



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

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Written Submission for the Standing Committee on Finance and Economic Affairs

2022 Ontario Provincial Pre-Budget Consultations



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Rothmans, Benson & Hedges Inc. (RBH) appreciates the opportunity to participate in the Government of Ontario's Pre-Budget Consultation for Budget 2022. RBH, an affiliate of Philip Morris International Inc. (PMI), is one of Canada's leading tobacco companies, with headquarters in Toronto, a factory in Québec City, and partnerships with 150 farmers nationwide.

RBH has committed our business 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.*** Quitting is the best choice, but for adult smokers, who would otherwise continue smoking, there are less harmful alternatives, such as vaping products and heated tobacco products (HTPs). We believe a smoke-free Canada is achievable, but it requires a collective effort on the part of industry, government, as well as health and law enforcement experts.

RBH believes that the 2022 Ontario Budget provides an opportunity to make key changes in addressing illicit trade issues as well as the social and economic inequalities among adult smokers:

Recommendation: That the Ontario Provincial Government support the Ontario Provincial Police in its efforts to curtail contraband tobacco and vaping activities.

To build a smoke-free Canada, it is crucial also to eradicate illicit trade, which makes cheap, unregulated tobacco products easily accessible - undermining efforts to reduce



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smoking prevalence and protect youth from smoking. The illicit trade of tobacco in Ontario represents approximately one-third of the total tobacco market. [An Ernst & Young 2020 report](#) estimates that the size of foregone provincial tax revenue in Ontario due to contraband is about \$750 million/year. As other 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 the pandemic. Unfortunately, the contraband tobacco market has already shown a quick recovery in 2021 and it is urgent that the province invest in additional enforcement to mitigate the threat contraband tobacco poses to Ontario's economic recovery.

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 organized crime groups. 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.

Today's challenges on the contraband front are moving from the physical to the virtual, which makes it difficult for law enforcement to prosecute criminals operating in the virtual space. This is especially the case with illicit vaping products that can be purchased online



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and easily sent across borders. For reference, with implementation of vaping regulations imposed by various governments in Canada, [RBH is observing an increase in contraband vaping across Canada in general](#). The nature of digital platforms makes it difficult for local police to pursue contraband/illicit networks, given that most servers and IP addresses are physically located in, and controlled by, foreign jurisdictions, thus making it difficult to arrest and prosecute these individuals and/or groups hiding in the virtual world.

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 (bilateral, or tripartite) would 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, and it should be dealt with accordingly, on multiple fronts.

RBH strongly believes that Ontario can be smoke-free by 2035 – however, it will take effort, ingenuity and collaboration between industry, government, health experts, law enforcement bodies and others to achieve it. RBH stands ready to partner on efforts to ensure tobacco harm reduction and end of smoking are achieved and that Ontario can be a good benchmark for Canada in addressing the public health issue of smoking, via accelerating [the 1.4 million current adult smokers in Ontario](#), who would otherwise continue smoking, completely switch away from cigarettes to non-combusted



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alternatives. Thus, we are looking forward to discussing the advancement of harm reduction policies for non-combusted alternatives, including heated tobacco products and vaping products, in Ontario.

Sincerely,

Jeff Gaulin

Director, External Affairs

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