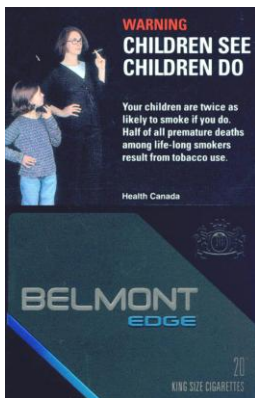


# BACKGROUNDER ON THE CANADIAN TOBACCO INDUSTRY AND ITS MARKET



**2011-12 Edition**

**March 2012**

**Non-Smokers' Rights Association/  
Smoking and Health Action Foundation**



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# BACKGROUNDER ON THE CANADIAN TOBACCO INDUSTRY AND ITS MARKET

## PURPOSE

This is the ninth edition of the backgrounder produced by the Non-Smokers' Rights Association (NSRA) containing the most current information available on the Canadian tobacco industry and its market in a user-friendly format. It is not meant to be a scientific review of all the available information on the subject, but rather a practical reference tool. The information on the tobacco market comes from reliable sources such as Health Canada and Statistics Canada. Information on the tobacco companies comes mostly from their own annual shareholder reports and websites.

## MAJOR DEVELOPMENTS OF 2011-12

### Tobacco Industry Astroturfs Through Convenience Stores Associations

Canadian Convenience Stores Association (CCSA) President Alex Scholten announced in September 2011 that the CCSA would be expanding its network to exert more influence on government on behalf of convenience store “suppliers and distributors” like the tobacco industry.<sup>1</sup> The CCSA is a long-standing front group for the tobacco industry, serving as primary media voice on many recent issues.

Astroturfing is a public relations industry term for an orchestrated lobbying campaign that is intended to deceive the target into thinking it is a spontaneous grassroots movement.<sup>2</sup> In an astroturfing campaign, individuals are mobilized by a sponsor to deliver a lobbying message to politicians without revealing the sponsor, making it appear to the politicians that they are receiving spontaneous feedback from constituents rather than a lobbying message orchestrated by the hidden sponsor. (Astroturf is an artificial ground cover used instead of real grass on some sports stadia playing surfaces.)

Given that most politicians are dubious of lobbying messages that they know come directly from the tobacco industry, astroturfing is an effective way for the industry to oppose public policies that would reduce tobacco use.

Scholten told *Your Convenience Manager* (YCM), the convenience industry trade journal:

“[A]n industry partnership plan that is government-relations based and can use the strength of our grassroots network is required. Our 25,000 retailers across Canada have 25,000 voices that can impact legislation. We are in every part of the country, we speak every language, and we have the ability, at a very local level, to speak with politicians and have our interests considered in their decisions.”

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<sup>1</sup> “Industry’s Collective Strength Will Impact Government Regulations,” *Your Convenience Manager*, Sept. 2011.

<sup>2</sup> Sharon Beder, “Public Relations’ Role in Manufacturing Artificial Grass Roots Coalitions,” *Public Relations Quarterly* 1998; 43(2): 21-3.

The “industry partnership plan” that Scholten referred to will include a committee of convenience store suppliers who will prioritize the issues for the CCSA to work on and provide strategic direction. All the major tobacco companies in Canada are associate members of the CCSA, along with other convenience store suppliers such as gasoline companies, food companies and soft drink companies.

CCSA staff have long been dominated by men who previously worked for the tobacco industry. Initially, Dave Bryans, a former employee of RJR-Macdonald (now JTI-Macdonald), was the President of the CCSA and its regional branches: the Atlantic Convenience Stores Association (ACSA), the Ontario Convenience Stores Associations (OCSA), the Western Convenience Stores Association (WCSA), and *l'Association québécois des dépanneurs alimentaires* (AQDA). As others were recruited to be the face of the CCSA in the regions, Bryans' role came to focus on Ontario where he is now the Executive Director of the OCSA. Meanwhile, the President of the OCSA is former Rothmans, Benson & Hedges Inc. (RBH) executive Ron Funk; the President of the WCSA is former Imperial Tobacco Canada Ltd. employee Wayne Hoskins; and the President of the AQDA is former RBH public relations representative Michel Gadbois.<sup>3</sup>



Dave Bryans



Michel Gadbois



Wayne Hoskins



Ron Funk

Canada's federal, provincial and territorial governments have an unfulfilled international treaty obligation to prevent astroturfing operations like the CCSA from influencing public policy concerning tobacco control. Under Article 5.3 of the *World Health Organization Framework Convention on Tobacco Control* (FCTC), Canada is obligated to protect “public health policies with respect to tobacco control ... from commercial and other vested interests of the tobacco industry.” Guidelines adopted by Canada and the other FCTC Parties in 2009 with respect to implementing Article 5.3 say that Parties should “raise awareness about the tobacco industry's practice of using individuals, front groups and affiliated organizations to act, openly or covertly, on their behalf or to take action to further the interests of the tobacco industry.” So far no Canadian government has done this, allowing the CCSA and its regional branches room to carry out and expand their astroturfing efforts to influence government tobacco control policies.

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<sup>3</sup> “Canadian Convenience Stores Association and the National Coalition Against Contraband Tobacco: Independent organizations or groups fronting for Big Tobacco?” Non-Smokers' Rights Association/Smoking and Health Action Foundation, online at: [http://www.nsra-adnf.ca/cms/file/pdf/Who\\_funds\\_the\\_CCSA\\_and\\_NCACT.pdf](http://www.nsra-adnf.ca/cms/file/pdf/Who_funds_the_CCSA_and_NCACT.pdf).

## **More Health Care Cost-Recovery Lawsuits Planned; Industry Fails to Have Federal Government Added as Defendant**

On July 29, 2011, the Supreme Court of Canada unanimously dismissed an attempt by the tobacco industry to have the federal government added as a third party defendant in British Columbia's health care cost-recovery lawsuit. "It is plain and obvious that the tobacco companies' claims against Canada have no reasonable chance of success and should be struck out," the Chief Justice wrote on behalf of the Court.

Meanwhile, courts in Ontario and New Brunswick dismissed attempts by tobacco industry defendants to have their foreign parent companies removed as defendants in those provinces' health care cost-recovery lawsuits. A similar motion had earlier been dismissed in the British Columbia case as well.

In the Ontario case, tobacco industry defendants have also introduced pre-trial motions to have eighteen First Nations tobacco manufacturers added as third party defendants. The disposition of these motions is still pending and will further delay the Ontario case from going to trial.

