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Chair

Mr. Garry Breitkreuz

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• (1530)

[English]

The Chair (Mr. Garry Breitkreuz (Yorkton—Melville, CPC)): I call this meeting to order. This is the Standing Committee on Public Safety and National Security, meeting number 12, and today we are dealing with a study of contraband tobacco.

We have quite a large number of witnesses, so we need to proceed expeditiously here.

Do you have a point of order, Madame Mourani?

[Translation]

Mrs. Maria Mourani (Ahuntsic, BQ): Mr. Chair, I just wanted to tell you that I have a motion to make today. I would hope we can finish around 5:00 so we can deal with the motion.

[English]

The Chair: Would we need half an hour? You don't think we could do it in maybe five or 10 minutes at the end? We have—

[Translation]

Mrs. Maria Mourani: Fifteen minutes, if my colleagues like. It may be five minutes if everyone agrees. I was proposing it more for security. I think everyone has seen my motion, it has been circulated in both languages. It could be right away, we might all agree, by consensus, and accept the motion.

[English]

The Chair: Can I get the committee to agree to the last five minutes? I know we have witnesses prepared for the last—would 10 minutes do it?

[Translation]

Mrs. Maria Mourani: I would say 15 or 20 minutes, that would suit me.

[English]

The Chair: Okay, it's 15 minutes. Should we continue with the first hour as scheduled and then just cut back the second hour to 45 minutes? Is that agreeable to the committee?

Some hon. members: Agreed.

The Chair: Okay. That's what we're going to do. Thank you.

We will proceed, then.

We have with us the Royal Canadian Mounted Police, the Canada Border Services Agency, the Canada Revenue Agency, the Department of Health, and the Department of Public Safety and Emergency Preparedness.

You may proceed in whatever order you wish. I don't know if you've discussed this with each other. Please introduce yourself at the beginning, and then you have 10 minutes for an opening statement if you wish. Shall we proceed in the same order as we have on the list here, or is there a different order in which you'd like to go?

Go ahead, Mr. MacKillop.

Mr. Barry MacKillop (Director General, Law Enforcement and Border Strategies Directorate, Department of Public Safety and Emergency Preparedness): Thank you, Mr. Chair.

Actually, we were asked to limit our opening comments, given the size of the panel, so we have asked Joe Oliver to do an opening comment on behalf of the panel, and then we'll be open for questions from the members.

The Chair: Thank you very much.

Mr. Oliver, maybe you would like to introduce everybody, which would not count as any of your time, and then go ahead and make your opening remarks.

Chief Superintendent Joe Oliver (Director General, Border Integrity, Royal Canadian Mounted Police): My name is Joe Oliver. I'm with the Royal Canadian Mounted Police. I'm director general of border integrity.

Brenda Paine is with Health Canada; Steve Sloan is with the Canada Border Services Agency; Phil McLester is with the Canada Revenue Agency; and Pierre Bertrand is with the Canada Revenue Agency. You've already been introduced to Mr. MacKillop.

The Chair: Go ahead, sir.

C/Supt Joe Oliver: Thank you, Mr. Chair and honourable members. I am very pleased to have the opportunity today to speak to you with regard to the current trends in the Canadian contraband tobacco market and the RCMP's ongoing efforts to reduce this illicit trade. Equally important are the enhanced partnerships and increased coordination, domestically and internationally, that are key in disrupting contraband tobacco manufacturing and distribution in Canada.

With that in mind, I am pleased to appear before this committee with my colleagues from the Canada Revenue Agency, Health Canada, Public Safety Canada, and the Canada Border Services Agency.

•(1535)

[Translation]

By way of background, I should note that the RCMP's Customs and Excise Program is mandated to enforce laws both within Canada and between the ports of entry governing the international movement of dutiable, taxable, controlled or prohibited goods and the manufacture, distribution or possession of contraband products including tobacco and spirits. The investigation of contraband tobacco offences has been, and continues to remain, a priority of our Customs and Excise Program.

[English]

Currently, the market for contraband tobacco has adapted to include three primary sources of illicit products: illegal importations from the United States in and around the city of Cornwall, Ontario; illicit manufacturing in central Canada in first nations territories; and the illegal importation of counterfeit cigarettes and other illicit products in marine containers, which often come from Asia.

The present trend of manufacturing, distributing, and selling contraband tobacco products, which has developed exponentially over the last six years, often involves organized crime networks that are exploiting geopolitically sensitive areas. Traditionally seen as a victimless crime, tobacco trafficking is now regarded as a significant source of income for all levels of organized crime. In fact, some organized crime groups reinvest the substantial profits derived from tobacco trafficking to support other criminal activities.

Recent intelligence identifies approximately 175 organized crime groups as being involved to varying degrees in the contraband tobacco market in Canada. Seventy-four percent of these organized crime groups were also involved in a wide range of other forms of criminality, such as drug trafficking and/or weapons trafficking. Nearly half of identified crime groups are based in central Canada, the region where most of the contraband tobacco originates and where illicit tobacco manufacturing operations are located.

Although the number of illicit manufacturers constantly fluctuates, the RCMP estimates that there are approximately 50 unlicensed manufacturers in Canada. Through intelligence gathering and cross-border investigations undertaken with U.S. enforcement agencies, it is also estimated that 10 unlicensed and two licensed manufacturers are operating on the U.S. side of the Akwesasne Mohawk territory.

The availability of contraband is at a historical high, as demonstrated by the fact that seizure levels made by the RCMP and its investigative partners for 2009 have surpassed the 1994 benchmark by 114%. With a total of approximately 975,000 cartons or resealable bags of cigarettes seized, 2009 seizures represent an increase of 1% over those in 2008. A total of almost 34,000 kilograms of fine-cut tobacco and 10 kilograms of raw leaf were also seized in 2009.

[Translation]

To tackle this growing crime in the coming years, the RCMP developed its Contraband Tobacco Enforcement Strategy following consultations with over 70 partners and stakeholders. The Strategy, released in May 2008, aims to reduce the availability of, and the demand for, contraband tobacco nation-wide. It also serves as a guide to provide national direction to front line officers. Key

components of the RCMP's approach include disrupting organized crime and thus, the supply chain; increased coordination and partnership; outreach with First Nations communities; and education and awareness.

[English]

Last week, the contraband tobacco enforcement strategy progress report, which highlights our activities since the strategy was launched in May 2008, was released. While acknowledging that more work remains to be done, the report demonstrates the RCMP's commitment to tackling this form of criminality and the progress achieved during the first year of strategy execution. Importantly, RCMP coordinators have been appointed across the country to strengthen national and regional implementation of the strategy.

As mentioned, one of the strategy's key priorities is targeting organized crime and those key figures involved in overseeing illicit tobacco networks and operations. The RCMP's approach has yielded results. Between April 2008 and May 2009, 25 organized crime groups of various levels of sophistication were disrupted. Furthermore, over 740 criminal charges under the Excise Act, 2001 were laid against approximately 650 individuals in 2008, and more than 560 vehicles and two boats were seized. In 2009, over 770 charges were laid under the Excise Act, 2001, and an additional 403 vehicles and 18 boats were seized. Just last month, a man who had been charged by Valleyfield RCMP under subsection 412.12(1) of the Criminal Code of Canada, otherwise known as gangsterism, was found guilty by the court for his involvement in an organized crime group smuggling contraband tobacco. This is the first time someone charged for gangsterism has been sentenced for a tobacco-related offence.

Increased coordination and partnership were similarly identified in our strategy as a priority for the RCMP. Across Canada, and to some extent across the border into the United States, the RCMP has strengthened its partnerships in combatting contraband tobacco, enabling it to share information and improve target identification. One such example is the Canada/U.S. Tobacco Diversion Workshop, which partners the Canada Revenue Agency, the U.S. Bureau of Alcohol, Tobacco and Firearms, the U.S. tobacco and taxation bureau, the Canada Border Services Agency, and the RCMP, to discuss various topics of common interest, best-case practices, and the overall effects this illicit market has on both sides of the border.

Other significant partnerships include the Cornwall Regional Task Force, launched two weeks ago, which brings together the RCMP, the OPP, the Cornwall Community Police Service, and the Ontario Ministry of Revenue; and the RCMP's involvement in Project Access, a joint task force led by the Sûreté du Québec to combat illicit activities, such as the manufacture and distribution of contraband tobacco. Impressively, between April 9 and April 21, 2010, the Cornwall Regional Task Force made 11 seizures and eight arrests. The RCMP also works closely with aboriginal police services in Ontario and Quebec, and our partnership has resulted in successful operations targeting the illegal tobacco market.

● (1540)

[Translation]

The RCMP's Strategy recognizes that enforcement alone is not sufficient to dismantle the contraband tobacco market. Raising education and awareness amongst the public is crucial to reducing consumer demand for illicit tobacco.

Working with partners, such as Crime Stoppers, the RCMP is also raising awareness in a number of provinces as to the consequences of purchasing and possessing contraband tobacco products.

[English]

The RCMP's efforts are only part of an overall Government of Canada strategy to reduce the illegal tobacco industry. The RCMP and the other agencies represented today are active participants within the Public Safety-led government task force on illicit tobacco products, which is mandated to provide the Minister of Public Safety with proposed concrete measures that will help disrupt and reduce the trade in tobacco.

As you can see from the number of agencies and departments invited here today, no single agency can tackle this issue alone. Cooperation amongst all agencies and with our American partners is essential to reduce the contraband tobacco market in Canada. The RCMP remains committed to addressing this serious form of organized criminality.

Thank you. We look forward to your questions.

The Chair: Thank you very much.

Without any hesitation, we'll go over to the official opposition and Mr. Holland, please.

Mr. Mark Holland (Ajax—Pickering, Lib.): Thank you very much, Mr. Chair, and thank you so much to the witness for appearing today on an issue that is of great frustration, not only because it's growing but because it's serving as a gateway for a lot of young people who wouldn't otherwise have access to tobacco.

In 2008, the RCMP reported that they had seized one million cartons of cigarettes, which would be about 200 million cigarettes. That was about 15% of the \$13 billion illegal cigarette trade in 2008. Do you have any updated figures since 2008?

