

Canadian Convenience Stores Association and the National Coalition Against Contraband Tobacco: Independent organizations or groups fronting for Big Tobacco?

The global tobacco industry has a serious credibility problem. The U.S. courts have shown that the industry lied about the risks of its products, about addiction, about nicotine manipulation, about marketing to kids, and the risks of second-hand smoke.¹ The Canadian tobacco industry has been equally dishonest, and also lied about its involvement in the cigarette smuggling of the 1990s. In the past two years, Canadian tobacco companies admitted their guilt related to these crimes and entered into civil settlements. They agreed to pay fines of hundreds of millions of dollars to the federal and provincial governments.^{2 3} The smuggling was fueled by Canada's largest tobacco companies to force governments to lower tobacco taxes.

Because of their credibility problem, tobacco manufacturers on their own are unlikely to be successful in delaying or preventing governments from implementing key tobacco control measures. As a result, the industry has resorted to having its friends and allies engage in lobbying and advocacy to defend its interests.⁴

The Framework Convention on Tobacco Control (FCTC), a global public health treaty ratified by Canada and 167 other countries, acknowledges the importance of eliminating tobacco industry interference in the setting of public health policies. To this end the treaty calls on Parties to “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.”⁵

In light of some very problematic arguments recently advanced by the Canadian Convenience Stores Association (CCSA) and the National Coalition Against Contraband Tobacco (NCACT), it is time for some important questions to be asked about the motivations of these groups as well as where they acquire the funding to do their work.

CCSA advocates for a tobacco tax cut—a policy that would be disastrous to public health

Raising the price of cigarettes is one of the most important tobacco control policies available to governments committed to reducing tobacco consumption. This fact has been well documented by the World Bank and other authorities.⁶ As a policy tool, taxation is used to increase the retail price of tobacco products thereby decreasing their affordability. Higher price discourages uptake of smoking among young persons and encourages quitting among smokers.⁷

Despite the known health benefits of tobacco tax increases, Canada has not seen a tobacco tax increase at the federal level since June 2002. The federal government’s reluctance to raise taxes is largely due to the contraband tobacco crisis that has emerged in recent years.

The CCSA's vice-president, Michel Gadbois, has been publicly urging governments to reduce tobacco taxes, contrary to what public health experts recommend. In May 2008, appearing before the Standing Committee on Public Safety and National Security, Gadbois said: "I firmly believe that a temporary tax reduction is a potential

solution [to the contraband problem]."⁸ In April 2010, Gadbois again urged governments to lower tobacco taxes. He and the CCSA serve the tobacco companies' interests when they lobby for policy changes (such as tobacco tax reductions) on which the tobacco industry no longer has any credibility.

International experts condemn biased CCSA 'study'

"The call from convenience stores to reduce excessive tobacco taxes as a temporary solution to eliminate contraband has gained tremendous support today with the release of a damning report submitted by the HEC Montréal at the request of the Canadian Convenience Stores Association (CCSA)."^{9 10}



CCSA President Dave Bryans was formerly employed by RJR-Macdonald Inc. (now JTI-Macdonald).



Michel Gadbois, vice president of the CCSA, previously worked as a public relations representative for both Benson & Hedges (today Rothmans, Benson & Hedges) and Imasco Ltd. (Imasco controlled Imperial Tobacco Canada at the time).

So claims a press release sent out by the CCSA in early 2010. The report was condemned by Canadian economists and public health professionals. It wasn't surprising that Michel Gadbois was quoted in the press release denying the truth about the impact of the 1994 tobacco tax rollback: "According to Mr Gadbois, it is now scientifically-proven fact that decreasing excessive tobacco taxes does not increase smoking rates, even among the youth." What was surprising was the extreme bias of the CCSA report and the shoddy research used to develop it.



Wayne Hoskins, president of Western Convenience Store Association, used to work for Imperial Tobacco Canada.

The report was quickly rebuked in a detailed critique by former World Health Organization economist Emmanuel Guindon.¹¹ In his critique, Guindon states that high price is "the single most effective method of reducing the prevalence and consumption of tobacco products," a position held by the World

Health Organization and the World Bank.¹² Guindon, now a doctoral candidate at the Centre for Health Economics and Policy Analysis at McMaster University, emphasized that “the author of the Convenience Store tobacco study ignores a wealth of research evidence that has accumulated over several decades. Such wilful or unintended ignorance of existing evidence combined with an unclear and simplistic methodology attests to the poor quality of the study.”

Two more esteemed public health professionals joined in to further highlight the poor quality of the CCSA report: Drs. Prabhat Jha and Joy Townsend.

“The public should understand that some of the principals in this debate have a vested interest in ensuring that legislators and the public remain confused about the size of the expansion of the tobacco market from tobacco tax rollbacks [in 1994],” said Dr. Jha, lead author of the World Bank’s report on the economics of tobacco and Canada Research Chair in Health and Development at the University of Toronto. “There should be no confusion. Evidence indicates an increase in tobacco consumption in 1994 alone of nearly 10 percent. To deny the law of demand in economics – that demand is inversely related to price – is the same as denying the law of gravity in physics.”

“The Convenience Store tobacco study presents a flawed analysis, as shown by Guindon, from a series of surveys which themselves have very serious problems,” said Townsend, one of the world’s foremost experts on tobacco taxation and professor of economics and

epidemiology at the London School of Hygiene and Tropical Medicine. “The analysis used is unconventional and makes obscure comparisons, while failing to present the obvious required comparisons of prevalence, levels of smoking, prices and taxes for the different provinces. No methodology is presented for the study and it is not even specified what data periods are being compared. It is not clear why the author does not use conventional econometric analysis. As such this study cannot be taken seriously as presenting empirical evidence,” said Dr. Townsend.