British Columbia, New Brunswick, Ontario and Newfoundland and Labrador are the only Canadian provinces that have filed health care cost-recovery lawsuits so far, but the other six have all passed enabling legislation and announced the hiring of counsel to prepare for lawsuits. Nunavut and the Northwest Territories have not gone beyond passing enabling legislation.

## **Alberta Divests Tobacco Stocks**

In October 2011, the Alberta Investment Management Corporation (AIMCo), a Crown corporation that manages the Alberta Heritage Savings Trust and public sector pension funds on behalf of the government, sold off all the directly-managed tobacco stocks in its various investment portfolios. AIMCo Chief Executive Officer Leo DeBever said the Government of Alberta directed AIMCo to make the \$17.5 million divestment because Alberta is preparing to launch a health care cost-recovery lawsuit against the industry and it would be incompatible to hold stocks in companies that the province is suing.



Alberta's divestment of its tobacco holdings was consistent with the province's obligations under Article 5.3 of the global tobacco treaty, the *WHO Framework Convention on Tobacco Control* (FCTC). According to recommendation 4.7 of the Guidelines:

[g]overnment institutions and their bodies should not have any financial interest in the tobacco industry, unless they are responsible for managing a Party's ownership interest in a State-owned tobacco industry.

New Zealand and Norway have also divested tobacco company stocks in keeping with this recommendation, but to date neither the federal government nor any other provincial government has done so.

## **New Larger Health Warnings Now Required on Most Tobacco Products in Canada**

As of March 21, 2012, new federal health warnings are now required on all cigarettes shipped by manufacturers. Retailers have until June 19, 2012 to ensure that all such products on their shelves carry the new warnings. The new warnings feature refreshed messages and dramatic testimonials, include a national toll-free quit line number, and are 50% larger than the old warnings, now taking up 75% of the front and back of the pack.

International guidelines developed under the *Framework Convention on Tobacco Control* recommend refreshing package warnings every one to three years. It took the federal government eleven years to replace the previous set of warnings with this new set.

## **Illegal Tobacco Advertisements Appear in Toronto Area**

A new JTI-Macdonald marketing campaign in 2011 and 2012 for its Macdonald Special brand exposes children to advertising that portrays smoking as patriotic.

Canada's *Tobacco Act* permits tobacco advertising only in places where minors are not permitted by law, such as bars. Numerous sightings of the Macdonald Special ad have been reported in Toronto area restaurants open to children, some of which are not even licensed to serve alcohol. The picture of the ad at right was taken at an unlicensed deli on Queen Street in Toronto.



Even if this particular poster were only displayed in locations where minors are not permitted by law, it would likely violate the *Tobacco Act* nonetheless. Ads in permitted locations may only refer to brand and product characteristics and cannot be “lifestyle advertising,” which is defined to include any advertisement that “evokes positive or negative emotions about ... a way of life.” The poster describes Macdonald Special as “A Canadian Tradition,” amid Canadian flag imagery, associating this brand with a proudly patriotic way of life.

## **Class Action Trials Begin in Quebec**

The trial portion of two major class action lawsuits against Canada's three largest tobacco companies, Imperial Tobacco Canada Ltd., Rothmans, Benson & Hedges Inc. and JTI-Macdonald Corp., began on March 12, 2012. The plaintiff class in one case is people in Quebec who were addicted to the companies' products and in the second is people in Quebec who suffered certain smoking-related diseases after long-term use of the plaintiffs' products and their heirs. In both cases, the federal government has been added as a third party defendant, although the federal government is appealing this ruling. If the suits are successful, the three companies could face up to \$27 billion in damages.

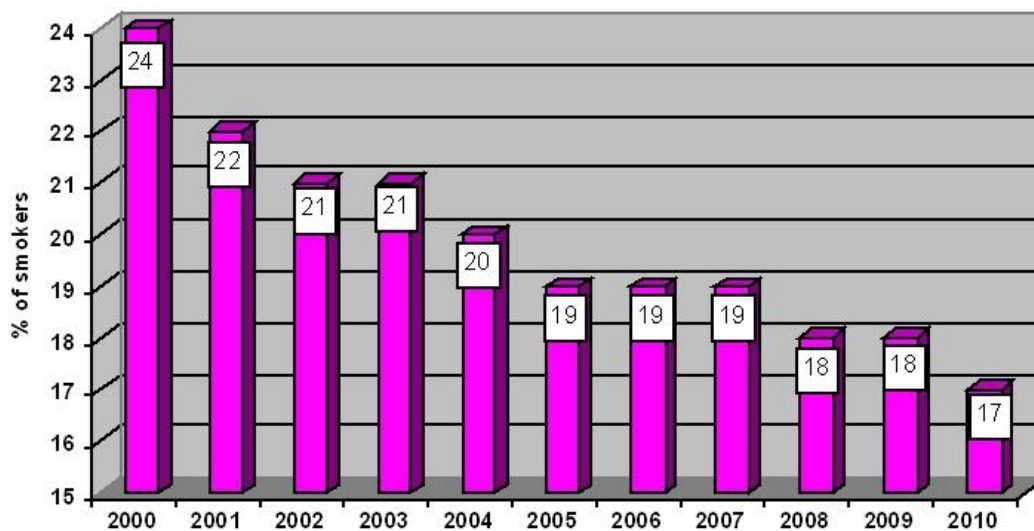
# TOBACCO MARKET

## Smoking Prevalence Is Slowly Dropping

The 2010 Canadian Tobacco Use Monitoring Survey measured current smoking at 17% among Canadians 15 years and older. This constitutes a 2% drop from the period 2005-2007, when prevalence had plateaued at 19% for three years. The current slow rate of decline pales in comparison to that of the early 2000s, a time when ambitious comprehensive tobacco use reduction strategies were being implemented federally and in many provinces.