C/Supt Joe Oliver: In terms of the volume seized?

Mr. Mark Holland: The volume seized versus the estimated size of the overall market...

● (1545)

C/Supt Joe Oliver: I don't have an estimated size of the overall market, but last year, in 2009, we seized 975,000 cartons of cigarettes. It's up slightly, 1%, from 2008.

Mr. Mark Holland: So seizure is up 1%.

C/Supt Joe Oliver: Yes.

Mr. Mark Holland: I read in an article recently that the RCMP believes it's catching about one in fifty criminals involved in the contraband trade. Is that an accurate figure the RCMP is estimating?

C/Supt Joe Oliver: That's not a figure I'm familiar with.

Mr. Mark Holland: Do you have a figure in that regard?

C/Supt Joe Oliver: No, I don't.

Mr. Mark Holland: If I could, I understand I can pose questions to the Canada Border Services Agency as well.

One of the areas that causes me some concern is obviously the border crossing at Cornwall and the ongoing situation with Akwesasne. Again, I'll look to the RCMP to verify this, but the RCMP estimates that at least 90% of the illegal tobacco that makes it into Canada is smuggled from the U.S. side of the Akwesasne reserve near Cornwall. Clearly, whether or not it's that order of magnitude or it's some other order, it is a large part of the problem.

One of the things that we've been hearing is that the border disruption at Cornwall and the temporary displacement of that border crossing has caused some problems, in a good way, for supply. I'm wondering if this isn't an opportunity to address that issue. It also gives me an opportunity to ask you what's going on there right now, because the community is in the dark in terms of what's happening with their crossing.

Could you give us (a) an update on what's happening with that border crossing, and (b), what specific plans you have in place to deal with an area that seems to be one of the largest parts of the problem?

Mr. Steve Sloan (Acting Director General, Post Border Programs Directorate, Programs Branch, Canada Border Services Agency): There are several questions there.

In relation to Cornwall, as you know, a number of options are being explored, and the agency is committed to finding a viable long-term solution. We remain committed to ongoing discussions with the stakeholders. Certainly maintaining the presence at Cornwall is one of the options.

In terms of describing that in more detail, I think the issues about the details on the options is really more a matter of advice to a minister.

Mr. Mark Holland: Sorry, I didn't catch it. There are options in terms of details...and then you dropped off.

Mr. Steve Sloan: Right. I don't think I can go into a lot of detail about the plans in terms of the Cornwall situation, other than to say we are exploring several options, one of which would include staying at the port of Cornwall.

Mr. Mark Holland: Okay, but perhaps in a broad sense, because people in Cornwall generally, and I think those interested in contraband tobacco specifically, are concerned that we don't have any timelines, that we don't know exactly what options are even being considered. There are huge economic impacts, obviously, to the municipality of Cornwall. We're going to hear today, I imagine, from a lot of stakeholders who have come forward with very specific proposals about things that could be done at that location to help this problem.

So can you talk to me specifically about how you're engaging the stakeholders, those who are in Cornwall, and more specifically those who are involved with contraband, and ensuring that their ideas are brought to the fore? How are you considering them? Lastly, when can we expect a decision on what's going to be happening with this border?

Mr. Steve Sloan: A task force has been set up. They're involved in discussions with a number of stakeholders, including the city council in Cornwall and the Mohawk community on the reserve. As I said, they're exploring a number of options. The options have been in the media. The options would include staying at the port of Cornwall, returning to the island, or considering moving to the U.S. side. A fourth option would be relocating altogether.

Mr. Mark Holland: When can we expect to have a determination of what direction the government is moving on this?

Mr. Steve Sloan: That I can't say. I know that in the short term the plan is to stay at the interim port in Cornwall. I don't think there are any plans, certainly in the short term, at least until the fall. There's no plan to change in the short term.

Mr. Mark Holland: I'll go back to the RCMP, if I could.

There have been no annual updates on the RCMP contraband strategy over the last two years. I'm just wondering why.

C/Supt Joe Oliver: Actually, it was posted on the web on Friday. It was distributed and I believe everybody has a copy. It's a first report. In fact, the statistics and some of the detail are in here up to October 2009.

•(1550)

Mr. Mark Holland: Is it normal that it would only be done every two years?

C/Supt Joe Oliver: No, this was essentially year one of execution. We are writing year two of execution now. And that will be the May 2009 issue, so it will take time to collect the data, formulate it into a report, have it edited, translated, and go through the approval process. It can take quite some time.

Mr. Mark Holland: I'll have to take a look at that. I'm sorry, that is the first I am aware of it—right now.

If the seizures are only up 1%, what are we doing wrong here? This is obviously growing in a huge way. If the seizures are up 1%, one would expect the overall market is up a lot more than 1%, so we're losing ground. In your opinion, what do we need to be doing differently?

C/Supt Joe Oliver: Actually, if I could turn to some of my colleagues, I think there are some positive indications that the market may be in a state of change.

The Chair: Go ahead.

Ms. Brenda Paine (Director, Office of Policy and Strategic Planning, Controlled Substances and Tobacco Directorate, Department of Health): Certainly, there are some indications that wholesale cigarette sales have actually been up for the legal sales of tobacco from last year. We don't know, it's only one point of reference we have, so we would have to monitor it over the next couple of years to see if that stays the same. It coincided with the move from the border that cigarette sales, legal ones, are up about 30-something percent for companies. We don't know if that is a long-term effect or whether there is simply a disruption, and once again that may be that the supply chains have moved around a bit. Also, we have one of the tobacco companies reporting wholesale profits up again for the first quarter, so in the legal market there is some movement back into it, but we don't know if that is a long-term impact or a short-term impact at this stage.

The Chair: Thank you very much.

Ms. Mourani.

[*Translation*]

Mrs. Maria Mourani: Thank you, Mr. Chair.

Thank you for being here today at the committee.

My question will be for Mr. Oliver and Mr. MacKillop.

I have read a lot of documents about this, I've met with people, and it seems that we are coming to a kind of consensus, that the biggest part of contraband tobacco trafficking is concentrated in about four or five reserves in Quebec and Ontario. It involves about 80 to 90% of the illegal market. I have been told of about 100 factories that don't even have licences.

I would like to know, in concrete terms, why you don't close those plants down. Why are factories that do not have licences allowed to keep blithely operating? How is it that laws that are enforced everywhere in Canada by convenience stores and other stores are not enforced on reserves? For example, an article in the *Journal de Montréal* says that a young teenager can go and buy flavoured cigarillos—products made for kids—when it is now illegal to sell them in convenience stores.

Are we living in a country with a double standard—when you live on a reserve, you do what you want, and the RCMP and the Department of Public Safety can't do anything, and when you live somewhere else in Canada, if you sell flavoured cigarillos to minors, you can be caught and punished?

[*English*]

C/Supt Joe Oliver: One point of clarification. I believe you indicated that there were 100 unlicensed factories. Our information indicates that it fluctuates constantly, and these could be small operations that could be mobile. But our indication and estimates are that there's about 50 in Canada. There is also the presence of manufacturing facilities in the United States, and that is smuggled from the United States into Canada across the border.

With respect to a double standard, I would not say there is a double standard. The RCMP enforcement priority is to target the highest levels in the organized crime groups. As I have mentioned already, there are 175 organized crime groups that are orchestrating and creating these networks. When it comes to targeting and enforcement operations, we put our effort where we think we are going to get the biggest bang for the buck and where we are going to have the greatest impact, and that is focusing on the larger groups that are overseeing the operations. It takes as much effort sometimes to target small operations as it does for a large organized crime operation. You require the same burden of proof, the same reasonable and probable grounds to execute search warrants, the same paperwork and process. So where we view our greatest bang for the buck is to target the criminal organizations that are orchestrating this.

When it comes to the manufacturers themselves, again it is the organized crime groups that we target and not necessarily the specific facility. The goal is to disrupt the criminal network; that will have an impact on the manufacturing operations as well.

•(1555)

[Translation]

Mrs. Maria Mourani: Unless I'm mistaken, tobacco factories have to have licences, both federal and provincial. If the plants don't have licences, they are illegal. How can the RCMP tell us not to take action against the factories? I have to admit I don't understand.

[English]

C/Supt Joe Oliver: There are a number of questions that have to be answered first. Do we have the intelligence and the location of the manufacturing facility, and enough to obtain a warrant to execute that?

Whenever we do a police operation, there are always officer safety and public safety considerations that are taken into account. Is there another way to achieve an objective without putting anybody at risk and creating a public safety situation?

[Translation]

Mrs. Maria Mourani: What do you mean by the term "public safety"? What are you afraid of? That the Mohawks will decide to blockade a bridge, or a road? Is that what you mean by public safety?

[English]

C/Supt Joe Oliver: Not speaking of any individuals, there are always considerations when police operations take place in areas that are politically sensitive. You may be familiar with what happened last week. There was a marine enforcement operation that occurred in the Cornwall region on the St. Lawrence River that actually resulted in a community confrontation with law enforcement authorities. So when developing police enforcement operations, we must always consider whether there is another way, without putting safety of individuals, not only police officers but the public, at risk. Can we achieve the enforcement outcome through a different enforcement effort?

[Translation]

Mrs. Maria Mourani: I understand what you mean.

Because you have answered nearly all my questions, Mr. Oliver, this next question will be for Mr. MacKillop.

When the Federal Tobacco Control Strategy was launched, Mr. Day, who was the minister at that time, announced a \$20 million investment over four years in addition to a Contraband Tobacco Enforcement Strategy.

There have been various cases heard between Her Majesty the Queen in right of Canada and two different companies: Imperial Tobacco Canada Ltd. and Rothmans, Benson & Hedges Inc., RBH, if I am not mistaken. For those two companies alone, there are some \$100 million should be used to combat contraband tobacco, if memory serves me. That is what it says here. So that money should be used to eliminate contraband. I am trying to assume that the \$20 million comes out of the \$100 million.

