



Rothmans, Benson & Hedges Inc.

a subsidiary of Philip Morris International Inc. / une filiale de Philip Morris International Inc.

1500 Don Mills Rd., Toronto, ON M3B 3L1

Speaking Notes – Jeff Gaulin

Standing Committee on Finance and Economic Affairs Legislative Assembly of Ontario January 20th, 2022

CHECK AGAINST DELIVERY

Good morning Mr. Chairman, distinguished committee members, fellow guests.

Thank you for the opportunity to appear this morning on behalf of Rothmans, Benson & Hedges as part of your pre-budget consultations for the upcoming fiscal year.

My name is Jeff Gaulin, and I am the Director of External Affairs at RBH.

RBH is an affiliate of Philip Morris International, and one of Canada's leading tobacco companies. We have our national headquarters in Toronto, about 350 employees across Ontario, a factory in Québec City, and partnerships with 150 farmers nationwide.

I am joined this morning by my colleagues Gerald Proctor, national manager of Government and Regulatory Affairs, and Sabrina Sotiriu, our lead for government relations in Ontario.

We appreciate the opportunity to share our transformation with you – and the role public policy can play to accelerate a smoke-free Ontario THIS DECADE.

So, I would like to make three points today for your consideration:

1. Smoke-free technologies such as vaping, heated tobacco, nicotine pouches and other innovations, represent a tremendous opportunity for the Ontario government to improve the quality of life of its citizens and reduce future cost pressures to the health-care system. The Ontario government should consider how to make such products more accessible and affordable – in a responsible, prudent way – to help the province's 1.8-million existing adult smokers move away from smoking.



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2. The illicit and criminal trade of tobacco in Ontario is a serious threat to public finances and public safety. The Ontario government should invest more funding into law enforcement and public security to recoup up to \$750-million in lost tax revenue and keep Ontario communities safe.
3. RBH is committed to a cleaner and greener Ontario. We are expanding our sustainability initiatives to clean up cigarette butts from our streets and, ideally, to divert them in the first place for appropriate disposal. Furthermore, we are piloting here in Ontario the world's first industry-wide recycling program for vaping and electronic nicotine devices. We ask the Ontario government to allow us to continue with this market-based solution.

My first point is about a smoke-free Ontario.

RBH is committed to a smoke-free future. Our message is clear:

If you don't smoke, don't start.

If you smoke, quit.

If you don't quit, change.

Abstaining from smoking is the best choice anyone can make for their health.

The next best choice is to quit – entirely.

But for adults who aren't quitting and would otherwise continue smoking, there are alternatives – such as vaping or heated tobacco products – that are scientifically-substantiated by health agencies such as the U.S. Food & Drug Administration and Public Health England ... to be less harmful than cigarettes.

Such products are not risk-free and they contain nicotine, which is addictive.

But these smoke-free products generate far fewer toxic chemicals – and in far lower doses – than cigarettes.

Yet in Ontario these smoke-free products are often less accessible, in terms of retail, than much-more-harmful cigarettes. Harmful cigarettes are available at every corner store – yet better alternatives are often harder to find and buy.



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A smoke-free Ontario is achievable this decade, but it requires the collective efforts of industry and government, science and common sense, to find a balanced approach to protect youth and help adult smokers.

My second point is about the illicit tobacco trade in Ontario.

To build a smoke-free Ontario, it is crucial to eradicate contraband tobacco in the province.

Illicit trade makes cheap, untaxed tobacco products too easily accessible and affordable - undermining efforts to reduce smoking prevalence and protect youth from smoking.

In Ontario, contraband represents about one-third of the total tobacco market. One in every three packs of smokes in Ontario is illegal – and untaxed.

[An Ernst & Young 2020 report](#) estimated that the size of foregone provincial tax revenue in Ontario due to contraband is about \$750 million per year. As neighboring provinces have demonstrated, investing resources into the elimination of contraband tobacco will only yield multiplied returns fiscally.

At the peak of the 2020 pandemic, Ontario saw a record increase in tax collection from legal tobacco sales throughout the province, mainly due to the disruption of the illicit supply chain caused by COVID restrictions.

People weren't smoking more – but they were buying more legal cigarettes.

COVID restrictions have meant illicit tobacco makers cannot easily ship and Ontario smokers cannot not easily buy cheap, untaxed cigarettes. So, during lockdowns more Ontario smokers have gone to their neighborhood convenience store and bought legal, fully-taxed cigarettes.

Investments in curtailing contraband tobacco will have significant ramifications both fiscally, and on the public safety front, as illicit tobacco trade is closely associated with criminal elements.

So, our recommendation is that the Ontario government support law agencies further in their efforts to curtail, disrupt and suffocate the contraband market.



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Expanding the number of police officers focusing on illicit trade prevention or empowering all police officers to conduct contraband tobacco investigations or inspections is one way to improve the revenue capacity of the province.

While close interprovincial trade is encouraged on most fronts, contraband tobacco is one such area where provincial borders add layers of complexity on the coordination between police forces, and governmental priorities and regulations.

Interprovincial task forces with Manitoba and Québec could increase policy development and coordination on this important issue which impacts all three provinces.

This is not just an economic issue, but one of public safety. It should be dealt with strongly on multiple fronts.

Finally, just as RBH is committed to reduce the harm of our products on people, we are also committed to reduce the harm of our products on the environment.

RBH has two sustainability initiatives in Ontario to address issues of littering and single-use plastics.

First, our #UnsmokeCanada clean-ups provides community grants to collect and dispose of cigarette butts. We are also committed to prevent littering by providing communities with specific receptacles. Cigarette butts are collected across Canada, are broken down for organic recycling and inorganic disposal.

Second, we are piloting in the Greater Toronto Area an innovative recycling program for electronic tobacco and nicotine products. In partnership with Terracycle, a world-leader in consumer recycling, we are in the process of collecting all forms of vaping and heated tobacco pods, devices, accessories and packaging.

Not just RBH products – ALL industry products. We believe providing a convenient and timely way for responsible consumers to dispose of their waste easily avoids having it end up in our streets or in our landfills.

We hope the Ontario government will allow us to continue and expand these market-based programs to reduce waste and the burden on Ontario taxpayers.



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In conclusion, RBH stands ready to partner with Ontario on efforts to ensure tobacco harm reduction and an end of smoking are achieved THIS DECADE to help the province's 1.8-million smokers.

We believe Ontario's actions can set a benchmark for Canada in addressing the public issue of smoking – and become the first smoke-free province in the country.

We would like to thank the committee for your time and attention today, and we look forward to future opportunities to discuss our transformation.

Thank you, Mr. Chair.