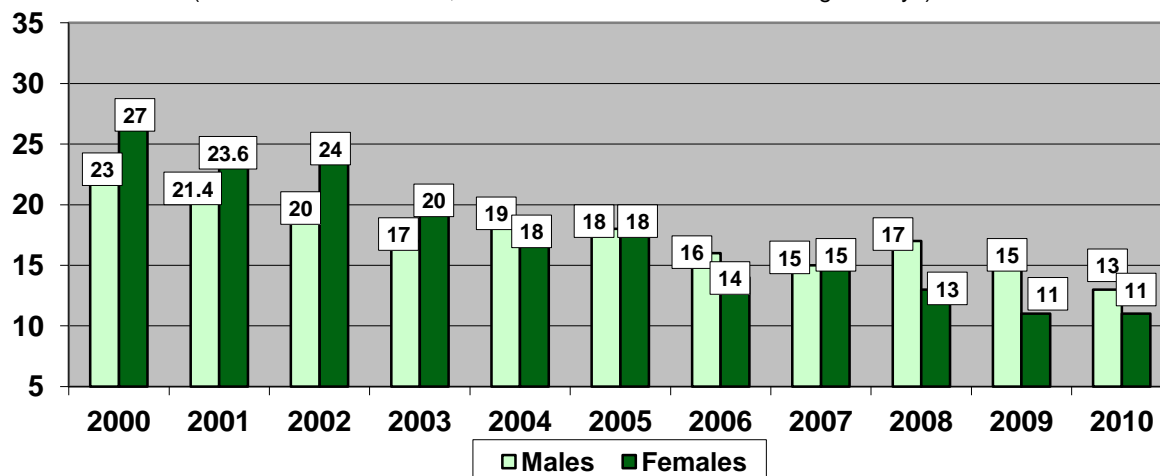
**Smoking Prevalence in Canada, 15 Years and Older (Current Smokers)**

(Source: Health Canada's Canadian Tobacco Use Monitoring Surveys)



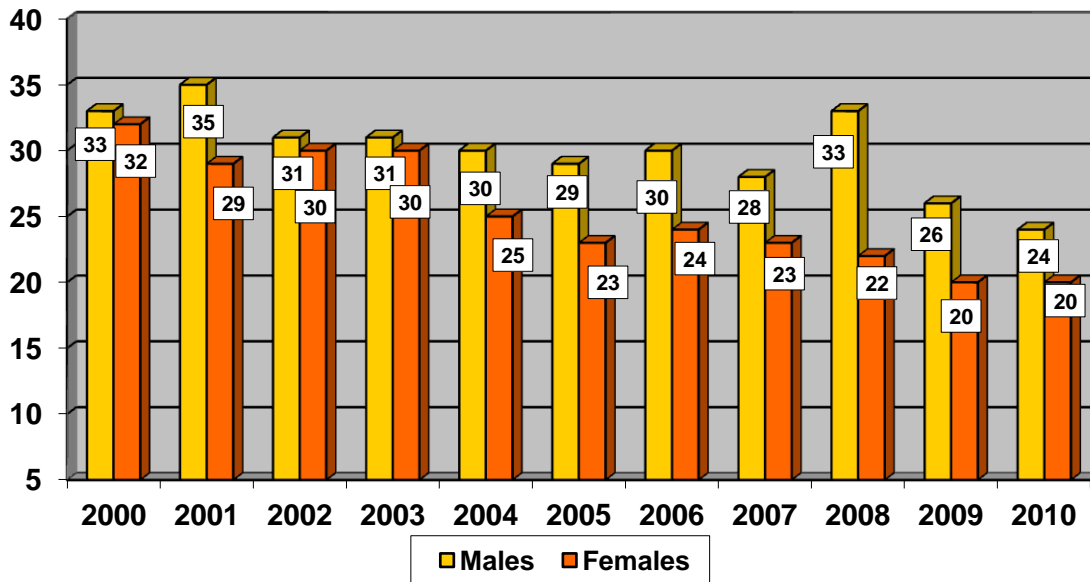
**Smoking Prevalence in Canada, 15-19 Years Old (Current Smokers)**

(Source: Health Canada, Canadian Tobacco Use Monitoring Surveys)



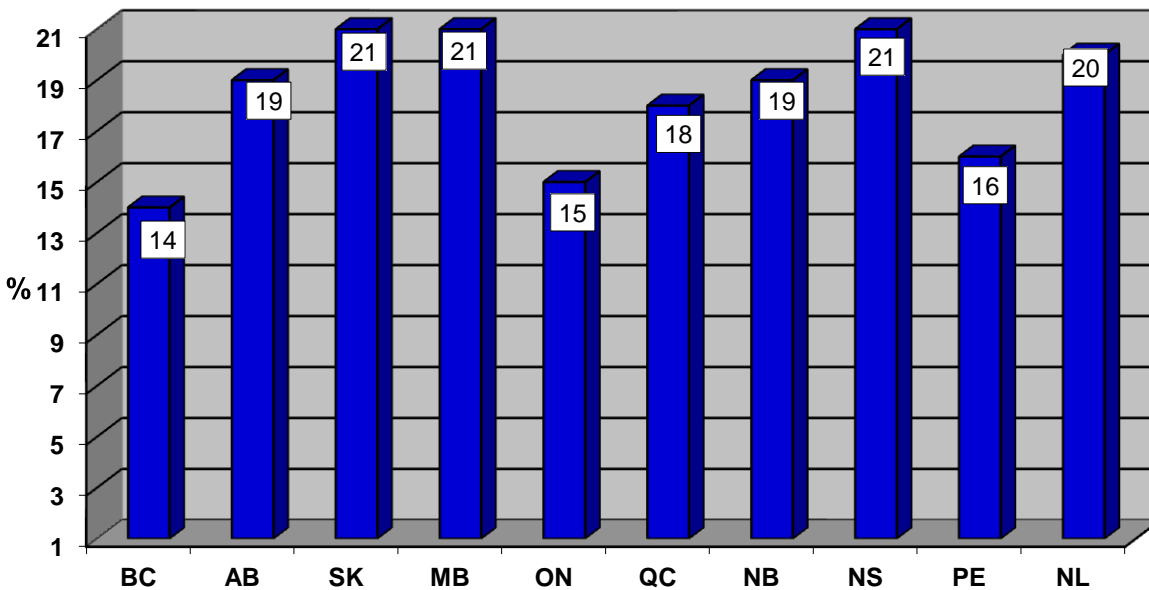
### Smoking Prevalence in Canada, 20-24 Years Old (Current Smokers)

(Source: Health Canada, Canadian Tobacco Use Monitoring Surveys)