Why is the other \$80 million not being invested precisely to give the RCMP some extra resources so it can wage this war on contraband tobacco? Why, until now, has the Department of Public Security still not started a public awareness campaign about contraband? Because all the surveys show that...

[English]

The Chair: We have less than half a minute for the answer. Leave some time for the answer.

[Translation]

Mrs. Maria Mourani: Fine.

All the surveys show that people are not aware of this; they think contraband is normal.

Mr. Barry MacKillop: Thank you for your question, but I would like to make a clarification. It isn't the Minister of Public Security who made the announcement; it was the Minister of National Revenue at the time, Jean-Pierre Blackburn.

In terms of the details about the money for the cases you cited, I will let my colleague Pierre Bertrand reply to that.

In terms of the \$20 million, that was money from...

Mrs. Maria Mourani: The \$100 million?

Mr. Barry MacKillop: ...from the \$100 million allocated to fighting contraband.

For the rest, I will let Pierre reply.

Mr. Pierre Bertrand (Director General, Excise and GST/HST Ruling Directorate, Legislative Policy and Regulatory Affairs Branch, Canada Revenue Agency): Good afternoon, Ms. Mourani.

When we started negotiating an agreement with RBH and Imperial Tobacco Canada Ltd., one of the terms was that neither the companies nor the government would identify the amounts of money that were then paid under the agreements as money that was to be specifically allocated to fighting contraband.

The negotiations provided for the money to be divided among the provinces, first. Second, it was put into the government's consolidated fund so the government could decide what it would be spent on.

•(1600)

[English]

The Chair: Thank you very much.

Mr. Davies, please.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chairman, and thanks to the witnesses for coming here today.

I'm reading from the executive summary of your report. It says:

In May of 2008, the Minister of Public Safety launched the RCMP's Contraband Tobacco Enforcement Strategy, which set out eight priorities for its objective of reducing the availability of, and decreasing the demand for, contraband tobacco nationwide....

I don't know who wants to answer this. Would anybody here tell me if they think that objective has been met?

C/Supt Joe Oliver: The strategy is a multi-year strategy, and I think it would be premature for us to estimate whether or not we've met that objective. I think we're having an impact, but I would say that we have not achieved that outcome at this point. We're hoping to track the data, to monitor our enforcement actions, to monitor our demand reduction efforts to see whether or not we're having an impact.

Mr. Don Davies: Let me break that down. Would you say, two years later, approaching May 2010, that the availability of contraband tobacco is down or up?

C/Supt Joe Oliver: I don't have any precise information on it, but I think we're still at around the same level.

Mr. Don Davies: Okay, and would you say that you've decreased the demand for contraband tobacco in those two years? Not you, but has it been decreased, would you say?

C/Supt Joe Oliver: Well, I wouldn't say that the RCMP strategy alone.... The sense I'm getting, based on what I've heard from my colleagues, is that there may be a shift in the market; that if there's no greater number of smokers but there are increased sales, then it would appear that the market is changing.

Mr. Don Davies: Again, in reading your report, I'm a little unclear about this. You say, "Overall, these efforts have achieved significant success in disrupting illegal tobacco-related activity." But I read at page 2, in the second paragraph, and when I listened to your remarks today you said, that "the availability of contraband is at a historical high". I'm wondering how we square those things. If you're achieving significant success in disrupting that activity, how is it that we have the availability of contraband at a historical high?

C/Supt Joe Oliver: Well, compared with the early 1990s, I think it is the highest level we've seen of contraband, and our seizure rates are at record levels as well. In the 1990s, at the time when it was seen to be epidemic—and that was at the time—I think we seized around 450,000 cartons of cigarettes.

Mr. Don Davies: I understand the numbers. I'm just wondering how we square those two things. If contraband is at a historical high, I don't know how we can get success out of that situation.

C/Supt Joe Oliver: I think the fact that we've disrupted 25 organized crime groups is a bit of an achievement.

Mr. Don Davies: Okay.

I'm quoting from former minister, Stockwell Day, who said in May 2008, "...we're going to get very serious about the manufacture, distribution, and the sale of these cigarettes."

We've heard your own figures that you estimate approximately 50 factories manufacture illegal cigarettes. How many of those illegal factories have been shut down in the past two years?

C/Supt Joe Oliver: None. We've attacked the organized crime groups, as I mentioned.

Mr. Don Davies: None have been?

C/Supt Joe Oliver: None.

Mr. Don Davies: Does the government have a plan that you can share with us that would make some sense of Minister Day's statement that "we're going to get very serious about the manufacture" by these factories? Is there anything in the works to deal with those factories?

C/Supt Joe Oliver: As I mentioned, the RCMP is targeting organized crime groups that are involved in the manufacturing of tobacco products. We continue to do that. We continue to partner with aboriginal communities in trying to eliminate organized crime in those communities.

I can turn to my colleague at Public Safety to talk about the work that is under way in terms of the task force.

Mr. Don Davies: Okay. Do you know where any of these factories are?

C/Supt Joe Oliver: Do you mean precisely where they are?

Mr. Don Davies: Precisely or any other way, do you know where they are?

C/Supt Joe Oliver: We have an idea where their factories are located, yes.

Mr. Don Davies: You do? Do you know specifically where one factory is?

C/Supt Joe Oliver: I do not specifically know, but I'm sure our—

Mr. Don Davies: Does the force know?

C/Supt Joe Oliver: Yes, I'm sure there are elements in the RCMP that do know.

Mr. Don Davies: Okay. Well, if they know where the factories are and we know they're illegal—because you're saying there are 50 illegal manufacturing facilities—and we know there's a political promise two years ago that they're going to get serious about the manufacturing, can you explain to our committee why not one has been shut down?

• (1605)

C/Supt Joe Oliver: I can't go into the circumstances as to precisely why none, but some of the conditions are that we would require the intelligence precisely that would convince a judge to issue a warrant in those cases; secondly, as I mentioned, when it comes to enforcement operations, we have to be mindful of the impact our actions would have in terms of public and officer safety.

Mr. Don Davies: Right.

Now we know that the most important source of contraband is on the U.S. side of Akwesasne. Can any of you tell us, if you know, what the Canadian government has done to insist that the U.S. government take action to deal with illegal factories? I'm thinking that surely, if the shoe were on the other foot and illegal cigarettes were flooding the American market, undermining their public health and public health programs and costing them billions of dollars of lost tax revenue, the United States would insist that Canada take action.

Can anybody tell us what the Canadian government has done to get the U.S. government to act on this issue?

Mr. Barry MacKillop: Certainly from the task force perspective, we've met several times with our colleagues and members from the U.S., particularly with the ATF, which combats tobacco and contraband tobacco issues in the U.S. As well, we have several bilateral relationships with the U.S., as probably every agency here has, and contraband tobacco is often on the agenda when they have discussions. We also have the Canada-United States cross-border crime forum that meets, as well as the mini-crime forum. The crime forum itself is ministerial, and tobacco and contraband tobacco are on the agenda there. So there are ongoing discussions.

Recently the U.S. licensed and brought one of the main manufacturers on the U.S. side into the legitimate fold, I guess. I think some discussions we've had and some of the work we've done with the U.S., either bilaterally or multilaterally, has in fact paid off, and we continue to discuss and move forward with them.

Mr. Don Davies: Maybe just staying with you, Mr. MacKillop, if those efforts are paying off, do you have any explanation for why contraband tobacco in our country seems to be at a historical high?

Mr. Barry MacKillop: I think contraband tobacco is essentially a commodity like many other commodities that organized crime will exploit. If they can find smokers, if they can find consumers to buy it, then they will exploit that. As we increase our disruptive efforts and increase our awareness on the intervention/prevention side, the likelihood of organized crime stopping all their activities because it's linked to one issue is small. They will move on to a different commodity.

Contraband tobacco has been lucrative for them, but I think we've seen some results. Some of the results Brenda mentioned we're seeing would suggest that perhaps it's becoming less and less lucrative for them. I think we're having an impact, but organized crime is deeply rooted in this issue, and at this point it's a commodity they can find users and consumers for.

The Chair: Thank you very much.

Mr. Norlock, please.

Mr. Rick Norlock (Northumberland—Quinte West, CPC): Thank you very much.

And thank you to the witnesses for attending.

The next couple of questions will be for Ms. Paine. Alluding to some changes in statistical data with regard to smoking, I wonder if you could give us specific changes, if any, of smoking rates, and in particular smoking rates amongst younger Canadians—if they've come down, if they're up, if they're the same.

Ms. Brenda Paine: In the regular population...?

Mr. Rick Norlock: Adults and then young people.

Ms. Brenda Paine: Smoking rates in the adult population are actually down. Based on our Canadian tobacco use monitoring survey, it's at 18% of the Canadian population, which is just under five million who are smoking now. In the 15- to 17-year-olds, about 10% of the population are smoking. I don't know what that would be in exact numbers.

We have been asking about contraband as well, about whether they have or have not used it in the past year. People are reporting using contraband cigarettes, discount cigarettes, premium brand cigarettes, and they flip back and forth sometimes. About a million of the five million adult smokers have used contraband cigarettes at some point in time in the past year.

That's where, from a public health point of view, we do have a big concern. Price matters on these products, so the lower-priced cigarettes that people can find in the market are going to be more attractive.

About 10% of youth, 15 to 17, smoke, so it's about 30,000 who have reported using contraband.

• (1610)

Mr. Rick Norlock: I'd like to now bring your attention to Bill C-32 on flavoured tobacco. We know the market that was targeted for that. Maybe you could make a comment on why tobacco companies or manufacturers would produce these products. If you wouldn't mind talking about Bill C-32 from your perspective, what are its goals? Its intent, of course, is to make flavoured tobacco less attractive to our most vulnerable, and you did allude to price. If you wouldn't mind making some comments in that area, I think the folks at home would appreciate that.

Ms. Brenda Paine: Certainly.

There are three aspects to Bill C-32. The easiest one I'll point to is advertising in weekly and daily publications that youth could pick up at the vending boxes on street corners. Advertising in all Canadian publications for tobacco is now banned. That's the easy step.

