

Eye on the tobacco industry

An update on current Canadian tobacco industry activities
July-September 2010

PMI says legal tobacco market up 20%, credits government enforcement measures

The legal cigarette market was up by 20% in the first six months of 2010, according to PMI, with the company crediting stronger government enforcement measures to reduce contraband sales.



PHILIP MORRIS INTERNATIONAL

PMI said its market share declined slightly in Canada, to 33% of the legal market. Its premium-priced *Belmont* brand, as well as low-priced brands *Next* and *Quebec Classique*, all gained market share. These gains were offset, however, by sales declines of its *Number 7* and *Canadian Classic* mid-priced cigarettes, as well as declines in its low-priced *Accord* brand.¹

BAT also had increased sales volumes, credits contraband enforcement measures

British American Tobacco (BAT) also had a significant increase in its sales volumes in the first half of 2009. BAT said the growth was achieved “on the back of a significant reduction in illicit product as a result of the authorities’ enforcement activities.”²



It said its overall share of the market declined slightly compared to the first half of 2009. BAT’s Imperial Tobacco Canada sells just over 50% of the legal cigarettes sold in Canada.

Child labour used in fields growing tobacco for Philip Morris International

Philip Morris International (PMI) has been benefiting from the use of child and forced labour in Kazakhstan (in Central Asia), according to a report released in July by Human Rights Watch.³

Migrant workers, in the tens of thousands, from neighbouring Kyrgyzstan travel to Kazakhstan to look for work; many find employment in tobacco fields working for farmers who supply tobacco to PMI subsidiary Philip Morris Kazakhstan.



A child migrant worker from Kyrgyzstan picks tobacco leaves near the village of Koram, Kazakhstan. © 2009 Moises Saman for Human Rights Watch

Although the use of child labour in agriculture in Central Asia is not uncommon, Human Rights Watch said employing children in tobacco fields is particularly dangerous:

“Lacking easy access to potable water, for example, laborers had resorted to drinking from irrigation channels contaminated with pesticides.”⁴

Nicotine is absorbed through the skin of workers handling tobacco leaves, causing what is known as green tobacco sickness, resulting in nausea, vomiting, rashes and dizziness. Studies have found that workers can absorb as much nicotine as from smoking 36 cigarettes in one day.

“Children are especially vulnerable due to their small body size in relation to the dose of nicotine they absorb.”⁵

After receiving advance copies of the report, PMI, which owns Canada’s second largest tobacco company (Rothmans, Benson & Hedges) said that it is implementing sweeping changes related to its purchasing policies in Kazakhstan.^{6 7}

This is just the latest in a series of incidents involving the use of child labour in tobacco fields around the world.^{8 9 10 11}

Flavoured little cigars still being sold across Canada

Canada’s effort to ban the sale of flavoured little cigars is failing as Casa Cubana has reacted by producing a slightly larger product than the size the government determined constitutes a banned cigarillo.

In fact, Casa Cubana is still selling individually packaged flavoured mini cigars at many locations (see photo on this page). Canada’s *Cracking Down on Tobacco Marketing Aimed at Youth Act*, which amended the *Tobacco Act* to ban flavoured little cigars, came fully into force on July 5th. The sale of flavoured little cigars (defined as containing 1.4 grams or less of tobacco) is no longer permitted. The sale of packages of little cigars that include less than 20 units is also not allowed. Casa Cubana has been skirting these laws by selling flavoured cigars that are slightly larger than 1.4 grams.



These individually packaged cigarillos, with grape, vanilla, peach and cherry flavourings, were purchased next to the University of Alberta on July 28th, three months after federal legislation banning the sale of individual mini cigars came into force.



This package of 10 cherry flavoured little cigars was purchased in Ottawa on July 27, despite a law intended to ban the sale of mini cigar packages containing less than 20 units.

As Health Canada has indicated, the intent of the amendment to the *Tobacco Act* related to minimum package size was to:

“put an end to the industry practice of selling these products in single or small quantity ‘kiddy-packs’ that are affordable to youth. By requiring minimum package quantities of at least 20 units, little cigars and blunt wraps will be less affordable and accessible to young people.”¹²

Until the government takes action to close the loopholes in the legislation, flavoured little cigars will continue to be affordable and accessible to young people in Canada.

CCSA videos show tobacco, including flavoured little cigars, being sold illegally to youth in Ontario and Quebec

The Canadian Convenience Stores Association (CCSA) sent test shoppers into three First Nations communities in July to expose how easy it is for people (below the legal age of sale) to purchase cigarettes from smoke shacks and other retail outlets on reserves.

Two videos were released, one showing sales to minors in Six Nations, the other focused on sales in the Kahnawake and Kanesatake communities.

It is important to note, however, that convenience store owners off reserves often also fail similar tests. When Health Canada released its annual results for 2009 related to sales to minors, 15% of retailers nationwide were found to be selling tobacco products to people under the legal age.¹³

In a press release related to the videos CCSA rightly emphasized the fact that the products being sold in some First Nations communities—including flavoured mini cigars—are sold without tax, making the products more

affordable and accessible to young people. As well, the CCSA mentioned that the packaging on contraband tobacco often fails to provide the health warning messages required by Health Canada.