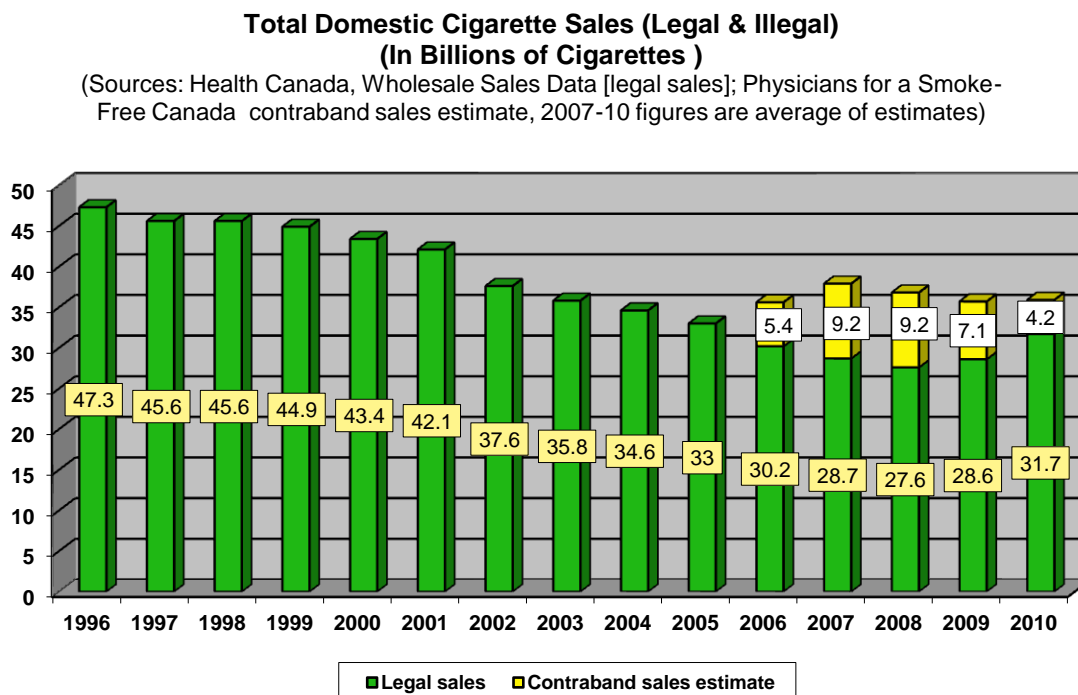
### Smoking Prevalence by Province, 2010

(Source: Canadian Tobacco Use Monitoring Survey)



## Contraband Falls Sharply While Tobacco Industry Continues to Claim It's Growing

Tax-paid cigarette sales increased by approximately three billion units in 2010, compared to 2009, filling the void left by an equivalent decrease in estimated contraband sales the same year. Contraband levels in 2009 were themselves down from the peak years of 2007 and 2008, when estimated contraband sales exceeded nine billion units. Total contraband sales in 2010 were estimated to be just over 4 billion units, the lowest level seen in Canada since 2005 and over 50% lower than the 2008 peak.



British American Tobacco (BAT) acknowledged this sharp decline in contraband sales in statements to its shareholders in 2011. BAT's Canadian subsidiary, Imperial Tobacco Canada Ltd. (ITC), however, sent an open letter to Canadian politicians on World No Tobacco Day, May 31, 2011, claiming that contraband is *growing* and that this is a reason for governments not to pursue further tobacco control measures. ITC also continues to claim on its website that one in three cigarettes purchased in Canada is "illegal." The Ontario Convenience Stores Association, a close ally of the tobacco industry, likewise repeatedly claimed that contraband was growing in statements on its official Twitter feed during the 2011 Ontario provincial election.

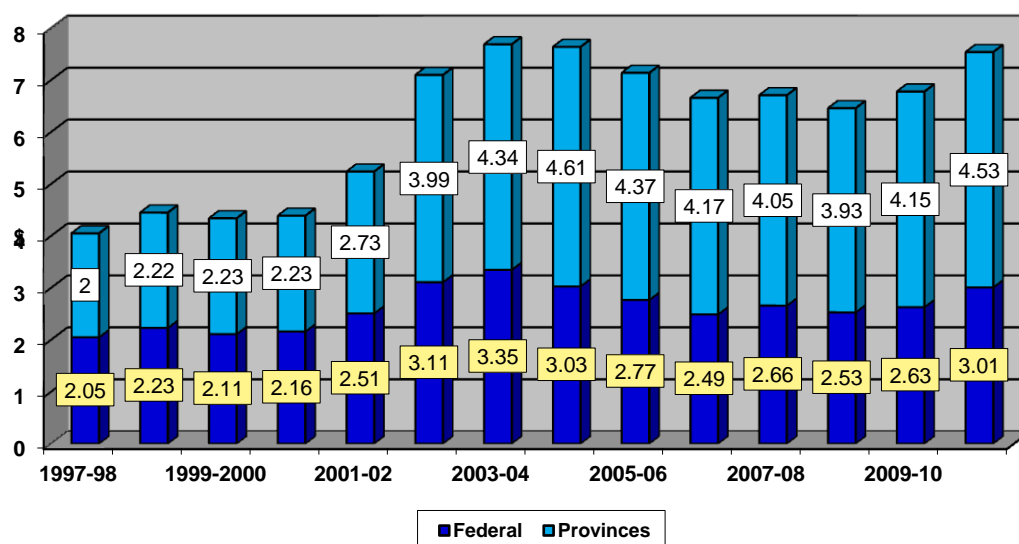
In February 2012, both BAT and Philip Morris International (PMI), the parent company of Rothmans, Benson & Hedges Inc., claimed that contraband in Canada had increased again in 2011. However, there is not yet any independent data in the public domain by which to evaluate these claims. It is noteworthy that the two companies' estimates of the impact of contraband sales on the legal market varied, with BAT projecting a 3% decrease in 2011 tax-paid sales compared to 2010 and PMI projecting only a 0.8% decrease.

Despite ongoing tobacco industry claims that increasing tobacco taxes would cause an increase in contraband, the sharp decrease in contraband since 2008 has coincided with tobacco tax increases in eleven of the thirteen provinces and territories. Provincial tobacco tax revenues rose by \$600 million annually between the 2008-09 and 2010-11 fiscal years, while federal tobacco tax revenues rose \$480 million in the same time period.

