Smoking and the Price of Cigarettes in Ontario

Although recent trends in several indicators of tobacco use are positive, the individual and societal costs of smoking remain unacceptably high. More than 45,000 current and former smokers die each year in Canada due to smoking,\(^1\) age-standardized lung cancer death rates grew almost 3% per year for women from 1989 to 1997;\(^2\) and dollar costs attributable to smoking-related disease are $17.5 billion for Canada, significant components being $2.6 billion in health care costs and $2.4 billion in sick days.\(^3\) Two recent studies demonstrate that each percentage-point decline in the prevalence of smoking could save $65-97 million in health care costs in Canada.\(^3,4\)

In Ontario, smoking was responsible for 11,656 deaths in 1997, as well as more than 511,000 hospital days and over 173,000 years of potential life lost.\(^5\) Public health and cost savings due to reduced tobacco use would thus be considerable. A government seriously interested in controlling tobacco use would be wise to employ the most effective policy levers available. It is well established that these are the price of cigarettes and restrictions on public smoking.\(^6\)

In Canada, where tobacco control is a shared responsibility, multi-level analysis can help elucidate differences in these policies and how they work. In this context, “multi-level” means taking account of the fact that price varies most at the provincial level in Canada and public-smoking restrictions are mainly municipal, while age, sex, education and other individual differences are also important determinants of smoking status. These analyses are complex and rarely done, but a recent Canadian study shows that the odds of smoking by adults, as well as the amount they smoke daily, both decrease as governments increase each of (a) the price of cigarettes, (b) restrictions on public smoking, and (c) per-capita spending on health education.\(^7\) These policy measures all work to decrease smoking, but have different impacts on men and women. This suggests that a comprehensive tobacco policy should include all these measures, especially increasing price through tobacco taxation, which is the most effective of the three. Unlike the other policy measures, price affects both men and women.

A simplified version of the relationship of smoking to the price of cigarettes can be illustrated graphically (Fig. 1). The four provinces with above-average prevalence and daily consumption in 2001 (upper-right quadrant) all cut their tobacco taxes in the mid-1990s (open circles) and are still below the Canadian average with respect to the price of cigarettes. The five provinces that maintained their tobacco taxes in 1994 and continued to raise them afterward (solid squares) currently have below-average use of tobacco. The current difference between these two sets of provinces in the price of cigarettes is about $15/carton ($49.06 vs. $64.29).\(^8\) Figure 2 shows some typical trends in tobacco taxation through April 2002.

Ontario appears to be an interesting exception to this rule, but how much lower might smoking be if the province did not have the cheapest cigarettes in North America? A $15 (35%) increase in the price
of a carton of cigarettes should lead to a reduction of two to three percentage points in the prevalence of smoking. Reduced health-care costs and increased productivity would be the inevitable result.

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Fig 1. Current Smoking, Daily Consumption & Taxes  
*by province, age 15+, Canada, 2001*

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Fig 2. Price of 200 Cigarettes  
*Selected Provinces, 1990-2002 (constant 1993 dollars)*

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Source: 2001 Canadian Tobacco Use Monitoring Survey; Wave 1 (Feb – Jun).  
Source: Smoking and Health Action Foundation