in July 2018 when the Contraband Tobacco Enforcement Team (CTET) began an investigation into the trafficking of contraband tobacco from a manufacturing facility being operated on a Six Nations Territory. This investigation has been led by the Ontario Provincial Police (OPP) Organized Crime Enforcement Bureau (OCEB) along with the OPP-led CTET and Provincial Asset Forfeiture Unit (PAFU), the Royal Canadian Mounted Police (RCMP) Combined Forces Special Enforcement Unit (CFSEU), Ministry of Finance (MOF) in Ontario and British Columbia and FINTRAC.

The investigation has revealed the tobacco was being assembled into contraband cigarettes at this facility, after which it was being trafficked to other parts of Ontario and Canada, including British Columbia, where it was sold on the street. The accused are closely associated with members of Traditional Organized Crime (TOC) and other organized crime groups. In addition to the production and trafficking of contraband

tobacco, the team uncovered drug trafficking networks which were responsible for large shipments of illicit cannabis occurring on a weekly basis from British Columbia to Ontario.

The manufacturing facility is located on Six Nations Territory, however it has been operated by an organized crime group and is unregulated. This operation is not a legal, regulated cigarette manufacturing operation - the criminal organization controlling these facilities is from the Greater Toronto Area (GTA). The residents of the Six Nations Territory have not seen any investment into their communities from the profits of this illegal operation and it has in no way benefitted the community.

Based on evidence gathered throughout the duration of the project and the identification of a cocaine and fentanyl trafficking network operating in the GTA, six (6) people were arrested and charged with 98 offences on April 18, when a threat to public safety was uncovered. The charges laid include conspiracy to commit murder, firearms possession, drug trafficking and driving-related offences.

On June 1, investigators from the Project CAIRNES team executed 13 search warrants in five Ontario locations including Toronto, Oakville, Markham, Mississauga and Ohsweken, Montreal, Quebec as well as Richmond and Vancouver, British Columbia.

Project CAIRNES has led to the seizure of:

- 11.5 million contraband cigarettes, with a street value in Ontario of approximately \$942,000 and a street value in British Columbia of approximately \$2.6 million;
- 1,714 pounds of cannabis with an estimated street value of \$2.5 million;
- Three (3) handguns and associated ammunition;
- A cocaine press;
- 1.14 kilograms of cocaine;
- 10.2 kilograms of Piperidone;
- 1.3 kilograms of fentanyl;
- \$236,750 in CAD currency; and
- Seven (7) vehicles as Offence-Related Property.

Collectively, the tax loss associated including Provincial, Federal and HST has been more than \$3.3 million based on the contraband cigarettes that were seized throughout the investigation.

The enforcement action on June 1 concluded with the arrest of 10 individuals charged with 120 offences. A total of 16 people have been arrested for 218 offences throughout Project CAIRNES. A complete list can be found in the ADDENDUM OF CHARGED PERSONS. All of the accused have been charged and released, and will attend an Ontario Court of Justice in Toronto on dates in July and August.

Media resources, including digital still photos of some of the evidence seized and a map can be found at this link: [Media Resources Page \(http://opp.ca/news/#!/mediakit\)](http://opp.ca/news/#!/mediakit). A

video with details of the investigation is available on the OPP YouTube channel at [www.youtube.com/ontarioprovincialpolice](http://www.youtube.com/ontarioprovincialpolice).

#### QUOTE

'Project CAIRNES has focused on a criminal organization producing and trafficking contraband tobacco on an industrial scale throughout Canada. While this investigation has aimed to dismantle this one particular group and their blatant disregard for the regulations surrounding tobacco, there are many operating simultaneously. CTET plays an integral role in the disruption of these networks and the proceeds they generate. These high profit operations are often utilized to fund other criminal activities, as demonstrated by vast amount charges laid including Conspiracy to Commit Murder.' Detective Inspector Jim Walker, OPP Organized Crime Enforcement Bureau (OCEB), Contraband Tobacco Enforcement Team (CTET)





ORGANIZED CRIME ENFORCEMENT BUREAU

# PROJECT CAIRNES



Ontario  
Ministry of Finance



- 13 WARRANTS EXECUTED ON JUNE 1 IN ONTARIO, QUEBEC AND BRITISH COLUMBIA
- 10 PEOPLE ARRESTED
- 120 CHARGES LAID

## TOTAL SEIZURES

- 11.5 million contraband cigarettes
- 1,714 pounds of illicit cannabis
- Three (3) handguns w/ ammo
- One (1) cocaine press
- 1.14 kilograms of cocaine
- 10.2 kilograms of Piperidone
- 1.3 kilograms of Fentanyl
- \$236,750 of CAD currency
- Seven (7) vehicles