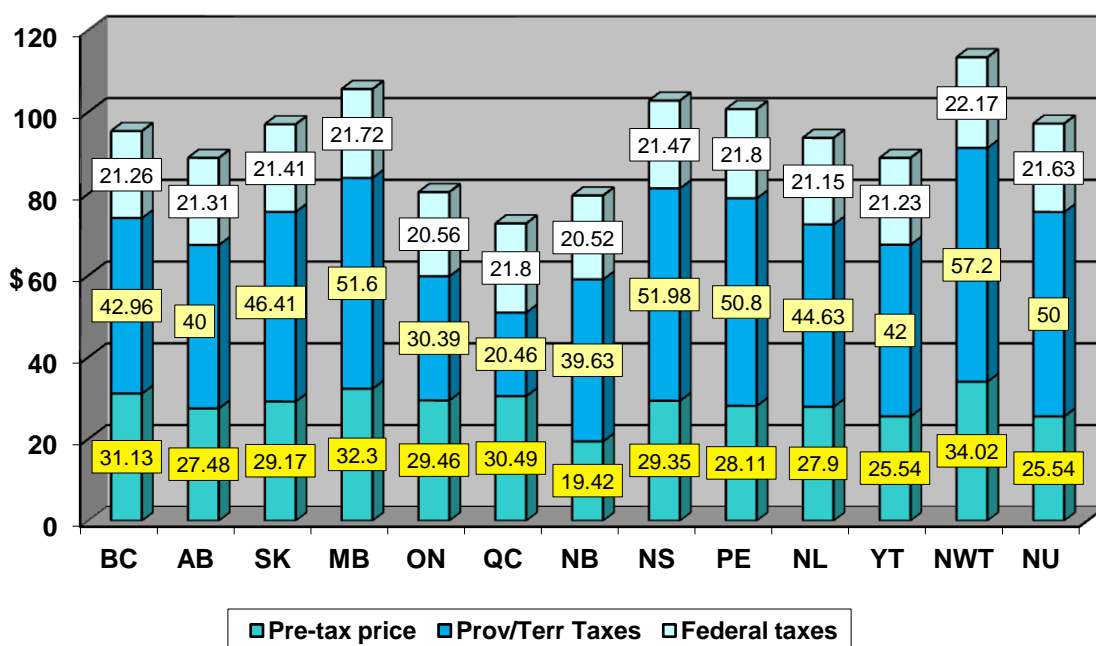
### Federal and Provincial Tobacco Tax Revenue in Billions of Dollars

(Sources: Public Accounts, Budget documents, Receiver General of Canada)

Note: This graph does not include GST and PST)



### Average Price of a Carton of 200 Cigarettes, by Province (March 2012)





Imperial Tobacco Canada (ITC) is the largest Canadian tobacco company. It was founded in June 1908, following the acquisition of the American Tobacco Company of Canada. It is a wholly-owned subsidiary of British American Tobacco (BAT), the world's third-largest tobacco company. Imperial's most popular cigarette brands on the Canadian market are *du Maurier*, *John Player Standard*, *Matinée* (slim and superslim *Matinée* brand variants are now called *Vogue*), *Peter Jackson*, *Players* and *Viceroy*.

## LOCATION

### Head office address

3711 St-Antoine St. W  
Montreal QC H4C 3P6  
Tel: (514) 932-6161  
Fax: (514) 932-2695  
Website: [www.imperialtobaccocanada.com](http://www.imperialtobaccocanada.com)



### Manufacturing plant

Monterrey, Mexico

## DIRECTORS

Marie Polet, President and Chief Executive Officer  
Richard Hodgson, Vice-President  
Alain Benedetti  
Thomas Gillespie  
Donald McCarty

## NEWS

**ITC's market share declined from 51.7% in 2010 to 50.4% in 2011**, according to BAT's 2011 preliminary performance report. BAT also claimed in this report that contraband rose in 2011, and that legal tobacco sales in Canada fell by 3% in 2011 as a result.

In May 2011, ITC was caught contradicting its parent company, BAT, concerning contraband in Canada. ITC released an open letter to politicians on World No Tobacco Day that claimed contraband was “growing,” and therefore governments should not pursue tobacco control measures. Just two weeks earlier, BAT had told investors at an “investor day” in Hampshire, England, that contraband in Canada was down by almost 50% since 2008. As a publicly traded company, BAT could face heavy fines if it misled investors about its business.

As it has done every year for the past several years, the **Imperial Tobacco Canada Foundation publicized that it had doled out close to \$200,000 in donations to Quebec-based charities** over the summer of 2011. Corporate social responsibility initiatives of this nature by tobacco companies are recognized as a form of tobacco promotion under guidelines for the *World Health Organization Framework Convention on Tobacco Control* (FCTC), an international treaty that Canada ratified in 2004. Donations to the arts and cultural sectors give the tobacco industry considerable visibility, legitimacy, and access to a network of influential supporters. Given the many benefits to the tobacco companies, such donations are likely to continue until the federal and/or Quebec governments prohibit this form of tobacco promotion in accordance with their obligations under the global treaty.

## BRANDS



Cigarettes	Fine cut	Tubes	Snus	Cigarette papers
Avanti	Peter Jackson	Embassy	du Maurier	Embassy
du Maurier	Player's	Peter Jackson		Player's
John Player Standard	John Player Standard	Player's		Zig Zag
Marlboro	Viceroy			
Matinée				
Medallion				
Pall Mall				
Peter Jackson				
Player's				
Viceroy				
Vogue				

## EMPLOYMENT



Since ITC moved all its manufacturing to Mexico in 2007, it now employs only 700 people in Canada in sales offices and its Montreal head office.

## OWNERSHIP

On February 1, 2000, BAT (maker of *Dunhill*, *Kent* and *Pall Mall* cigarettes), became the sole owner of Imperial Tobacco Canada when it conducted a friendly takeover of Imperial. BAT bought from Imasco all of the outstanding common shares of ITC that it did not already own.

BAT has more than 60,000 employees worldwide, and in 2010 earned an operating profit of over £4.3 billion (CAN\$7.65 billion).



# Rothmans Inc.

In 2008, Philip Morris International Inc. (PMI) purchased Rothmans Inc. Until its sale, Rothmans Inc. had controlled the second-largest Canadian tobacco company, Rothmans, Benson & Hedges (RBH). RBH has existed for over 100 years. One of its predecessors, the Rock City Tobacco Co., started doing business in 1899 in Quebec City. RBH's key brands are *Accord*, *Belmont*, *Canadian Classics*, *Mark Ten Original*, *Next*, *Number 7* and *Quebec Classique*.