The second one was to remove the flavours from the little cigars that were being sold on the market. These are products that were being sold as single-sale product in flavours of blueberry, vanilla, and such. We had seen a huge increase in the sales of those, from a few million to about four million and something a couple of years later, and we know that youth were accessing them because of the statistics we were doing through the surveys as well. So removing those was a second step.

But it was also to package any products that were remaining on the market in 20s, so that if there was a small product that looked like a cigarette, it was packaged the same way we package regular cigarettes, in packages of 20 or 25. Again, for youth we know that price matters. They can't go in and buy something that's a dollar; they'd have to spend five or ten dollars, as they would for a package of cigarettes. This puts the product a little bit out of the price range for them.

Those are the benefits, we thought, of Bill C-32.

Mr. Rick Norlock: Would I be correct in saying that the reason manufacturers would be putting those flavours in cigarettes is basically to get the kids hooked on tobacco so that they would migrate—or graduate, I guess, since we're talking about young people—to the bigger tobacco products, in other words to regular cigarettes and those types of product?

Ms. Brenda Paine: You're absolutely correct. The flavours mask the taste of the nicotine and the taste of cigarette, so whether or not they go on to other cigarettes or other products, it's the nicotine that is still hooking them in the little cigarette or the little cigar and moving them to want to continue nicotine.

Without these, they could look for other cigarette products, but it's better to get them off the market so that they don't get hooked. We know that if you try a cigarette when you are under the age of 20 and experiment with it, the chances are you will go on to be a smoker at some point in time, but if we can delay youth from smoking until they're about 20 or 21, they may experiment, but the chances of their becoming life-long smokers.... It just doesn't happen.

Mr. Rick Norlock: Thank you very much.

The next question is to Mr. Bertrand, with regard to the new stamp on products. I wonder if you could comment on why we would go to a new stamp. Have there been any studies with regard to the new stamp being successful in its ability to track illegal...? I believe there was some counterfeiting going on, etc.

Could you talk about that, please?

Mr. Pierre Bertrand: Yes, I can. Thank you for the question.

The main reason for the new stamp—and as you are probably aware, the legislation to implement the new stamp is before the House right now, as part of the budget implementation act, C-9—was clearly to deal with the counterfeit that we're seeing coming in from the outside.

The current regime deals with tear tape. This is a sheet of tear tape, with different colours to match with the different provinces. The tear tape says, on the yellow one, "Droit Acquitté—Ontario—Canada Duty Paid". This tear tape is available to whoever wants to produce it. There are no security features. It's very easy for an illegal manufacturer to avail itself of this.

The reason we're going to the stamp—and what I have here is a bigger version of what is not quite that big—is that it has a number of overt and covert security features. We've done a number of studies. We've done a lot of research before adapting this and going through a request for proposal to give out a contract, which has been given out to Canadian Bank Note in partnership with SICPA, which is a Swiss company that specializes in invisible ink and also specializes in a number of projects around the world with a similar stamp. Their stamps have never been counterfeited. There's a sequential number on it. Each pack will have its sequential number, which allows us to know where the product comes from, if it's seized outside its jurisdiction.

In terms of benefit, clearly there's a CRA or a government benefit in getting the stamp. CRA is going to have an order desk. We're going to be looking at an accountability regime for the stamp linked

to the production of each company or importer, linked to the duties they pay, and with all of this will be making a decision as to whether we allow the provider of the stamps to release them to the manufacturers or not.

Thank you.

• (1615)

Mr. Rick Norlock: Thank you.

The Chair: Thank you.

Mr. Kania, please go ahead.

Mr. Andrew Kania (Brampton West, Lib.): Thank you for being here today.

This report from the RCMP says "until May 2009". When was it finalized, first of all?

C/Supt Joe Oliver: We had an initial version where we found errors with our statistics. That was in December. We had to have it reproduced, re-edited, and republished. I think it was finalized in January sometime, and then it had to go to translation. So it's been a while in the making.

Mr. Andrew Kania: You're saying this report was essentially finalized within the last month or so.

C/Supt Joe Oliver: Yes, it was within the last month or last two months. Then it went through the approval process as to what our strategy was to release it.

Mr. Andrew Kania: Okay. Obviously if it was until May 2009, the information is from last summer.

C/Supt Joe Oliver: Well, actually that's another anomaly. If you look, for instance, on page—

Mr. Andrew Kania: I know you mentioned October statistics.

C/Supt Joe Oliver: On page 9, there's a reference to an estimated 800,000 cartons of cigarettes seized from January to October 2009.

Mr. Andrew Kania: That's fine. When did the government or the minister first see this draft of the report?

C/Supt Joe Oliver: I think we sent the draft in December, but we had to recall it because of the statistical gap we found.

Mr. Andrew Kania: Did the minister or the assistant, or anybody from the department, have any input in writing this report?

C/Supt Joe Oliver: No, this was an RCMP written report.

Mr. Andrew Kania: Okay.

In terms of what's in this report, what steps have been taken since this initial information last summer to advance the strategy?

C/Supt Joe Oliver: Well, the strategy is continuing, as I mentioned. We do have coordinators in each of the regions, and they are implementing the various levels of the strategy.

There were 29 or so initiatives. Some initiatives apply more in some areas than others—for instance, when we talk about surge operations in high-risk areas, in the Cornwall area, for example, that's an example of the type of activity we're undertaking.

Mr. Andrew Kania: I do want to ask about Cornwall in particular.

This is not a partisan issue. We all agree it needs to be stopped, for whatever reason, but we agree it needs to be stopped.

My understanding is that 90% of the problem—something very large—for all of Canada comes through Cornwall. Is that accurate?

C/Supt Joe Oliver: I think that used to be the position. That fluctuates now with the fact that we have manufacturers in Canada as well. Historically, Cornwall has been a significant majority.

I don't know where the number 90% came from, but it has been a number that's been kicked around. I wouldn't say it's 90%, but I would say it's a significant majority.

Mr. Andrew Kania: Okay, so it's very high.

C/Supt Joe Oliver: Yes.

Mr. Andrew Kania: If we can solve the Cornwall problem, can we make a serious dent for Canada?

C/Supt Joe Oliver: Well, this is where the strategy has to be multi-layered. What we've seen in the past is displacement to other markets. Cornwall would be one area we'd have to focus on, and we would then have to focus efforts on the organized crime groups that are manufacturing in Canada.

Mr. Andrew Kania: That's fine.

The border posting has been moved off the island into Canada—

C/Supt Joe Oliver: Yes.

Mr. Andrew Kania: —but I understand it's temporary. Has the movement of the border post off the island back into Canada assisted in the enforcement, in essence helped in terms of fighting the illicit trade?

•(1620)

C/Supt Joe Oliver: In the past what was happening is that the contraband would be smuggled across the river to the island and then driven off the island. With the placement of the port of entry there was an adjustment in the market, and for a period of time—a couple of months—we saw that evolving. Prices for contraband went up, which reduces the profit availability for organized crime. So there was an impact.

Since then, there's been some displacement of activity to the east—all by river—from the U.S. side directly into Canada towards the Valleyfield area.

Mr. Andrew Kania: Would you agree with me that this border post should not be moved back onto the island and that for enforcement purposes it should stay right where it is?

C/Supt Joe Oliver: I couldn't agree, because I don't have all of those facts as to whether—

Mr. Andrew Kania: Based on the facts that you're aware of.

C/Supt Joe Oliver: I could say that due to the fact that we are working very closely with CBSA and the other partners in the area—we've also deployed new technologies to monitor river traffic—the regional task forces all have an impact.

Mr. Andrew Kania: Do you see any reason to move it back?

C/Supt Joe Oliver: I haven't studied the issue enough to make a value judgment.

Mr. Andrew Kania: But based on the information you currently have?

The Chair: We will have to wrap it up there. I'm sorry.

Mr. McColeman, please.

Mr. Phil McColeman (Brant, CPC): Thank you for coming today and giving us some of the background here and your expertise on this.

I really would like to ask a couple of questions relating to the revenue side of this equation. I suppose the first question is a lead-in to the revenue side. Are you aware in your investigations of what I will call “hybrid operators”? They would be people who have a legal licence and the tools to manufacture cigarettes, and perhaps 60% of their cigarettes are manufactured legally, but maybe another 40% go out the back door as cash business.

Are you aware of that, Mr. Oliver?

C/Supt Joe Oliver: Oh, I'm sorry, I missed the question.

Mr. Phil McColeman: In your enforcement and other activities, are you aware of manufacturers who are operating legally, because they have all the licences and they submit revenue to the Canada Revenue Agency, etc., but a percentage of their business is actually in cash, beyond their legal manufacturing?

C/Supt Joe Oliver: I personally don't have that information.

Mr. Phil McColeman: Do you know if your investigators follow that trend anywhere in the country?

C/Supt Joe Oliver: What we are mostly seeing is illicit manufacturing and product that is smuggled into Canada.

Mr. Phil McColeman: So it's purely illicit operators?

C/Supt Joe Oliver: Yes.

We have in the past targeted operations, with the support of the Canada Revenue Agency, at licensed manufacturers who run six or eight hours of legitimate operations and then do nighttime operations. Those manufacturers were disrupted in the past.

Mr. Phil McColeman: Okay, so I suppose the question should really have been posed to the revenue guys.

Do you monitor that situation very closely?

Mr. Pierre Bertrand: We do monitor it very closely. From a compliance perspective, we do audit our licensees. We currently have 33 licensees across the country. We do a full audit of them every year, and we also have regulatory reviews, meaning that we visit them a number of times. You can be there every day for a number of issues, verifying inventory or sealing a load that needs to be exported. We are there constantly. Certainly our audit results have not suggested that 40% of it is cash business. Our audits certainly include an analysis of all the inputs that are bought, in terms of manufacturing the final product. We don't see that diversion.

Mr. Phil McColeman: Having said that, I think it's easy to envisage how all of it could be a cash business: you pay cash for your inputs and you receive cash when the cigarettes go out the back door.

I'm glad you've shared the monitoring side of that.

On the revenue side, have you seen any measurable increases or decreases in revenue on tobacco sales over the last number of years?