CANNABIS TRAFFICKED FROM BRITISH COLUMBIA TO GTA

CONTRABAND TOBACCO TRAFFICKED FROM GTA TO BRITISH COLUMBIA

CONTRABAND TOBACCO PRODUCTION FACILITY  
WESTERN ONTARIO



## COCAINE AND FENTANYL TRAFFICKING NETWORK IDENTIFIED IN GTA

ENFORCEMENT ACTION APRIL 18, 2020

- SIX PEOPLE ARRESTED
- 98 CHARGES LAID INCLUDING:
  - CONSPIRACY TO COMMIT MURDER
  - DRUG TRAFFICKING
  - PROHIBITED FIREARMS POSSESSION



# Combined Forces Special Enforcement Unit

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## **Media Release**

### **CFSEU- GTA investigation leads to multiple arrests for importing and exporting drugs**

**(August 5, 2020 – Toronto, Ontario)** Investigators at the Combined Forces Special Enforcement Unit (CFSEU), have arrested twelve males and four females on seventy-four offences related to criminal activity involving the importation, exportation and distribution of cocaine, fentanyl, heroin, opium and ketamine. These arrests, along with sixteen search warrants, were carried out by a team of officers from police services in and surrounding the Greater Toronto Area (GTA).

In August 2019, the CFSEU-GTA commenced an investigation called Project OSWORDTAIL that focused on various criminal groups operating within the GTA. This joint-forces investigation was multi-jurisdictional and international in scope. The investigation revealed several organized crime cells that were involved in criminal activities related to drug importation, exportation, distribution and possession of proceeds of crime. Following an in depth investigation of these criminal cells, CFSEU investigators established that they were led by a number of different individuals who were identified and charged.

During the Project OSWORDTAIL investigation, CFSEU seized more than 35 kilograms of cocaine, 5 kilograms of fentanyl, heroin, opium, 30 kilograms of an unidentified white powder, over \$200,000 in cash, 275 cartons of illegal cigarettes and 3 vehicles modified with hidden compartments as offence-related property.

The following people were arrested and charged:

#### **John Palumbo, (M), 61 years old from Vaughan, ON:**

- Possession for the purpose of Trafficking Schedule I Substance (Fentanyl), contrary to the *Controlled Drugs and Substances Act (CDSA)*
- Trafficking in Schedule I Substance (Fentanyl), contrary to the *CDSA*
- Possession for the purpose of Trafficking Schedule I Substance (Fentanyl), contrary to the *CDSA*
- Trafficking in Schedule I Substance (Fentanyl), contrary to the *CDSA*
- Possession for the purpose of Trafficking Schedule I Substance (Cocaine), contrary to the *CDSA*
- Trafficking in Schedule I Substance (Cocaine), contrary to the *CDSA*



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- Possession for the purpose of Trafficking Schedule I Substance (Heroin), contrary to the *CDSA*
- Trafficking in Schedule I Substance (Heroin), contrary to the *CDSA*
- Attempt Traffic Schedule I Substance (Percocet pills), contrary to the *CDSA*
- Attempt Traffic Schedule I Substance (Percocet pills), contrary to the *Criminal Code (CC)*
- Possession for the purpose of Trafficking Schedule I Substance (Cocaine), contrary to the *CDSA*
- Trafficking in Schedule I Substance (Cocaine), contrary to the *CDSA*
- Conspiracy to export Schedule I Substance (Cocaine), contrary to the *CDSA*
- Conspiracy to export Schedule I Substance (Cocaine), contrary to the *CC*
- Possession for the purpose of Trafficking Schedule I Substance (Cocaine), contrary to the *CDSA*
- Trafficking in Schedule I Substance (Cocaine), contrary to the *CDSA*
- Conspiracy to export Schedule I Substance (Cocaine), contrary to the *CDSA*
- Conspiracy to export Schedule I Substance (Cocaine), contrary to the *CC*
- Conspiracy to traffic Schedule I Substance (Cocaine), contrary to the *CDSA*
- Conspiracy to traffic Schedule I Substance (Cocaine), contrary to the *CC*
- Possession Proceeds of Crime under \$5000 x 3, contrary to the *CC*
- Possession Proceeds of Crime over \$5000 x 3, contrary to the *CC*

## **Ravi Shanker, (M), 58 years old from Brampton, ON:**

- Possession for the purpose of Trafficking Schedule I Substance (Cocaine) x 2, contrary to the *CDSA*
- Trafficking in Schedule I Substance (Cocaine) x 2, contrary to the *CDSA*
- Conspiracy to export Schedule I Substance (Cocaine) x2, contrary to the *CDSA*
- Conspiracy to export Schedule I Substance (Cocaine) x2, contrary to the *CC*
- Conspiracy to traffic Schedule I Substance (Cocaine), contrary to the *CDSA*
- Conspiracy to traffic Schedule I Substance (Cocaine), contrary to the *CC*
- Fail to comply with recognizance, contrary to the *CC*
- Possession Proceeds of Crime over \$5000, contrary to the *CC*

## **Sukhsimrat Pawar, (M), 39 years old from Brampton, ON:**

- Possession for the purpose of Trafficking Schedule I Substance (Cocaine), contrary to the *CDSA*