In this CCSA video, a 15-year-old girl exits a smoke shack on the Six Nations reserve after purchasing a carton of contraband cigarettes.

Around the same time as the release of the videos, the CCSA began lobbying governments to ensure that no new tobacco control initiatives are enacted until contraband is under control. According to Michel Gadbois, CCSA senior vice-president, federal health minister “Aglukkaq’s top priority should be the fight against contraband tobacco and nothing else.”¹⁴ In speaking out against Canada’s *Cracking Down on Tobacco Marketing Aimed at Youth Act*, which amended the *Tobacco Act* to ban flavoured cigarillos, Gadbois said:

“Stop adding legislation until you’ve dealt with the contraband issue.”¹⁵

Since the CCSA is funded by Big Tobacco, it is not uncommon for them to lobby for policies that would benefit tobacco companies. Public health groups, meanwhile, are urging governments to effectively protect public health by taking action against both the legal and illegal tobacco industries.

Fraser Institute calls for tobacco tax reductions to stop contraband

The questionable research of The Fraser Institute was on display in July when it released a report called *Contraband Tobacco in Canada*.

Diane Katz, the report's author, said “Increasing taxes to discourage smoking is, essentially, ineffective.”¹⁶ The report said high taxes lead to smuggling and trafficking of contraband cigarettes and that a “re-evaluation of policy is warranted.”

These comments fly in the face of rigorous economic studies from renowned international organizations such as the World Bank that prove that raising the cost of cigarettes is one of the most effective ways to drive down smoking rates.



The Institute says tobacco taxes have hiked the price of a package of cigarettes beyond \$10, but in fact it is the manufacturers themselves that are largely responsible for prices above \$10.

Across Canada, there are essentially three cigarette price tiers—discount, low-price and premium. In Ontario, Canada's largest cigarette market, a discount pack of cigarettes is sold for \$7.33, including all taxes, while a premium brand costs as much as \$10.16. This \$3 price differential is set by the manufacturers themselves. With cartons of illegal cigarettes selling for as little as \$10, governments would have to essentially eliminate all tobacco taxes for prices of legal brands to be the same price.

The other problem with the Institute's argument is the fact that B.C. and Alberta, among the

Canadian jurisdictions with the highest tobacco taxes, have the lowest levels of contraband. Ontario and Quebec, two of the provinces with the lowest tobacco taxes, have the highest rates of contraband. Indeed, the contraband problem is related to the proximity of supply, not price, as both Ontario and Quebec have illegal cigarette manufacturing facilities in operation and hundreds of smoke shacks located on reserves.

The Fraser Institute has previously taken large sums of money from tobacco companies and has advanced policies which would serve the interests of Big Tobacco.^{17 18} It is not clear who funded this recent study, but if governments enact the proposed solutions it would be disastrous to public health.

Similar calls by Canadian Taxpayers Federation to stop tobacco tax increases are denounced

Kevin Gaudet, federal director of the Canadian Taxpayers Federation followed in The Fraser Institute’s misguided footsteps in August in a column widely published by the Sun Media chain, now known as QMI Agency.¹⁹



In his column, Gaudet argues that tobacco tax increases have to stop because they encourage the black market. He also claimed the 1990s smuggling crisis was due to high tobacco taxes.

However, the misinformation spread by the column was rightly challenged in a letter-to-the editor published in many newspapers that ran the original Gaudet piece:

“Raising tobacco taxes does not cost governments money. It is a proven fact that tobacco tax hikes improve health, save lives and reduce health-care costs by reducing tobacco use, while at the same time increasing government revenues.

“High taxes were not responsible for the contraband problem in the 1990s; Canada's three largest tobacco manufacturers were. The companies recently pleaded guilty to smuggling offences in the 1990s and agreed to pay financial penalties totalling more than \$1.6 billion.”²⁰

Imperial Tobacco Canada Foundation donates \$200,000 to not-for-profits

A foundation solely funded by Imperial Tobacco Canada doled out close to \$200,000 in donations in July.

La Compagnie Marie Chouinard was awarded \$75,000 for what the Imperial Tobacco Canada Foundation (ITCF) said “exemplifies excellence in Canadian dance.”²¹

Donations to the arts and cultural sector give the tobacco industry considerable visibility and legitimacy—many people attending an event will peruse the programme and see the names of the sponsors. The donations have provided tobacco companies with access to a network of influential supporters in communities across Canada. Announcing the winners also gives the company favourable publicity.

The same day of the arts award announcement, ITCF announced the recipients of its Local Community Donations Program. In total, six different projects from the south-west Montreal

community where Imperial Tobacco Canada is headquartered were awarded \$20,000 each. These projects include support for a start-up business, entrepreneurial training, re-invigorating empty storefronts, a movable food bank, respite for caregivers, and bringing together seniors and the intellectually disabled residents of L’Arche Montreal homes to participate in joint activities.²²



The dance company La Compagnie Marie Chouinard was awarded \$75,000.