Mr. Pierre Bertrand: We have some numbers here. If you look at 2007-08, I think the total revenue collected by CBSA and CRA together was in the area of \$2.7 billion. For 2008-09, it was \$2.5 billion. But we also have anecdotal evidence. If you recall, in August 2008, there was a tobacco buyout program by Agriculture Canada, which ended a lot of the quota systems that existed at the time. They put in a new licensing regime for tobacco growers in Ontario, because tobacco growers are concentrated in Ontario.

• (1625)

Mr. Phil McColeman: I'm very familiar with that. They're in my riding.

Mr. Pierre Bertrand: Oh, okay. The regime now, as I understand it, is such that to get a quota or a licence to grow tobacco, you need to go to this organization or licensing group and show that you have contracts with legitimate tobacco producers.

We have been told anecdotally that this particular initiative has meant that legal sales of tobacco have increased significantly, coupled with the border issues and the Americans raising their taxes, which provides an additional opportunity for organized crime to make more money. As long as the gap gets bigger, it's a bigger opportunity for them. So we've been told by specific manufacturers that their revenues are up significantly. Philip Morris issued a report last week, I believe, that their sales last year went up 10%.

So there is some encouraging anecdotal evidence that we see, in terms of revenues.

The Chair: We'll have to wrap it up.

Mr. Phil McColeman: I have one last question.

The Chair: Okay, be very quick.

Mr. Phil McColeman: Would you expect then to see the revenue at your agency increase as a result of that?

Mr. Pierre Bertrand: It depends. If smoking continues to go down, the revenues will not increase, but if smoking remains the same, and if the measures to fight contraband tobacco are such that whoever is buying contraband tobacco does not stop smoking but shifts to a legal product, perhaps our revenues could increase. But those analyses will be done in the future.

Mr. Phil McColeman: Thank you.

The Chair: Thank you.

We only have two minutes left.

Ms. Mourani, do you want to use that time to ask some questions?

[*Translation*]

Mrs. Maria Mourani: Yes.

[*English*]

The Chair: Okay, you can for just a couple of minutes.

[*Translation*]

Mrs. Maria Mourani: I have three little questions, one of which is for the representative of the Department of Public Security. When are you going to start a public awareness campaign about contraband tobacco?

I have two other little questions for Mr. Bertrand. First, do you think that lowering taxes might help to reduce contraband, as some people seem to be saying? Second, why continue to tolerate the sale of raw materials like filters, chopped tobacco or paper to factories that do not have licences, illegal factories?

Mr. Barry MacKillop: In terms of an awareness campaign, it would probably not be the Department of Public Security that would carry out the campaign. We work closely with our partners in the task force to find options and opportunities and decide when we might move forward on that. In fact, the need to raise public awareness about the connections between contraband tobacco and organized crime is certainly something we should move forward on. We are currently working with our partners to identify opportunities for starting a project on that.

Mr. Pierre Bertrand: I would like to pursue the point raised by my colleague. You will recall that the former Minister of Revenue, Mr. Blackburn, issued a media release saying there would be an awareness campaign.

Mrs. Maria Mourani: Yes, in April 2009.

Mr. Pierre Bertrand: You are well informed, madam. In fact, the agency is currently working on it. We are in discussions with other partners regarding the scope of the campaign.

I'm sorry, I have forgotten your second question.

Mrs. Maria Mourani: Would reducing taxes have an influence on contraband and raw materials? Why do they continue to be sold to illegal factories?

[*English*]

The Chair: Make it a quick response.

[Translation]

Mr. Pierre Bertrand: Raising or lowering taxes is up to the Department of Finance. It might be able to give you information about that. I have no idea what impact it might have.

In reply to your third question about what are called inputs, there are several analyses, some of which were done by the World Health Organization, to develop a protocol on illicit trade in tobacco. The conclusions are that other than leaf tobacco there are no inputs, no precursors, that are unique to tobacco manufacturing. It would be very difficult to have measures that would make it so that only licensed tobacco manufacturers could get them.

• (1630)

[English]

The Chair: Thank you very much. We appreciate that you came here before the committee.

We're going to suspend for just a few seconds and call our other witnesses up for the second part of our meeting.

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_____ (Pause) _____

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The Chair: I'd like to reconvene this meeting. If you have any conversations, please take them outside so that we will not be disrupted here.

I'd like to welcome, from the Canadian Cancer Society, Mr. Rob Cunningham; from the Non-Smokers' Rights Association, Mr. François Damphousse; and from the National Coalition Against Contraband Tobacco, Monsieur Jean-Pierre Fortin and Mr. Dave Bryans.

Welcome, gentlemen. Do you have a specific order in which you want to present, or have you decided among yourselves how to handle the presentations?

Mr. Bryans, are you going to go first?

• (1635)

Mr. Dave Bryans (President, Canadian Convenience Stores Association, National Coalition Against Contraband Tobacco): I'll go first.

The Chair: I didn't do much of an introduction, so if each one of you wants to explain, as you present, who you are and your position, that would be appreciated.

Mr. Dave Bryans: Good afternoon, everyone. My name is Dave Bryans. I'm the president of the Canadian Convenience Stores Association and a founding member of the National Coalition Against Contraband Tobacco.

I will speak first, and my colleague from the Customs and Immigration Union will speak next.

Our organization represents 14 business and civil society groups that came together to urge action by government to end the scourge of contraband tobacco. In addition to the CCSA, our membership includes the Canadian Chamber of Commerce; the Customs and Immigration Union, whom I'm pleased to be here with; the Canadian Taxpayers Federation; the Ontario Flue-Cured Tobacco Growers' Marketing Board; the Frontier Duty Free Association; Toronto

Crime Stoppers; the Canadian Tobacco Manufacturers' Council; the National Citizens Coalition; the CPQ in Quebec; the National Convenience Stores Distributors Association; la Fédération des chambres de commerce du Québec; l'Association des marchands dépanneurs et épiciers; and the Retail Council of Canada.

The contraband tobacco problem in Canada is endemic in Ontario and Quebec. It is spreading in the Atlantic provinces and is slowly now reaching out to western Canada. In 2008, the last year for which we have reliable statistics, 48.6% of all cigarettes purchased in Ontario were contraband. In Quebec, the number is 40%, and in the Atlantic provinces it is 9.7%. Canada-wide, contraband tobacco averages 32.7% of cigarettes purchased, representing a 98% increase since 2006.

Contraband was found at every schoolyard examined in our butt study last summer, with some schools, such as Pickering High School, showing 41% illegal tobacco; St. Mary's in Woodstock, 34%; and Huron Heights in Newmarket, 50%.

Analysis of StatsCan data has shown that tobacco use among young people has plateaued in central Canada, likely due to the ready access to cheap, illegal cigarettes, which is undermining public health efforts.

The RCMP has told you and has told us that 90% of contraband tobacco available is illegally manufactured in the United States and then smuggled into Canada. We also know that the products entering Canada largely come across the St. Lawrence River, mostly between Kingston and Montreal. The epicentre is around Cornwall, Cornwall Island, and the Akwesasne Mohawk territory.

The RCMP has told us that over 100—today it was even more—organized crime groups are currently engaged in the contraband tobacco trade in Canada. We know that smugglers do not operate only in one direction and only with one product. We know that smugglers are moving drugs, arms, cash, and people over the border illegally when they move tobacco.

The sheer scale of the lawlessness is almost unimaginable today. If there is one thing members of the committee can take from our session here today, it is the location of the port of entry at Cornwall. It is imperative that the port of entry remain on the north bank of the St. Lawrence River, as it has made it much more difficult for the smugglers to transport contraband into Canada. Moving the port of entry back to Cornwall Island or onto the south bank of the St. Lawrence will return the situation to the one we had last spring, when contraband was flooding into Canada.

I look forward to your questions later on. I now turn it over to my colleague, Jean-Pierre Fortin, of the Customs and Immigration Union.

Mr. Jean-Pierre Fortin (First Vice-President, Customs and Immigration Union, National Coalition Against Contraband Tobacco): Thank you very much.

Good afternoon, Mr. Chairman and members of the committee. My name is Jean-Pierre Fortin, and I am the acting national president of the Customs and Immigration Union, which represents front-line officers of the Canada Border Services Agency. So that you are clear, our members include the officers assigned to work at all ports of entry into Canada, as well as immigration screening and enforcement officers, and intelligence and enforcement officers for all the customs, immigration, and food inspection functions of CBSA.

My duties include work on a number of areas, including the issue of counterfeit cigarette smuggling, because it involves illegal cross-border activity. This is especially relevant for us because it highlights a security vulnerability for which we have been seeking action for a number of years, namely, the absence of a joint force and intelligence-led mobile border patrol in Canada.

Most Canadians, we suspect, would be surprised to know that we lack an effective capacity to detect and interdict people and what they are bringing into Canada if they enter illegally between designated ports of entry. Whether they are entering in one of the more than 200 unguarded roads in the Maritimes, Quebec, or the Prairies, or across the vast marine environment of the St. Lawrence and Great Lakes, or inland lakes that straddle our border with the U.S., Canada has a continuing border vulnerability that must be addressed.

Today's hearing is focused on the illegal cigarette trade and the harm it causes to Canadians. There is no question that this illegal activity includes the movement of these harmful goods across the border, and that our lack of mobile Canadian border patrol and interdiction capacity contributes to that problem. Let me also add that this vulnerability extends beyond the smuggling of illegal cigarettes into Canada. We know from Canadian and U.S. intelligence reports that this illegal cross-border movement includes the southbound and the northbound flow of counterfeit goods, drugs, guns, and people. Toronto police reported, for example, that at least 50% of the guns used in crimes in that city have been smuggled from the U.S.

It was this committee as well that produced the admission from RCMP Commissioner Elliott in 2007 that the enforcement surveillance on the St. Lawrence and Great Lakes was, to use his word, inadequate. As one senior police official put it, what gets through the border ends up on our streets and in our communities within Canada.

This government made some significant improvements to border security, but despite this, and for reasons we hope you will pursue, Canada still lacks this necessary patrol and interdiction capacity.