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- Trafficking in Schedule I Substance (Cocaine), contrary to the *CDSA*
- Conspiracy to export Schedule I Substance (Cocaine) x 2, contrary to the *CDSA*
- Conspiracy to export Schedule I Substance (Cocaine) x 2, contrary to the *CC*
- Conspiracy to traffic Schedule I Substance (Cocaine), contrary to the *CDSA*
- Conspiracy to traffic Schedule I Substance (Cocaine), contrary to the *CC*
- Possession for the purpose of Trafficking Schedule I Substance (Opium), contrary to the *CDSA*
- Possession Proceeds of Crime over \$5000 x 2 contrary to the *CC*

## **Harvinder Singh, (M), 42 years old from Cambridge ON:**

- Trafficking in Schedule I Substance (Cocaine), contrary to the *CDSA*
- Conspiracy to traffic Schedule I Substance (Cocaine), contrary to the *CDSA*
- Conspiracy to traffic Schedule I Substance (Cocaine), contrary to the *CC*

## **Satinderjit Singh Khaira, (M), 48 years old from Cambridge ON:**

- Conspiracy to traffic Schedule I Substance (Cocaine), contrary to the *CDSA*
- Conspiracy to traffic Schedule I Substance (Cocaine), contrary to the *CC*

## **Phung David Nguyen, (M), 33 years old from Toronto, ON:**

- Possession for the Purpose of Trafficking (Cocaine) x 2, contrary to the *CDSA*
- Trafficking (Cocaine), contrary to the *CDSA*
- Conspiracy to Traffic (Cocaine) x 3, contrary to the *CDSA*
- Conspiracy to Traffic (Cocaine) x 3, contrary to the *CC*

## **Cuy Ceen, (M), 47 years old from Toronto, ON:**

- Conspiracy to Traffic (Cocaine), contrary to the *CDSA*
- Conspiracy to Traffic (Cocaine), contrary to the *CC*
- Possession for the Purpose of Trafficking (Cocaine), contrary to the *CDSA*



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- Possession Proceeds of Crime over \$5000, contrary to the CC

## **Brian Brum, (M), 40 years old from Georgetown, ON:**

- Conspiracy to Traffic (Cocaine), contrary to the CDSA
- Conspiracy to Traffic (Cocaine), contrary to the CC
- Possession Proceeds of Crime over \$5000, contrary to the CC

## **Steven Uth, (M), 32 years old from Bradford, ON:**

- Possession for the Purpose of Trafficking (Fentanyl), contrary to the CDSA
- Possession for the Purpose of Trafficking (Ketamine), contrary to the CDSA

## **Hua Thao Tran, (F), 27 years old from Bradford, ON:**

- Possession for the Purpose of Trafficking (Fentanyl), contrary to the CDSA
- Possession for the Purpose of Trafficking (Ketamine), contrary to the CDSA

## **Hieu Thien Cao, (M), 38 years old from Guelph, ON:**

- Conspiracy to Traffic (Cocaine), contrary to the CDSA
- Conspiracy to Traffic (Cocaine), contrary to the CC
- Possession for the Purpose of Trafficking (Cocaine), contrary to the CDSA
- Possession Proceeds of Crime over \$5000, contrary to the CC

## **Thi Queyen Vu, (F), 35 years old from Guelph, ON:**

- Possession for the Purpose of Trafficking (Cocaine), contrary to the CDSA

## **Anh Le, (F), 33 years old from Toronto, ON:**



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- Possession for the Purpose of Trafficking (Cocaine), contrary to the *CDSA*

**Singh Ngo, (M), 60 years old from Toronto, ON:**

- Possession for the Purpose of Trafficking (Cocaine), contrary to the *CDSA*

**Thi Anh Nguyen, (F), 59 years old from Toronto, ON:**

- Possession for the Purpose of Trafficking (Cocaine), contrary to the *CDSA*

**Kristoffer Risley, (M), 42 years old from Richmond Hill, ON:**

- Breach of Recognizance, contrary to the *CC*

“Project OSWORDTAIL demonstrated that transnational organized crime groups capitalize on opportunities to increase their profits by operating during the COVID 19 pandemic with little regard for the safety of others. Police will continue to investigate and prosecute these types of criminal enterprises to ensure public safety,” said by Inspector Jonathan Ko, Officer in Charge of the Greater Toronto Area Combined Forces Special Enforcement Unit. “The members of CFSEU are committed and dedicated to ensuring public safety by ensuring the people committing these crimes are held accountable”

CFSEU is a multi-jurisdictional operation which includes the RCMP, Ontario Provincial Police, York Regional Police, Toronto Police Service, Peel Regional Police, Durham Regional Police Service, Halton Regional Police Service and the Canada Border Services Agency that is specifically tasked with the mandate to expose, investigate, prosecute and dismantle organized criminal enterprises.

Law enforcement agencies work diligently to make our communities a safer place to live, however your assistance in remaining vigilant and informing us of any suspicious activities will help us be even more successful. If you wish to report any type of criminality, you can contact your local police, the Ontario RCMP at 1-800-387-0020, or report anonymously through Crime Stoppers at 1-800-222-8477 (TIPS), at any time.



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## **For media inquiries please contact:**

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