Tobacco industry Corporate Social Responsibility initiatives are recognized in the global tobacco control treaty, the *Framework Convention on Tobacco Control*, as a form of tobacco promotion. Guidelines for the implementation of Article 13, to ban advertising and promotion, and Article 5.3, to prevent tobacco industry interference in the setting of tobacco control policies, both call for a legislated end to all tobacco industry Corporate Social Responsibility programs.²³ Although Canada ratified the treaty in 2004, and the Article 13 and 5.3 Guidelines were unanimously adopted by all Parties to the treaty

in 2008, the government of Canada has not moved to ban tobacco industry corporate social responsibility initiatives or to implement the detailed Article 5.3 Guidelines.

RBH launches new ‘Limited Edition Design’ Rooftop package

A new cigarette package design was launched recently by Rothmans, Benson & Hedges (RBH) for its Rooftop brand. The Rooftop brand is RBH’s version of the Marlboro cigarette. The Marlboro brand is owned by Philip Morris International (PMI) and is the world’s most smoked cigarette. But in Canada Imperial Tobacco Canada (ITC) owns the Marlboro trademark, so RBH (which is owned by PMI) resorts to selling packages with the upside-down red chevron symbol that Marlboro is famous for worldwide. The RBH version of the Canadian Rooftop brand also features the recognizable Marlboro slogan “Come to where the flavor is.”

RBH is working to make its Rooftop brand stand out further by launching what it is calling a “Limited Edition Design” cigarette package. The pack has a cellophane wrapper with the red chevron and the words “Limited Edition” (see middle photo below). However, when the cellophane is removed, the words “Performance Edition” appear on the package itself, which is black (see photo at right below).

The “Limited/Performance Edition” package also has a unique lid, in that it opens sideways similar to an old-fashioned Zippo lighter. A cardboard lip on the inside of the lid creates an audible clicking noise when the package is opened, further imitating a Zippo lighter.

These types of package innovations are surely eye-catching. The new use of sound will also be noteworthy for many smokers and those around them. Unless the government moves to require plain and standardized packaging of cigarettes, tobacco manufacturers will constantly be developing new schemes to entice smokers and young people to try their brands.



Imperial’s version of the Marlboro brand (at left); the other two photos are of an RBH version. The RBH Rooftop package, at right, is designed to open like a Zippo lighter and makes an audible clicking noise when opened.

Tobacco companies pleased with delay in update to health warnings

A decision taken by the federal government to delay the implementation of new picture-based health warnings on tobacco products pleased Canadian tobacco companies in September.

After six years of study and millions of dollars in spending to develop new warnings, Health Canada reportedly told provinces and territories at a closed-door meeting that it was instead going to focus on contraband tobacco.²⁴

Spokespersons for Imperial Tobacco Canada and JTI-Macdonald agreed with the move:

“Everyone agrees that the biggest issue related to tobacco is contraband, said Mr. [Eric] Gagnon. ‘So I think it would be important for Health Canada to put its efforts on the contraband issue.’”²⁵



The implementation of new health warning labels, (for example, of a dying Alberta cancer patient, Barb Tarbox) has been delayed.

Provinces disappointed, health experts denounce delay

The move did not please the provinces, which were looking forward to the addition of a nationwide toll-free quit line number on packs, as it would greatly increase promotion of the quits lines that are operating in all provinces. B.C. Minister of Healthy Living and Sport said the move by the federal government “was a bit

of a disappointment”:

“‘We know that warnings labels to tobacco packages do work. We know that a quit line is helpful.’ At the health ministers’ meeting, she said: ‘a number of us said we would have liked to move on these issues.’”²⁶

Experts on tobacco package warning systems criticized the government’s decision, saying the old warnings, which have been on packs for almost 10 years, are now extremely stale.

“‘The decision to cancel the refreshed warnings, including the plans to add a toll-free, quit smoking number, is tragic,’ said Professor Geoffrey Fong, a consultant on tobacco package warning systems to governments on four continents. ‘This decision has eliminated a critical opportunity to give strong warnings to kids against starting to smoke and helpful advice to smokers through a toll-free quit line. It is akin to a decision to stop dispensing advice to boil water in the face of a cholera epidemic. It is just senseless.’”²⁷

The decision was also criticized in the House of Commons, where Canada’s Health Minister Leona Aglukkaq was taken to task by the NDP’s health critic Megan Leslie:

“‘When will the minister stop putting the tobacco lobbyists’ concerns ahead of the health of Canadians and do more to protect Canadians from the dangers of smoking?’”

Liberal Party health critic Ujjal Dosanjh said that while fighting contraband was important, there was absolutely no reason why the government could not easily do both.²⁸ However, in a CBC TV interview, Minister Aglukkaq said: “I’m still examining the new health warning labels. It’s not off the table.”²⁹

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