Ontario is the poster child of bad tobacco policies

This column was first published in the Toronto Sun on January 11, 2014

CTF ? As the Wynne government desperately looks for revenue tools to fund new government projects and meet its commitment of balancing the budget by 2018, it is overlooking a very obvious source of revenue: forgone taxes from the sale of contraband tobacco products.

The Canadian Taxpayers Federation estimates that in Ontario alone, the provincial and federal governments lose as much as $1.1 billion annually to missing tax revenues from the contraband tobacco trade. Other estimates put the price tag closer to $2 billion; money that would be much better spent going towards balancing the budget or helping to improve our province's failing transportation infrastructure.

However, the contraband problem in Ontario runs deep beyond just lost tax revenues.

The well-established networks that produce and sell untaxed tobacco are not just evading taxes, they are also circumventing laws written to protect and deter young people from smoking. Instead of seeing pictures of decaying teeth and cancerous lungs on the sides of cigarette packages, children are buying cigarettes in clear baggies, at a fraction of the price of taxed cigarettes and bypassing proof-of-age laws.

A 2009 study by the National Coalition Against Contraband Tobacco demonstrated that of cigarette butts analyzed from 110 high schools in Ontario, 30 per cent were contraband.

Young people ? the very people tobacco laws are designed to protect ? are some of the top customers in the contraband market.

The Canadian Taxpayers Federation recently teamed up with U.S.-based think tank the Reason Foundation to look into Ontario's contraband tobacco markets and the effects of taxes.

Ontario serves the poster child of what not to do. Our province's tobacco tax levels drive otherwise law-abiding consumers to purchase cheaper alternatives on the black market. The mark-up ? over $50 in taxes on a $30 carton ? allows for significant profit to be made by those willing to break the law with ventures in the lucrative contraband market.

Following significant hikes to tobacco taxes starting in 2001, the contraband market, once again, began to grow ? reaching all-time highs in 2009. In an effort to thwart criminal networks, the government of Ontario introduced Bill 186, Supporting Smoke-Free Ontario by Reducing Contraband Tobacco Act, 2011, which enabled heavier police enforcement to crack down contraband.

According to the 2011 Ontario Liberal Party's policy platform, the government forecasted an increase in tobacco tax revenues thanks to the implementation of Bill 186. Contrary to this plan, tobacco tax revenues have been steadily declining since 2011.

Despite promising to spend $34 million per year for contraband enforcement, Ontario's contraband strategy has been an admitted failure. The government has now returned to the negotiating table to find compromises with those who produce and distribute contraband tobacco. The government-commissioned Facilitators Final Report by Kathleen Lickers has lead to the creation of new pilot projects, which are vague and yet to be defined or implemented.

Enough with the delay tactics.

The Ontario government needs to reexamine its sin tax policies on tobacco products, and specifically take note of the countless unintended consequences, including undermining public health efforts, contributing to a booming illegal black market, allowing tobacco products to more easily reach children, and the lost government revenues due to tax evasion.

By Candice Malcolm