## LOCATION

### Head office address

1500 Don Mills Road  
Toronto ON M3B 3L1  
Tel: (416) 449-5525  
Fax: (416) 449-9601



### Manufacturing plants

Quebec City, Quebec  
Brampton, Ontario

## DIRECTORS



John R. Barnett

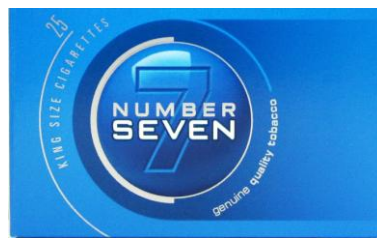
Michael E. Frater  
James Mortensen  
Vincent P. Murphy

## NEWS

In its 2011 Annual Report filed with the US Securities and Exchange Commission, PMI reported the following market developments:

“In Canada, the total tax-paid cigarette market was down by 0.8% to 32.1 billion units, reflecting a flattening of the return of illicit trade to the legitimate market. Our cigarette shipment volume increased by 1.3%. Our market share grew by 0.8 share points to 34.1%, with premium brand *Belmont* up by 0.1 share points to 1.8% and low-price brand *Next* up by 2.5 share points to 6.9%, partly offset by mid-price *Number 7* and *Canadian Classics*, and low-price *Accord*, down by 0.4, 0.4 and 0.7 share points, to 4.1%, 8.7% and 3.6%, respectively.”

## MAJOR BRANDS



### Cigarettes

Accord  
Belmont  
Belvedere  
Benson & Hedges  
Benson & Hedges Superslims  
Canadian Classics  
Carreras  
Craven A  
Davidoff

Dunhill Gauloises  
Mark Ten  
Next  
Rooftop (Marlboro)  
Number 7  
Parliament  
Québec Classique  
Rothmans  
Viscount

### Fine cut

Fine cut products are sold using the company's cigarette brand names.

### Other tobacco products

RBH sells imported pipe tobacco, such as Captain Black, and small cigars that represent less than 1% of its total sales.

## EMPLOYMENT

RBH has more than 750 employees that make up its head office staff, marketing department, sales force and manufacturing employees.



## OWNERSHIP

Rothmans, Benson & Hedges is 100% owned by Philip Morris International Inc. (PMI). PMI used to be owned by Altria Group Inc., which also owns Philip Morris USA. However, Altria split its domestic and international divisions on March 28, 2008.



PHILIP MORRIS INTERNATIONAL

PMI had 16% of the global cigarette market share outside of the U.S in 2010. Its main brands include *Marlboro*, *L&M*, *Philip Morris*, *Bond Street*, *Chesterfield* and *Parliament*. It employs over 78,000 worldwide. In 2011 PMI sold over 915 billion cigarettes, an increase of more than 15 billion over 2010, and earned an operating profit of US\$13.3 billion.





JTI-Macdonald Corp. is the third-largest Canadian tobacco company. The founder, Sir William C. Macdonald, started the tobacco business with his brother in 1858 under the name of Macdonald Tobacco Co. In 1974 U.S.-based R.J. Reynolds purchased the company and renamed it RJR-Macdonald Inc. In 1999 Reynolds sold its international operations, including RJR-Macdonald, to Japan Tobacco Inc.

JTI-Macdonald's top selling cigarette brands are *Legend*, *Macdonald Special*, *Export A* and *Studio*.

## LOCATION

### Head office address

1601-1 Robert Speck Parkway  
Mississauga ON L4Z 0A2  
Telephone: (905) 804-7300  
Fax: (905) 804-7301  
Website: [www.jti.com](http://www.jti.com)



### Manufacturing plant

Montreal, Quebec

## DIRECTORS



Michel A. Poirier, Chairman, Chief Executive Officer and President

Bruno Duguay, Vice-President, Secretary and General Counsel

Bryan Jones, Vice President, Corporate Affairs

David Marshall, Vice-President, Finance, and Chief Financial Officer

Robert McMaster, Treasurer

Nelson Medeiros, Vice President, Information Technology

Andrew J. Shannon, Vice President, Sales and Marketing

Nancy Bourdon, Senior Director, Human Resources

Akhtar Hannan, Controller

Paisley Cameron, Director, Scientific and Regulatory Affairs

Laura Carr, Director

Sandra Lavoie, Assistant Secretary

Bruce A. Marchand, Recognized Agent

## MAJOR BRANDS



### Cigarettes

Camel  
Export 'A'  
Legend  
Macdonald  
Macdonald Select  
Macdonald Special  
More  
Studio  
Vantage  
Winston

### Fine cut

Daily Mail  
Export 'A'

### Cigars

Century Sam  
El Producto  
Muriel  
Tueros

## EMPLOYMENT

An August 2006 press release indicated that the company employs a total of 480 people across Canada. The total has grown to about 500, according to the website [www.manta.com](http://www.manta.com), which features business profiles. The company's manufacturing division is in Montreal, its leaf division is in Tillsonburg, Ontario, and its head office is in Mississauga, Ontario.



## OWNERSHIP

With its purchase in May 1999 of RJ Reynolds International, Japan Tobacco International (JTI) gained control over the non-U.S. sales of *Camel*, *Winston* and *Salem* brands of cigarettes. JTI already owned one of the most popular international cigarette brands, *Mild Seven*, as well as food and pharmaceutical companies. It employees 36,000 employees worldwide in the tobacco business. In 2011, JTI had 9.8% of the global tobacco market share and sold over 563 billion cigarettes.



## OTHER CANADIAN TOBACCO COMPANIES

The Canadian tobacco market is mostly dominated by the big three cigarette manufacturers: Imperial Tobacco Canada; Rothmans, Benson & Hedges; and JTI-Macdonald. In 2007, their sales accounted for 96% of the legal Canadian market. The remaining 4% of the *legal* market is divided among smaller manufacturers. The three largest of the smaller manufacturers are Grand River Enterprises (GRE) and Tabac ADL Tobacco, both owned by First Nations people, and Bastos du Canada Ltée. Unfortunately, information on these smaller companies is less publicly available than for the major manufacturers.

Because sales of smokeless tobacco in Canada have been increasing, we continue to include a section on the major manufacturer of smokeless tobacco products sold in Canada, National Smokeless Tobacco Company.



**Grand River Enterprises Six Nations, Ltd.**

Grand River Enterprises (GRE), situated on the Six Nations Reserve near Brantford, Ontario, is now the third- or fourth-largest tobacco company in Canada, producing about as many cigarettes as JTI-Macdonald, which has 13% of the Canadian tobacco market. However, since the vast majority of GRE's cigarettes are exported to the U.S. and the company is not traded publicly, data on its financial performance and production levels is not readily available.