Retailers and their relationship with tobacco companies

The tobacco industry’s interference with sound tobacco control policies has been well-detailed by the World Health Organization (WHO), among others.¹³ In a lengthy 2008 report, specific examples are given of the industry’s use of allies and front groups, including retailers:¹⁴

Retail shops are the main communication channel with consumers, especially given increasing restrictions on mass media advertising. In addition to the revenue from actual sales of tobacco products, retailers benefit from tobacco company-sponsored sales incentive programmes; tobacco companies and tobacco distributors give retailers promotional discounts, attractive display units and incentives for prominent placement products in their shops. Retailer and distributor bodies have been strong allies of tobacco manufacturers and have opposed bans on tobacco displays, by arguing that extreme economic hardship, including closures and staff layoffs, would ensue as a result. They have distributed pro-tobacco industry petitions and material to customers in order to build smoker opposition to tobacco control.

The WHO goes on to note that the “Lack of disclosure by front groups and consultants of their links with the tobacco industry results in unbalanced arguments and evidence, presented without statements of relevant competing interests [emphasis added].”¹⁵

In April 2010, the CCSA indicated that tobacco “represents an estimated one-third of overall Canadian convenience store sales.”¹⁶

Tobacco manufacturers continue to give retailers millions of dollars a year to sell and promote tobacco products. Figures released by Health Canada indicate that \$108 million was paid out in 2007, compared to only \$74 million in 2001, a 46% increase. *Maclean’s* magazine reported on this upward trend:

Store owners receive money from tobacco companies for everything from sharing information on customer purchases to stocking certain cigarette brands on prime shelf space, even when it’s behind those blank barriers.¹⁷

Despite the fact every province and territory in Canada has enacted legislation that prohibits the display of tobacco products at retail outlets, displays remain important for tobacco manufacturers. When the flap or cupboard door is opened at a retail outlet, the packages are visible to everyone nearby. The larger the display the more brand families the retailer can stock.

Retailers are also being paid depending on how much of their sales are of a certain company’s product, as well as for sales volumes, says Ron Funk, vice-

president of corporate affairs for Rothmans, Benson & Hedges Inc.:

You set an objective with a store, and should that store meet the objective, they’re compensated with a payment.¹⁸

Imperial Tobacco Canada also offers a “per-carton payout” to retailers.¹⁹

The following graph details the payments made across Canada, in millions of dollars, and the percentage change in payments from 2006 to 2007.²⁰

	2006	2007	change
Canada	\$107.4	\$108.2	0.7%
BC	\$10.2	\$11.9	16.9%
AB	\$11.8	\$13.4	12.9%
SK	\$1.6	\$1.9	19.4%
MB	\$1.9	\$4.9	162.4%
ON	\$40.0	\$32.0	-20.0%
QC	\$32.8	\$34.7	5.5%
NB	\$2.4	\$2.9	20.5%
NS	\$4.0	\$3.4	-14.9%
PEI	\$0.3	\$0.3	-5.1%
NL	\$2.4	\$2.8	19.2%
Territories	\$0.031	\$0.026	-16.8%

The President of the Canadian Convenience Stores Association, Dave Bryans, was formerly employed by tobacco company RJR-Macdonald Inc., now JTI-Macdonald Corp.:

“Nobody better to teach people how to handle these products than me,” he says.²¹

The close relationship between retailers and tobacco companies is further solidified by these payments.

As was previously mentioned, lawmakers are increasingly unsympathetic to the arguments of the tobacco industry, so the companies have had to align themselves with more socially acceptable entities, including convenience store owners. This trend is likely to continue until the links to the tobacco industry are properly exposed.

Important questions that should be directed to the CCSA and the NCACT

The discovery process in litigation in the United States shows that the tobacco industry has funded organizations fronting for their interests by funneling money through public relations firms and other third parties acting on the industry's behalf. For obvious reasons, very seldom does the industry directly fund campaigns that advance its interests.

Given what is known about the tobacco industry's use of front groups and the alignment between the tobacco industry's interests and the retailers call for a tax rollback, we recommend that the following questions be asked of the CCSA and the NCACT:

1. The Canadian Tobacco Manufacturers' Council is a member of the NCACT and tobacco companies give retailers millions of dollars annually to sell and promote tobacco industry products. What percentage of the funding used to wage the CCSA and the NCACT campaigns to convince governments to reduce tobacco taxes is being funded by the tobacco industry?
2. How much money has the tobacco industry or third parties acting on the

tobacco industry's behalf given to the CCSA and NCACT to fund these campaigns?

3. If CCSA and NCACT deny direct tobacco industry funding, would their officials be willing to swear under oath that no funding is coming their way from the tobacco industry or from a third party that may be receiving money from the tobacco industry?

The bottom line

The Canadian Convenience Stores Association and the National Coalition Against Contraband Tobacco are tobacco industry allies. They all share a vested interest in reducing contraband in order to increase their own sales of tobacco. Their motive in calling for a tobacco tax rollback is to increase the sale of tobacco. They have denied the facts of history—a tobacco tax rollback increased tobacco use and increased disease and death—and they cannot be trusted.

A tobacco tax rollback would have serious negative repercussions for public health and government revenues.

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