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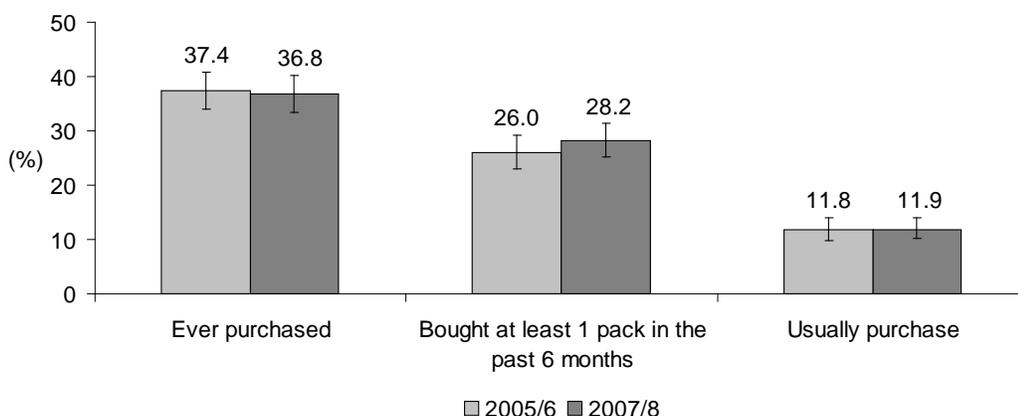
AN UPDATE ON CIGARETTES PURCHASED ON FIRST NATIONS RESERVES

The effectiveness of tobacco taxation to discourage smoking can be undermined by the widespread availability of contraband tobacco. An RCMP report suggests that the use of contraband cigarettes has been increasing rapidly in Canada since 2002, particularly in Ontario and Quebec, with a considerable amount sold on reserves.¹ We previously used 2005/6 data from the Ontario Tobacco Survey to estimate the extent of purchasing contraband cigarettes on reserves in Ontario and its impact on taxation revenues.² This update provides comparable estimates using data for 1,365 respondents interviewed in the Ontario Tobacco Survey between July 2007 and June 2008 (overall response rate 59%).³

Prevalence of Purchasing Cigarettes on Reserves in Ontario

In 2007/8, 37% of current (daily or occasional) smokers in Ontario reported ever buying cigarettes on reserves, 28% reported they had recently bought at least one pack of cigarettes on a reserve in the six months prior to the survey and 12% reported usually buying on reserves. There was almost no change from 2005/6 in the rates of ever and usually purchasing; the prevalence of recent purchasing increased by more than two percentage points, but this increase was not statistically significant.

Figure 1: Percent of current smokers who reported purchasing cigarettes on reserves, Ontario, in 2005/6 and 2007/8



Total Cigarettes Purchased on Reserves and Its Impact on Tax Revenue

An estimated 73.1 million packs of cigarettes were bought on reserves between January 2007 and June 2008. If full taxes had been paid on these cigarettes, government taxation revenue would have been CDN\$286.4 million, of which CDN\$171.5 million (59.9%) would have been collected by the provincial government. The total number of cigarettes purchased on reserves increased by 20.9% from 2005/6 to 2007/8 (not statistically significant), and the total loss of tax revenues increased by 24.2%. As in 2005/6, some of the reported cigarettes

purchased on reserves were apparently for friends and family or resale for profit. We found that reported purchases for some respondents far exceeded their reported consumption, and survey interviewers reported that some respondents said that they sold to family and friends. In addition, there were few very large reported purchases, for instance, the purchases of 10,000 packs (2005/6) and 5,000 packs (2007/8), which were very likely for resale outside the reserves.

Table 1: Estimates of contraband cigarettes purchased on reserves, Ontario, 2005/6 and 2007/8*

Outcome Measure	2005/6	2007/8	Change from 2005/6
Total cigarettes bought on reserves (million packs)	60.4† (31.9-89.0) n=1364	73.1 (57.7-88.4) n=1334	12.6 20.9% increase
Associated loss in tax revenues (CDN\$ million)	230.5 n=1364	286.4 n=1334	55.8 24.2% increase
Share of reported cigarette consumption purchased on reserves (%)	25.7† (13.9-37.4) n=1310	29.0 (23.6-34.4) n=1285	3.3 13.0% increase

* 95% confidence interval is in brackets; n is the sample size.

† moderate sampling variability, interpret with caution.

Numbers may not add up due to rounding.

In 2007/8, based on respondents who provided data on both cigarette purchases on reserves and cigarette consumption,⁴ an estimated 29% of total reported cigarette consumption among current smokers in Ontario was contraband cigarettes bought on reserves. This represented an increase of more than three percentage points from 2005/6 (not statistically significant).

Discussion

Potential limitations of our study have been discussed elsewhere.² Nevertheless, our estimates indicate that purchase of cigarettes on reserves in Ontario in 2007/8 remained substantial, despite no significant increase from 2005/6 in the prevalence of purchasing on reserves, in total cigarettes purchased on reserves and in reserve purchases as a proportion of total reported cigarette consumption. In addition, our estimates of contraband purchases do not include all purchases that occurred off-reserves. To maximize the effectiveness of tobacco tax policy and to protect tax revenues, Canadian governments should implement measures to reduce or eliminate contraband cigarettes, as suggested by the tobacco control community⁵ and the Framework Convention on Tobacco Control.⁶

Notes

¹ Royal Canadian Mounted Police. 2008 Contraband Tobacco Enforcement Strategy. Ottawa: RCMP; 2008. <http://www.rcmp-grc.gc.ca/ce-da/tobacco-tabac-strat-2008-eng.htm> (accessed 26 March 2008).

² Luk R, Cohen JE, Ferrence R. Contraband Cigarettes in Ontario. Ontario Tobacco Research Unit, Special Report Series. Toronto, November 2007. http://www.otru.org/pdf/special/special_nov_2007.pdf (accessed 1 Dec 2007).

³ To ensure comparable estimates over time, we made some changes to the sample of OTS 2005/6 as reported in our previous report. Specifically, four respondents who reported very large cigarette purchases on reserves that were excluded in the report are now included in the results reported in this Update.

⁴ Current smokers who have smoked in the last 30 days.

⁵ Global Tobacco Control Forum. The Framework Convention on Tobacco Control in Canada. A Civil Society 'Shadow Report'. 2008. http://www.smoke-free.ca/eng_issues/global/content/globalforum-shadow-report-2008-final-web.pdf (accessed 1 Dec 2008).

⁶ World Health Organization. Framework Convention on Tobacco Control. Geneva: WHO; 2005. Available at: http://www.who.int/tobacco/framework/WHO_FCTC_english.pdf (accessed 26 March 2008).