GRE brands sold in Canada include *DK*, *Gold Leaf*, *Menage*, *Putters* and *Sago*. GRE has permission to sell its cigarettes to non-natives through convenience stores in every province east of Ontario. Its cigarettes can be sold on reserves to status Indians tax-free. However, the company ships more cigarettes to status Indians on reserves than they could reasonably smoke, leading some observers to suspect that GRE cigarettes are being sold to non-natives tax-free on a large scale. Part of GRE's sales strategy includes exploiting sacred native imagery and dressing up people in ceremonial and traditional outfits to market its products (see photos below). It has marketed *Mohawk* brand cigarettes in Germany as "real quality cigarettes from real Indians."



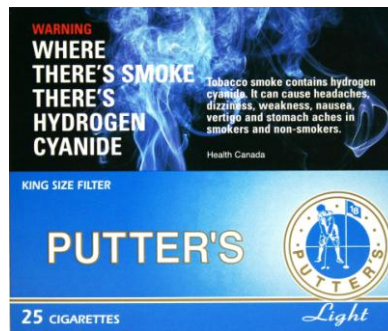
## LOCATION

### Head office address

PO Box 750  
2176 Chiefswood Road  
Ohsweken ON N0A 1M0  
Tel: (519) 445-0919  
Fax: (519) 445-0257



## MAJOR BRANDS



## NEWS

**GRE donated a midway with free candy apples and caramel corn** to the National Aboriginal Day celebration held by Six Nations of Grand Rivers on June 21, 2011. Corporate social responsibility efforts by tobacco companies like this one are recognized as a form of tobacco promotion under implementation guidelines for the *World Health Organization Framework Convention on Tobacco Control* (FCTC). The FCTC is a legally-binding treaty that Canada and 173 other Parties have ratified; it requires Parties to ban all forms of promotion. However, neither the federal government nor the Ontario government has yet moved to implement the requirements and prohibit corporate social responsibility initiatives.

In July 2011, **GRE told the Six Nations band council that it was suing the Ontario government** for \$5 million. The company alleged that Ontario police have pulled over a number of the company's delivery trucks and "illegally" seized both the shipments and the trucks. This followed an investigation by news show W5 that documented the sale of untaxed DK's, a GRE brand, out of the back of a van in the Toronto area. While being interviewed for this report, GRE Chief Executive Officer Jerry Montour abruptly broke off the interview and threatened the reporter when asked about GRE's compliance with Ontario's quota system for tax-free tobacco sales on First Nation reserves. In December 2008, Ontario's Auditor General reported that a single (unnamed) manufacturer/distributor was shipping to reserves 2.5 times the number of tax-exempt cigarettes allowable for all companies for all reserves in the province. This worked out to \$100 million per year in lost Ontario government revenue from this single company, representing fully 20% of provincial government's loss to contraband as a whole.

In October 2011, GRE reached **a settlement with the US state of Ohio over the company's failure to establish and fund an escrow account as required by state law.** Ohio requires tobacco manufacturers that are not parties to the Master Settlement Agreement (the settlement that concluded the US states' litigation against that country's major tobacco companies) to establish an escrow account. The purpose of the escrow account is to pay any judgements or legal settlements against the company in the event that Ohio takes legal action against it. As a result of the settlement, GRE was required to deposit US\$984,185 into an escrow account and pay another US\$1,134,000 in damages to the state.

In December 2011, Arthur Montour (no relation to Jerry) filed for the equivalent of bankruptcy protection in a US bankruptcy court. Montour's Native Wholesale Supply company is a major distributor of GRE products in the United States and owes GRE \$18 million.



## LOCATION

### Head office address

Abenaki Enterprises / Choice Tobacco Inc.  
2425 Asban St.  
Odanak QC J0G 1H0  
Tel: (450) 568-1001  
Fax: (450) 568-0303  
Website: [www.abenakienterprise.com](http://www.abenakienterprise.com)

## OWNER

**Donna O'Bomsawin**

## MAJOR BRANDS



Choice Tobacco was founded in Prince Edward Island in 1986 by three former tobacco growers. Abenaki Enterprises bought the company in 2005, following a federal acreage buyout on Prince Edward Island. Abenaki shifted production from Montague, Prince Edward Island, to the Odanak First Nation in Quebec. The former manufacturing plant in Montague later became a juice factory. Abenaki now maintains distribution warehouses in Vermont and Florida and sells its products in Canada and the United States.

A 2007 agreement between the company and the Commissioner of Competition listed the owner as Richard O'Bomsawin, then the Chief of the Odanak First Nation, but a later filing with Industry Canada showed that ownership had since been transferred to Donna O'Bomsawin.

# National Smokeless TOBACCO CO.

National Smokeless Tobacco Company Limited (NSTC) sells the most smokeless tobacco products in Canada. It imports and distributes the two top-selling brands of smokeless tobacco in Canada, *Copenhagen* and *Skoal*. Smokeless tobacco products are disproportionately used by young Canadians.

Only 1% of Canadians use smokeless tobacco products; however, almost 40% of users are youth and young adults (25 years or under), even though this age group only represents 8% of the Canadian population. Almost 90% of teen users of smokeless tobacco use flavoured products, compared to almost two-thirds of users in the 20-25 age group.<sup>4</sup>

Despite being disproportionately used by youth, smokeless tobacco products are not as tightly regulated in Canada as other tobacco products. Unlike cigarettes, smokeless products are not required to carry picture-based warnings. And unlike cigarettes and cigarillos, use of flavourings is permitted in smokeless products.

## LOCATION

### Head office address

319–1000 St. Jean Blvd.  
Point-Claire QC H9R 5P1  
Telephone: (514) 697-5577  
Fax: (514) 697-6122

## MAJOR BRANDS



<sup>4</sup> Physicians for a Smoke-Free Canada, “Smokeless Tobacco—New trends for an old product”. [www.smoke-free.ca/pdf\\_1/smokeless-2011b.pdf](http://www.smoke-free.ca/pdf_1/smokeless-2011b.pdf).

## EMPLOYMENT



The website [www.manta.com](http://www.manta.com), which provides profiles of businesses, estimates that NSTC employs 45 people.

## OWNERSHIP

NSTC imports and distributes the products of U.S. Smokeless Tobacco Company (USSTC). Both companies are 100% owned by Altria, which also owns Philip Morris USA and the John Middleton cigar company.



