

Coalition québécoise pour le contrôle du tabac Physicians for a Smoke-Free Canada

February 26, 2019

Hon. Ginette Petitpas Taylor
Minister of Health
Health Canada
K1A 0K9

Hon. Bill Morneau
Minister of Finance
Finance Canada
K1A 0G5

Re: Budgetary measures urgently needed to reduce tobacco use

Honourable Ministers,

The purpose of this letter is to draw to your attention the urgent need for the 2019 budget to contain measures to support and enhance tobacco control efforts. This letter is a complement to the repeated call for tax increases by our own and other health organizations.

Over the past decade we have observed the industry adopt several marketing tactics designed to overcome the impact of tobacco taxation on the demand for cigarettes and other harmful tobacco products. Chief among these are mechanisms which have allowed them to use price segmentation to ensure that smokers can avoid the impact of taxation.

Disturbingly, the practice of price localization is one which resulted from a prior federal budget decision. The Budget Implementation Act in 2009 introduced amendments to the federal *Competition Act* which opened the door to variable wholesale prices, expanding the ability of tobacco companies to keep cheap cigarettes on the market and to cross-subsidize their losses on these locations and brands with higher prices on other neighbourhoods.

Frustrated with the lack of response to our previous recommendations on tobacco pricing,¹ we took efforts to document the depth of price segmentation. As you will see in the recently-published results,² there are currently two powerful forms of price segmentation currently in place. Tobacco companies are not only exploiting price segmentation between brands to ensure that smokers have cheaper brands available, they are also using price differences between retail outlets ('price localization') to ensure that cigarettes remain affordable in some neighbourhoods.

For this reason, it is important that the current budget impose a significant increase in tobacco taxation AND that measures to prevent the industry's use of price as a promotional tactic be concurrently introduced. We repeat our call from last year (attached) for federal action by both your ministries to:

- Raise tobacco taxes.
- Embed health in tobacco tax policy.
- Abolish price manipulation and other practices which undermine tobacco taxes.
- Use new tax revenues to address barriers to good tobacco tax policies.
- Implement the polluter pay principle to ensure that the costs of tobacco control and anti-contraband measures are assumed by the tobacco industry and not taxpayers.

Sincerely yours,



Neil Collishaw
Research Director
Physicians for a Smoke-Free Canada



Flory Doucas
Codirectrice et porte-parole
Coalition québécoise
sur le contrôle du tabac

Attachments:

-
- ¹ Physicians for a Smoke-Free Canada and Quebec Coalition for Tobacco Control. Protecting Canadians from Cheap Cigarettes. August 2017.
http://www.smoke-free.ca/eng_home/2017/Federal_2018_Budget_Submission-PSC2.pdf
 - ² Callard and Collishaw. Cigarette pricing 1 year after new restrictions on tobacco industry retailer programs in Quebec, Canada. Tobacco Control. February 2019.