Thank you for your consideration of these issues. I'll be pleased to try to answer any questions you may have.

• (1640)

The Chair: Thank you very much.

Monsieur Damphousse.

[Translation]

Mr. François Damphousse (Director, Non-Smokers' Rights Association): My name is François Damphousse. Since 1995, I have been the Director of the Quebec office of the Non-Smokers' Rights

Association. I would like to address a few points and then give the floor to my colleague Rob Cunningham from the Canadian Cancer Society. He is going to talk to you about the measures we would like to recommend for controlling the problem.

First, the main reason the health insurance community is interested in eliminating tobacco smuggling is that taxation is the most effective way to reduce smoking. In the file that was distributed to you, the first document is entitled "A National Strategy to Reduce Tobacco Use in Canada". Section 5.3 talks about priorities for action to reduce tobacco use in Canada. In the first section, which deals with policy and legislation, the first point is taxation. That is how important this measure for combating tobacco use in Canada is.

It is of great importance that reducing taxes not be used as a measure to control contraband. I would invite you to look at the document entitled "Canadian Tobacco Use Monitoring Survey". At page 3, there is a graph on the prevalence of smoking in Canada from 1985 to 2008. The blue columns, which represent the group aged 15 to 19, show that from 1985 to 1991, smoking declined. However, in 1994, when taxes were reduced at the federal level and in some provinces, tobacco use among young people aged 14 to 19 rose gradually until 1997-1998, the year when the federal Tobacco Act came into force. That was when taxes started being gradually increased.

If you continue reading the graph, you see that it a plateau was reached in 2005-2006. This shows that smuggling started up again in Canada. It is of great importance that the federal government not reduce taxes. That would be catastrophic, particularly for the most vulnerable group, our young people. We believe the government should continue its current strategy, which is to implement policies to control contraband tobacco.

In fact, as the group before us said, there are indications that contraband is starting to decline in Canada. In the Quebec government's last budget, it said that revenue from tobacco taxes rose by \$65 million over the previous year. That increase in revenue is attributed to measures taken to combat contraband. Even the tobacco companies, including Philip Morris International, which recently purchased Rothmans, Benson & Hedges Inc. in Canada, in its last annual report, noted an increase of 3 or 4% in legal tobacco sales. There again, the increase is attributed to stronger measures being implemented by the government. That is why we strongly recommend that you continue down this road.

That being said, in 2008 the RCMP's Contraband Tobacco Enforcement Strategy was announced, but as well, a task force was set up to make recommendations for controlling the problem better. We have been waiting for the recommendations for two years but we still have no news. We are anxious for this task force to submit its recommendations. We have met with several people from the federal government, but we have been given no information about this. This situation requires your attention. This is a serious public health problem. We are anxious to see these measures announced.

Reference was made to \$20 million. Ms. Mourani asked a question about this. In 2008, the government announced an investment of \$20 million over four years to combat contraband. For a problem that costs both the federal and provincial governments billions of dollars, we think \$5 million to combat contraband is not a large amount.

I would like to come back to what Mr. Bertrand said about agreements between the governments and the three Canadian tobacco companies relating to their role in contraband during the 1990s. In those agreements there is a protocol at the end that specifies that \$50 million should be allocated to help the federal government fight contraband.

● (1645)

That is stated in the agreement with Imperial Tobacco and Rothmans, Benson & Hedges Inc. For reasons we are unaware of, there was no figure stated in the last agreement with JTI-Macdonald Corp, which has just been signed. We can assume that more than \$100 million should be allocated to fighting contraband. That would be a great help in implementing the task force measures, which we are waiting for.

What are they waiting for, to use that money? We think the \$20 million is really not adequate.

Thank you. I will now give my colleague the floor.

Mr. Rob Cunningham (Senior Policy Analyst, Canadian Cancer Society): Thank you.

My name is Rob Cunningham. I am a lawyer and senior policy analyst with the Canadian Cancer Society.

[English]

In my testimony today, I'd like to make four key points.

First, there is our disappointment regarding the absence of implementation of new federal action measures—including over the past two years—despite intense urgency and an announcement to do so in May 2008.

Then, with respect to priority recommendations, our second point is that the border post near Cornwall should not be moved back to where it was. The change has made a difference.

Third, the federal government must actively press the American government to shut down the illegal factories on the U.S. side of Akwesasne, the major contraband source.

Fourth, the federal government must take action on the unlicensed illegal manufacturing on three Canadian reserves, specifically

through better control of the supply of raw materials to these unlicensed manufacturers.

Before continuing, I would like to acknowledge the excellent work done everyday by front-line enforcement officials and others at the departmental level. Without these efforts, things would be far worse.

I would also like to acknowledge that in Bill C-9 the federal government has brought forward—albeit with some delay—the new measures for an enhanced stamp, and we support that.

So with respect to our disappointment, of course, for us it's a public health issue. I have more than 300 studies and reports about the impact of higher prices and taxes on reducing consumption. This was tabled with the House of Commons Standing Committee on Finance.

This is our submission to you today. I invite you to turn to tab one. You see how Ontario, Quebec, and New Brunswick have the lowest tobacco taxes in Canada of all provinces, but the highest rate of contraband. This visually demonstrates that higher taxes are not the cause of the problem, but instead it's the proximity to the source of illegal supply. Other provinces have been able to maintain much higher rates of tobacco taxes.

In our materials we have a series of recommendations that we have made for many years about available remedies that have not been implemented and that do not require on-reserve enforcement.

We also have a tab for the motion adopted unanimously by the House of Commons a year ago, urging action on contraband. So we have a context where there's all-party support for action. We do need a comprehensive strategy. A task force was announced in May 2008 to come up with specific concrete action measures. That is our disappointment, that nothing has been implemented as a result of that initiative.

With respect to the border post, I invite you to turn to tab two, where you see a map. The reserve straddles the Ontario and Quebec borders and the U.S. border in New York state. The red dot on the yellow Cornwall Island shows where their border post used to be. It was the case that smugglers would simply just drive around the border post and come into Canada. Moving the border post into Cornwall, on the other side of the bridge, has become a choke-point to block that mechanism off, and that's why we've seen the progress.

At tab four, for further study, you have examples from the Quebec, Nova Scotia, and New Brunswick governments. Phillip Morris International says revenues were up, tax paid sales are up, after this border post was moved.

One question that we don't have an answer to is the establishment of a fast-track lane at this border post. Is that going to create a new problem? That's been a recent development and we don't have the answer to that.

Our second priority recommendation is to press the U.S. government. We believe this has to be done at the ministerial level, at the political level, by the Minister of Public Safety, with his counterpart, the U.S. Attorney General, who has responsibility for the Bureau of Alcohol, Tobacco, and Firearms. They have the legal instruments available.

What needs to be done is a political decision to put enforcement resources in this part of upstate New York. It's our recommendation that we are not going to have action unless we make it a priority in our bilateral meetings, and until the then, the United States government will not make it a priority.

Finally, with respect to unlicensed manufacturing, the number has grown to 50 in Canada, and that's of concern. What do we do about it? We need a strategy, and our recommendation is that we have to control—one way or another—the supply of raw materials.

We recognize it's sensitive to go on reserve for enforcement. We're not recommending that, but if you can prohibit it, either through charges for aiding and abetting the supply of leaf tobacco to these unlicensed factories, or supplying cigarette filters or other materials, or amending the legislation to make it easier for enforcement authorities to do exactly this, to intercept it before it gets on reserve, that is a strategy that we recommend as part of a comprehensive strategy.

• (1650)

Other recommendations are in our materials.

Thank you very much for the opportunity to testify. We look forward to your questions.

The Chair: Thank you very much.

Committee, I have decided to give everybody six minutes, if that's okay, just to provide fairness so that every party gets at least one turn.

Who would like to go first?

Mr. Wrzesnewskyj, go ahead.

Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.): Thank you, Chair.

Most of my questions actually would have been better put to Superintendent Oliver, who was here from the RCMP. Unfortunately, we ran out of time. But perhaps someone from the coalition could provide some guidance on these questions.

How close is the cooperation between the RCMP and U.S. agencies? Are you aware of daily communications, or have they had joint operations? Do they have ongoing coordinated operations with their U.S. counterparts? Is anyone aware of that?

Mr. Dave Bryans: I'll try to answer that.

We've worked well with the RCMP, as a coalition. They do work with their U.S. counterparts.

I believe the RCMP is doing a very good job with the resources they have, and they've worked very well even with the coalition and have actually toured around the province to try to tell retailers and consumers that this is a victimless crime and it's illegal.

Mr. Borys Wrzesnewskyj: What I'm curious about, though, is the cooperation with U.S. authorities, not how good a job they're doing here.

Mr. Dave Bryans: They'd have to answer that directly. I don't have that answer.

Mr. Borys Wrzesnewskyj: Okay.

Mr. François Dampousse: We've been advocating with some people in the United States to try to get them to look into this issue, and we are amazed at the lack of information politicians in the United States have about the current problem at Akwesasne. If the problem were reversed, if the illicit manufacturers were on the Canadian side of Akwesasne, for sure we would hear a lot from the American authorities to deal with this issue. We're not hearing anything from them.

Mr. Borys Wrzesnewskyj: Thank you. I appreciate that.

Perhaps some of these questions I'm putting—because they really would have been better answered by the RCMP—I'll also put on paper, and they can perhaps be forwarded through your offices to the previous witnesses. But I'll continue.

So you are not aware of any joint task force between authorities in Canada and in the United States, or are you?

• (1655)

Mr. Jean-Pierre Fortin: I am aware, sir, that there is a task force with the RCMP and the QPP, and I think he was referring to that. But most of that cooperation is built on the intelligence kind of work, which is good. We totally agree that you need to generate intelligence work in order to be able to target exactly who is the enemy here.

The problem is that there is a lack of resources out in the field. Basically, the RCMP is hardly patrolling the border, as we know. They're conducting investigations, and as a result, they may send people out in the field, but patrolling the border is a problem right now. That's why I know the actual government, in their last platform, announced that a border patrol would be created, especially somewhere around Valleyfield, as a matter of fact.

