

For immediate release

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U of T researchers demonstrate that raising tobacco taxes will not spark contraband market

TORONTO — Despite claims made by tobacco industry and convenience store representatives, tobacco tax increases do not increase contraband, according to a report by the University of Toronto’s Ontario Tobacco Research Unit.

The research team, led by [Robert Schwartz](#), analyzed trends in tobacco taxes and contraband tobacco use since 2007 and the findings are clear: contraband use in Ontario is not correlated with changes in tobacco taxes.

“It is a win-win proposition,” said Schwartz, Associate Professor in the [Dalla Lana School of Public Health](#).

“Less tobacco use translates to lives saved and healthcare costs averted. At the same time, government revenues increase,” Schwartz continued, who is also Executive Director of the [Ontario Tobacco Research Unit](#).

The Unit’s findings are in contrast to those reported by The Fraser Institute in the study, [Contraband Tobacco in Canada: Tax Policies and Black Market Incentives](#). The report states, “Our research identifies federal and provincial tobacco excise taxes as a primary precipitating factor in the growth of this black market.”

Schwartz says that not only is this not the case, evidence from many countries shows that tobacco tax increases will reduce tobacco use and increase tobacco revenues, even when there is some small amount of accompanied contraband tobacco use. Many of the small proportion of smokers who move to contraband tobacco following a tax increase return to legal tobacco within a short period of time.

Michael Perley, Director of the [Ontario Campaign for Action on Tobacco](#) sums it up nicely, “The report will help MPPs understand the value of tobacco taxation: it works to deter smoking and it produces more revenue. These combined benefits far outweigh the small number of people who may temporarily visit the contraband market.”

Ontario has the lowest tobacco tax rate in Canada and the highest contraband use. The study attributes this ostensible anomaly to easy access, insufficient enforcement and penalties, organized criminal activity and misconceptions about “legal” purchase of cigarettes from First Nations’ Reserves.

Ontario has only to look next door at the experience of Quebec which has both increased taxes and invested heavily in anti-contraband enforcement measures. The report brings evidence from the Quebec Ministry of Finance demonstrating that Quebec has successfully decreased contraband tobacco use substantially and increased revenues while first maintaining and then raising tobacco taxes.

“This report convincingly dispels the myth, perpetrated by the tobacco industry and its surrogates, that raising tobacco taxes will produce a flood of contraband cigarettes,” said George Habib, president and CEO of the [Ontario Lung Association](#).

“The Ontario Lung Association repeats its call for an immediate and substantial tobacco tax increase as the single most effective method of driving down smoking rates in this province.”

[Click here](#) to read the full report.

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For more information, please contact:

Nicole Bodnar
Director of Communications
Dalla Lana School of Public Health, University of Toronto
416-946-7521
Nicole.bodnar@utoronto.ca

About the Dalla Lana School of Public Health

The Dalla Lana School of Public Health is a Faculty of the University of Toronto that originated as one of the Schools of Hygiene begun by the Rockefeller Foundation in 1927. After a period of decline, the School went through a dramatic renaissance after the 2003 SARS crisis and it is now the largest public health school in Canada, with over 300 faculty, 450 students, and research and training partnerships with institutions throughout Toronto and the world. With more than \$30-million in research funding per year, the School supports discovery in global health, tobacco impacts on health, occupational disease and disability, air pollution, inner city and circumpolar health. For more information, visit the [website](#).

About the Ontario Tobacco Research Unit

Established in 1993 with funding from the Ontario Government, the Ontario Tobacco Research Unit is a unit of the Dalla Lana School of Public Health and is co-sponsored by the University of Waterloo and the Centre for Addiction and Mental Health. The Ontario Tobacco Research Unit is a leader in tobacco control monitoring and evaluation, research, teaching and training and a respected source of science-based information on tobacco control. For more information, visit the [website](#).