## RECENT NEWS

In June 2009, the House of Commons Standing Committee on Health heard representations from young Canadians asking that smokeless tobacco be included in the *Cracking Down on Tobacco Marketing Aimed at Youth Act* (Bill C-32), which the Committee was reviewing at the time. The federal government took the position that there was insufficient evidence to include smokeless products in the flavouring ban at that time, but then Assistant Deputy Minister Paul Glover told the Committee that Health Canada would investigate the issue and report back to the Committee within a year. This report is now almost two years overdue.

In April and July 2010, lobbyists working for NSTC had meetings with Dave Forestell, then Policy Advisor to Prime Minister Stephen Harper. The reports on these meetings to the Office of the Commissioner of Lobbying listed the subject matter as “Health, Consumer Issues.”



Founded in 1993, Prime Time International Company used to be known as Single Stick, because it was in the business of selling singly packaged cigarettes. The majority of its sales now come from its speciality cigar products, particularly flavoured cigarillos such as cherry, grape, vanilla, peach, rum and strawberry. Together with its fully-owned subsidiary, USA Tobacco Company, Prime Time manufactures its products in two locations, Phoenix, Arizona, and Stantonsburg, North Carolina. The company has a strong foothold in the Canadian market and is trying to expand internationally. Casa Cubana (CC) is the exclusive importer and distributor of Prime Time products in Canada. In addition to cigars, CC sells lighters, rolling papers, coffee, mints and chocolate.

## LOCATION

### **Prime Time International head office address**

2019 W. Lone Cactus Dr.  
Phoenix AZ 85027 USA  
Tel: (623) 780-8600  
Fax: (623) 869-0701  
Website: <http://www.ptic.com>

### **Casa Cubana head office address**

200-275 Stinson  
St-Laurent QC H4N 2E1  
Tel: (514) 737-0066  
Fax : (514) 737-5211  
Website: <http://www.casacubana.ca>

## RECENT NEWS

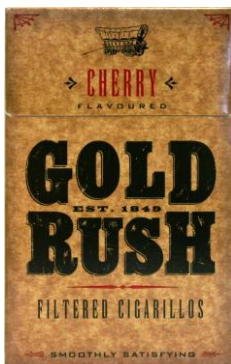
Following the enactment of the *Cracking Down on Tobacco Marketing Aimed at Youth Act* (Bill C-32) in October 2009, a federal law that aimed to eliminate flavoured cigarillos, Casa Cubana introduced what it called “C-32 compliant” versions of its products to the Canadian market in June 2010. Casa Cubana succeeded in thwarting the purpose of the law by increasing the weight of its Prime Time and Bullseye product lines to more than 1.4 grams and by replacing the “cigarette-style” filters with filters made of tobacco. Products meeting these specifications are considered cigars not cigarillos under the federal *Tobacco Act* and thus avoid the ban on flavourings and sales of single units and the new warnings requirements. Other flavoured cigarillo manufacturers have followed suit.

A spot check of over 400 flavoured products labelled as cigars by the *Coalition québécois pour le contrôle du tabac* (Quebec coalition) in April 2011 found that almost half actually weighed less than 1.4 grams. This means they were mislabelled cigars when in fact they were little cigars (cigarillos), and therefore had been imported and sold in contravention of Bill C-32 because they were flavoured. Four Casa Cubana brands were included in the spot check: Bullseye Extra Cherry, Bullseye Extra Peach, Prime Time Plus Cherry and Prime Time Plus Peach. Packages of all four brands were found to contravene the requirements of Bill C-32.

Eight months after the Quebec coalition spot check, the federal government simultaneously raided the warehouses of Casa Cubana and two other Quebec-based importers and seized over twenty-five million products. Packages of Prime Time Plus Peach were among the products seized.

Despite strong public assurances that the government would address the problem of product modifications intended to circumvent the intention of the *Act*, the federal government has so far taken no concrete steps to do so. On March 7, 2011, Megan Leslie, then NDP Health Critic, tabled Private Member's Bill C-631 which, among other modifications to the *Act*, would classify any cigar that is 12 mm or less in diameter as a little cigar/cigarillo.

## MAJOR BRANDS



## EMPLOYMENT



Casa Cubana's website indicates that the company employs 60 full-time account representatives across Canada.

## OWNERSHIP

It is not clear who owns Prime Time or Casa Cubana, although the latter's website indicates that it has been privately owned and operated since 1998.

## OTHER COMPANIES

### **Bastos du Canada Limited**

PO Box 68  
371 Saint-Marc Street  
Louiseville QC J5V 2L9  
Tel: (819) 228-5531  
Fax: (819) 228-2437

### **Frank Correnti Cigars**

606 King St. W.  
Toronto ON M5V 1M6  
Tel: (416) 504-4108  
Fax: (416) 504-8380  
Website: [www.correnticigars.com](http://www.correnticigars.com)

### **Les Produits de Tabac Tremblay Inc.**

640 boul Langelier  
Québec QC G1K 5R3  
Tel: (418) 522-0211  
Fax: (418) 522-3904  
**Products:** Cigarette making equipment;  
Tobacco processing; Tobacco products

### **Tabac ADL Tobacco**

1665 rue Nishk  
Mashteuiatsh QC G0W 2H0  
Tel: (418) 275-6161  
Fax: (418) 275-6188

**Cigarette Brands:** Azur, Bailey's,  
Maximum, Supreme

### **Compagnie de Tabac Dynasty Inc.**

130 Montée de Liesse  
Saint-Laurent QC H4T 1N4  
Tel: (514) 733-2000  
Fax: (514) 733-6397

### **House of Horvath**

71 Ossington Ave.  
Toronto ON M6J 2Z2  
Tel: (416) 534-4254  
Fax: (416) 534-5931  
Website: [www.horvathcigars.com](http://www.horvathcigars.com)

### **Les Tabacs Tabec Inc.**

175 Sutton Street  
Delson QC J0L 1G0  
Tel: (450) 638-2475  
Fax: (450) 632-8866

**Non-Smokers' Rights Association/  
Smoking and Health Action Foundation**

Suite 221 — 720 Spadina Avenue, Toronto, Ontario M5S 2T9

Suite 1903 — 130 Albert Street, Ottawa, Ontario K1P 5G4

833 rue Roy Est, Montreal, Quebec H2L 1E4

[www.nsra-adnf.ca](http://www.nsra-adnf.ca)