Mr. Borys Wrzesnewskyj: Because of time limits, excuse my having to cut you off, but I'd like to move on to a couple of other questions.

Are you aware of any major raids or shutdowns of factories on the U.S. side?

Mr. Dave Bryans: No.

Mr. Borys Wrzesnewskyj: In the last five or 10 years?

Witnesses: No.

Mr. François Dampousse: The U.S. government has been able to license two of those illicit manufacturers. There are currently negotiations with the illicit manufacturers, and it's a very, very slow process. They just got the second one to be licensed federally, but there are still a lot more illicit manufacturers on that reserve.

Mr. Borys Wrzesnewskyj: So what that seems to indicate is that the U.S. authorities are well aware of where those factories are, who those factories are, and who the individuals running those factories are. If they're engaged in licensing two of them, great. What about shutting down those that are illegal?

Once again, these will be questions that I'll have to have forwarded.

Following the money, we have very strict regulations and mechanisms in place ever since 9/11 to make sure that large amounts of money are traceable, especially moneys that come from illegal sources. We're talking about a \$1 billion industry.

Have you seen any reports that follow the money, that trace the money back to the sources that are making the huge profits on this? We're talking about hundreds of millions of dollars of profits. Where is it landing? Can any of you answer that question? And once again, if you can't, it will be a question forwarded to the RCMP.

Mr. François Damphousse: I'm not familiar with the procedures or tactics used by the RCMP or the authorities to enforce the laws existing in Canada or in the United States, or whether that's one way they're looking at as part of their investigation. I think the appropriate person to answer that question is Joe Oliver.

Mr. Borys Wrzesnewskij: Than as far as you're aware, nobody has actually been charged and given a big tax bill and told to cough up, except for the Canadian manufacturers who were caught engaging in this a few years back.

Mr. François Damphousse: I'm a native from Montreal. A few years ago there was a major raid on the Kahnawake Reserve. They shut down one of those illicit manufacturers, but it was on the grounds that it was involved in illicit drugs also. That's where they had the cooperation of the peacekeepers on the reserve, but when the media asked the peacekeepers what they were going to do about the other illicit tobacco manufacturers, they were very quiet about it.

It's a big concern. They've shut down one of those illicit manufacturers.

The Chair: You have 15 seconds.

Mr. Borys Wrzesnewskij: Thank you.

The Chair: Ms. Mourani, you're next.

[Translation]

Mrs. Maria Mourani: Thank you, Mr. Chair.

Mr. Cunningham, I would like to check something with you. At the end of your document, at point 6, you talk payment of \$400 million to be spread over 10 years. What exactly are you talking about in that document?

Mr. Rob Cunningham: At what tab?

Mrs. Maria Mourani: The last one, at the end.

Mr. Rob Cunningham: Yes, right.

We saw that with the settlement reached Between Rothmans, Benson & Hedges Inc. and the government of Canada and the provinces, it said that—I am going to read it in English:

[English]

In recognition and support of the Governments' past and continuing efforts to combat contraband and other illicit tobacco products...

[Translation]

Mrs. Maria Mourani: No, no, not that. I understood that. It's at the bottom, in point 6. You are talking about a payment.

Mr. Rob Cunningham: That is an excerpt from the agreement. Rothmans, Benson & Hedges Inc. is going to pay a civil settlement to the government over a several-year period.

●(1700)

Mrs. Maria Mourani: To the federal government?

Mr. François Damphousse: To both: the provinces and the federal government.

Mrs. Maria Mourani: So it's \$400 million over 10 years to the provinces and the federal government. So can we think that the royalties the federal government will receive are above \$100 million?

Mr. Rob Cunningham: It's over \$800 million for the federal government.

Mrs. Maria Mourani: It's \$800 million for the federal government?

Mr. Rob Cunningham: Yes, for the three companies, for the federal and provincial governments, it comes to \$1.7 billion.

Mrs. Maria Mourani: I understand that only \$20 million has been put into combating contraband. I understood that, according to Mr. Damphousse, that is insufficient, and I agree. So all these millions of dollars would be paid into the consolidated fund. That is what I understood from Mr. Bertrand, that \$80 million of the \$100 million would go into the consolidated fund. For all the other millions of dollars, we don't really know. Has it been paid?

Mr. François Damphousse: All the other millions of dollars go into the consolidated fund as well, and a large portion goes to the provinces. You also have to know that a few months after the agreement with Imperial Tobacco and Rothmans, Benson & Hedges Inc. in July 2008, the federal government allocated about \$300 million to help farmers, particularly to help them get out of the tobacco growing market. On the other hand, we are facing a major contraband problem and they decided to allocate only \$20 million over four years, in other words, \$5 million, to control a problem that generates tax losses on the order of over a million dollars for the federal government and the provinces.

Mrs. Maria Mourani: What I understand is that there is ordinarily more than \$80 million in the consolidated fund.

Mr. François Damphousse: Let's look at the amounts for the first two companies. The penalty was on the order of \$1.15 billion, so \$300 million for the farmers, as I said. There is also \$20 million for combating contraband. Part of the money goes to the provinces. There is also \$550 million for the last agreement with JTI-Macdonald. That makes \$1.7 billion. It is the highest penalty on record in Canada for a crime committed by a resident corporation. In our opinion, a good portion of that money should be used to prevent the problem we are currently facing.

Mrs. Maria Mourani: What I understand is that this \$1.7 billion is in the consolidated fund, as you see it. Is that right?

Mr. François Damphousse: Yes.

Mr. Rob Cunningham: For the federal government and the provinces.

Mr. François Damphousse: For the federal government and the provinces, yes.

Mrs. Maria Mourani: I would like to raise another point perhaps with Mr. Fortin. I'm looking at the presentation, I assume you represent...

Mr. Jean-Pierre Fortin: The Customs and Immigration Union.

Mrs. Maria Mourani: I was just questioning Mr. Oliver, from the RCMP, who gave me some rather impressive answers. Generally speaking, he told me that they don't dare to take action on the reserves, for public safety reasons, in particular to close down the illegal factories whose locations they know. In reply to the question from my colleague Mr. Davies, he said that none of those factories had been closed down. When we question that, we are told it is a matter of public safety.

Do you experience the same thing at customs? You can't take action on the reserves. Do you think that is reasonable?

Mr. Jean-Pierre Fortin: The biggest change observed was in Cornwall. From the point our officers went to Cornwall, the number of seizures shot up. That is the case for any criminal organization: we have actually become much more effective on the ground, but we see that organized crime is starting to change.

Mrs. Maria Mourani: It is on the move.

Mr. Jean-Pierre Fortin: Last week, I crossed the Mercier bridge and I had a view of a huge ship transporting cases of cigarettes, at 8:00 in the morning. They are doing it in broad daylight now.

Mrs. Maria Mourani: If I understand correctly, you or someone else in your organization can see these activities going on, but you can't do anything because it is happening on reserves, for public safety reasons, as the RCMP says.

Mr. Jean-Pierre Fortin: The problem is that we are confined to our offices, at present. We are making the argument that the law allows us to take action. If the RCMP asks us to support it, we can do that. However, we simply are not being asked. So it is rather frustrating for our people who would very much prefer to be mobile rather than immobile.

Mrs. Maria Mourani: Right, I understand.

Mr. François Damphousse: May I add something to the answer?

Mrs. Maria Mourani: Yes, but quickly, because I have another question.

Mr. François Damphousse: Right. In fact, that is the reason why we advocate controls on raw materials.

Mrs. Maria Mourani: Yes, that was precisely my question.

Mr. François Damphousse: That is your next question. We are talking about...

Mrs. Maria Mourani: Mr. Bertrand...

Mr. François Damphousse: Mr. Bertrand said that...

Mrs. Maria Mourani: ...seemed to be telling me it was next to impossible.

Mr. François Damphousse: Not entirely. In terms of loose tobacco, he said it was effectively impossible and they hoped there would be controls. Even the government of Quebec, in its Tobacco Tax Act, has controls on the delivery of loose tobacco. We do not necessarily share its opinion on other raw materials, because there...

• (1705)

[English]

The Chair: Can you wrap it up here?

Mr. François Damphousse: Yes, I'll be very quick.

[Translation]

There are harmonized customs tariffs for cigarette paper and filters. There are about five cigarette filter manufacturers in the world. It would be possible to control that market. We don't know why they don't want to do it. They say it is used for a lot of other products, but we don't believe that.

[English]

The Chair: Thank you.

Mr. Davies, go ahead for six minutes, please.

Mr. Don Davies: Thank you, Mr. Chairman.

I'm going to quote the same thing the Public Safety minister and this government said in May 2008:

...we're going to get very serious about the manufacturer, distribution, and the sale of these cigarettes.

This was meaning contraband cigarettes.

I have a question to all of you. Are any of you happy with the progress that's been made on the contraband tobacco issues in the last two years?

Mr. Dave Bryans: I'll try first.

Not at all. We've seen this grow from 15% to, now, up to 48%, and it continues. There's no plan to correct contraband in this country. I think this committee is the first chance we've ever had an opportunity to talk about it, and we implore you to work with us to try to correct it.

Mr. Don Davies: Thank you.

Mr. Rob Cunningham: We do have good news. Contraband has gone down compared to what it was 12 months ago. I think changing the border post location is key in that. Certain enforcement strategies have complemented that.

But with respect to illegal manufacturing, we have not made the progress. There are more factories than before, and we really do need to target the source.

Mr. François Damphousse: I just have another piece of information.

Of course, we're concerned for the public health side of the issue, because we're seeing a levelling off of smoking prevalence across the country. We made great strides in lowering tobacco consumption in this country for many years, and now we're hitting a plateau, which is why we have to take care of this issue so that we can get back into a downward trend.

Mr. Don Davies: Monsieur Fortin, do you want to add to that?

Mr. Jean-Pierre Fortin: Yes. Thank you very much.

I can tell you that I agree with my colleagues here that the Cornwall thing did slow down the contraband to a certain extent, but believe me, it's a very lucrative business, and you can be sure that they will adjust their strategy accordingly. They're sold out in the street. You've heard numbers from Quebec and Ontario, where they went into certain schools, and they've been identifying that around 50% of cigarettes that are out there in the field are still contraband. So are we effective?

Mr. Don Davies: What is your answer to that?

Mr. Jean-Pierre Fortin: We are not really.

Mr. Don Davies: Okay, thanks.

I also want to explore something that I think differed among the testimony and materials of some of the witnesses, which is the relationship between price and contraband tobacco. In fact, quoting from the Canadian Convenience Stores Association submission, at page 2, you say that, "The problem has been escalating since 2006 partly", you say, "as a result of increased taxation". Yet I am told and have read material that makes it very clear to me that there's a clear connection between the price of cigarettes and rates of smoking and uptake; namely, the higher the price, the lower the smoking rates.

Is anybody here suggesting that we should be lowering the price of cigarettes, tax for cigarettes, in order to deal with contraband?

Mr. Dave Bryans: I think when you look at the whole tax... tobacco taxes have the consumer looking for alternate products, and we've seen that. We're not here to advocate a tax rollback or a tax reduction. It is part of any longer-term solution. The government, in the nineties, decided on their own to roll back taxes. We didn't, as retailers, come forward. It is one of the solutions, but it is not the only solution. There are many we should sit down and talk about and decide where to go.

Mr. Don Davies: Mr. Cunningham, do you have a position on that?

Mr. Rob Cunningham: A tobacco tax rollback would be a public health disaster and governments would have a reduction in revenue. Instead of some people having cheap cigarettes, everyone would have cheap cigarettes.

Mr. François Dampousse: Just to give you an example, in Quebec, when we had the tax rollback, smoking prevalence amongst teenagers went from 19% in 1991 to 38% in 1996, which was a disaster in terms of public health. The federal government, when they lowered taxes in the first year alone, in 1994-95, lost a billion dollars, even though the contraband was there. So that, for us, is a non-option, which was the focus of my presentation.

I think you're on the right track. There are other things that need to be done, but you're on the right track. Internationally, that's also recognized. You have to go ahead with the policies and shut down the illicit manufacturer.

Mr. Don Davies: I have to declare my bias. I agree with Mr. Cunningham. I think any attempt to lower the price of cigarettes in any way, tax or otherwise, is a public health disaster.

This question is for the Canadian Convenience Stores Association. In your own material you say, at page 4, that contraband cigarettes are priced cheaply, often selling for a dollar a pack. If that's the case, then how, possibly, is lowering the price of cigarettes, unless you're

going to get down to a dollar a pack, ever going to stop that type of approach, as opposed to simply keeping taxes and the price high and instead going at it from an enforcement point of view?

• (1710)

Mr. Dave Bryans: I agree with you. We're not here to advocate a tax rollback. I think the gap, compared to the nineties, is much bigger than we've ever seen. All we have to face is the reason the consumer is changing. It's no different on July 1 in Ontario. More consumers will be looking for alternate sources of cheap cigarettes because of a new tax. We have to sit down. If that's not the answer and that isn't the solution, I'm advocating that there have to be many ways of moving forward with all of our colleagues at the table here.

Mr. Don Davies: Okay, good. I think I have that clear.

Any of you, give us some advice. What's the number one thing you would like to see the government do? If we leave this meeting and there's one action item, what would each of you suggest we should do to deal with this problem?

The Chair: In 10 seconds each.

Mr. François Dampousse: The first measure you have to go ahead with is to block the supplies of raw materials. If you can't take action on the reserve, take action out of the reserve and hold accountable the people who are supplying those materials.

Mr. Rob Cunningham: Have a comprehensive strategy with a focus on targeting the unlicensed, illegal factories.

Mr. Dave Bryans: From the convenience association, show some leadership and bring the provinces together. You come together, all of you, and let's correct this. And finally, look at a different way of collecting tobacco taxes. We're collecting them at three different levels in this country. There might be a way to collect them at one source only and share the revenue, which would minimize some of the issues of this illegal movement of cigarettes around the country.

Mr. Jean-Pierre Fortin: I would say to give us the mandate, at least, to patrol the border with the RCMP and other police forces. Increase the manpower out there on the border.

Mr. Don Davies: Thank you.

The Chair: It was a good question, so I let it go over time.

I'm going to give you six minutes as well, Ms. Glover. Go ahead.

Mrs. Shelly Glover (Saint Boniface, CPC): Thank you, Mr. Chair.

[Translation]

I would like to welcome our witnesses.

[English]

I have to agree. It's not often that we agree, but Mr. Davies and I today do agree. I think a tax rollback would be devastating. I take that to heart because we all take this issue very seriously.

You and I met before, Mr. Bryans, so I'm going to follow up with some things that were discussed when we did meet, and they play right into what Mr. Davies just asked. I want you to go into some detail about how you think we should be addressing the collection of taxes and the way in which you believe your idea might help us to combat this issue.

Mr. Dave Bryans: Right now, tobacco is the only high government tax product that actually is allowed to be collected from different sources. Alcohol is all collected...you never even pay GST at the till. For gasoline, you just pay one price; you don't see any other taxes.

The problem with tobacco is you have excise and duty taxes at production. You have a provincial tobacco tax that is distributed at the provincial level by the tear tape colour, and then you have the HST or GST or QST, depending on the province. You have three different collection points for tobacco, and if Revenue was here, they'd tell you there are three different opportunities to avoid that tax in the delivery models, whether it be counterfeit, whether it be on and off aboriginal reserves here in Ontario, or whether it be brought in from New York State. If everybody had to pay the taxes up front, then the governments of the day could get together and divide out their share, and for sure we'd minimize at least that problem. We could start correcting all the problems that are left because of that.

Mrs. Shelly Glover: Okay. That's very good. I wanted to give you an opportunity to address that, because I know you mentioned it to me when we were together.

I have a couple of comments.

I appreciate what Mr. Cunningham said about raw material.

[*Translation*]

Mr. Damphousse, you repeated exactly the same comment.

[*English*]

The problem with raw materials is this. When we talk about raw materials, such as the paper that's used in the production of contraband cigarettes, the paper is used for the legal production of other legal objects, such as the covers on straws at McDonalds or Tim Hortons. The same material is used to produce those. When we talk about the filter material used for the production of contraband cigarettes, we have a problem, because the filter material is also used for automotive things.

We need to be somewhat creative on how to go after the people who supply the raw material. We need to have enough evidence to proceed on any type of litigation against them or any type of arrest procedure.

I've been a police officer for 18 and a half years. I have investigated these types of cases. My frustration has always been that I could not do it alone. I was a municipal police officer, which meant I had to engage my RCMP friends at Customs and Excise to assist and collaborate before we could actually do the search warrant.

I therein believe we should look at what you suggested, Mr. Cunningham, on perhaps some legislative changes so that interception would become easier. I too have that frustration. I think what you suggested is something we could work towards.

We still have the problem that as long as there is a demand, the supply is going to grow, because it is lucrative. Organized criminals are engaged in this process, which means it is dangerous. I want to make sure today that this panel understands it is dangerous. These people are using weapons, and I'm not talking about only small-scale weapons. Very dangerous firearms are being used. Posts are being planted at different locations.

We mentioned earlier to the other panel that there's a public safety issue and a security and safety issue for officers and enforcement people. It is a huge concern. Some of the suggestions being made here today do not take that into consideration. We cannot do things simply for the benefit of profit without considering the need to be safe and secure.

Monsieur Fortin, I need you to reiterate the dangers associated with contraband tobacco. We've heard from the RCMP. We've heard from other agencies. Could you please repeat your experiences and tell us your thoughts on the dangers of this market?

• (1715)

Mr. Jean-Pierre Fortin: Thank you very much.

It is very dangerous. Again, I'm a border services agent. I can tell you that especially before the Conservative government doubled up at certain places and armed our officers, there was a policy that basically said when you see dangerous and armed folks come across the border, let them through, because you're not equipped and you cannot face that danger. They were right back then.

They've now significantly increased the level of security in those offices, but we need to increase the same level of security for what's going on right now. It's the concern I have.

You are right. Can the border services officers do it alone? No. We have to do it together. We have to do it with the help of the RCMP, QPP, and OPP. We have to work together.

Mrs. Shelly Glover: I would suggest that that is an achievement. The fact is that our border officers are now armed so that they may defend themselves and others, because the general public is always at risk when organized criminals are in the vicinity of a public place.

Mr. Cunningham, I would suggest that is a move towards an achievement. It is in fact an achievement.

I understand your frustration, sir, and trust me, no one in this world wishes more than I do that we could stop people from wanting to smoke. I too have a daughter who has cancer. It's not because cigarettes were involved, but it's perhaps because the environment had an effect.

We cannot ignore the fact that some of these achievements have been made. I want to make it clear that there have been achievements. I don't agree that nothing has been done in two years.

The Chair: Thank you very much.

I'd like to thank our witnesses. We didn't give you very much time, but you have given us very valuable information. I appreciate it very much. You may excuse yourselves.

Ms. Mourani, are you ready to introduce your motion? We're behind schedule, so we'll go straight in.

Go ahead.

[*Translation*]

Mrs. Maria Mourani: Mr. Chair, I would like it to be distributed so everyone can read it. Can Mr. Préfontaine distribute copies of the motion?

• (1720)

[*English*]

The Chair: Go ahead.

[*Translation*]

Mrs. Maria Mourani: The motion is very simple. It reads as follows:

That the Committee hold an additional meeting on Wednesday, April 28, 2010, from 3:30 to 5:30, and that this meeting be devoted to preparing a list of witnesses as part of the study of Bill C-391.

This is so we can continue our work and solve the little problem we had last time, Mr. Chair. It is so we can talk among ourselves and decide on a list, is all.

[*English*]

The Chair: Thank you very much. I appreciate your being so concise and precise.

Mr. MacKenzie, please.

Mr. Dave MacKenzie (Oxford, CPC): We certainly support Ms. Mourani's motion.

(Motion agreed to)

The Chair: The meeting stands adjourned.

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