



January 19, 2024

Honourable Nate Horner
Minister of Finance and President of the Treasury Board
208 Legislature Building
10800 - 97 Avenue
Edmonton, Alberta
T5K 2B6

NCACT Submission to the 2024 Alberta Budget Consultation

Minister Horner,

The National Coalition Against Contraband Tobacco (NCACT) is a Canadian advocacy group formed with the participation of businesses, law and order organizations and individuals concerned about the growing danger of contraband cigarettes.

The illicit tobacco trade has serious consequences for the safety of our communities. Current economic pressures, high taxation levels, and the rising cost of living will continue to push smokers to buy illegal tobacco resulting in lost tax revenue and an increase in organized crime – guns, drugs, and human trafficking. This illegal, multi-billion-dollar industry is costing the government millions in lost tax revenues every year and jeopardizing the safety of communities across the province.

Conducted in 2023 by EY Canada for the Convenience Industry Council of Canada (CICC), the report “Contraband Tobacco in British Columbia, Ontario and Newfoundland & Labrador: Impact on Legal Sales and Provincial Tobacco Tax Revenues” illustrates how acute the issue is, estimating tax revenue losses of up to \$2.47 billion in those provinces alone between 2019 and 2022. According to the Alberta Gaming, Liquor and Cannabis Commission (AGLC), in 2020-21, provincial revenue from tobacco taxes was approximately \$755 million.

While Alberta and the AGLC have taken significant steps toward eliminating contraband tobacco, there is still more to do. We propose the following recommendations for the Alberta 2024 budget.

Increased enforcement

Every police service across the province is facing the same issue: a lack of financial resources and staff. While the issue of limited resources has persisted for decades, it limits police services to their top priorities including homicides, gang violence and drugs. While important, these priorities are all tied to contraband tobacco which fuels other illicit activities and organized crime. Evidence shows that the organized crime groups involved in contraband tobacco are also involved in the sale and distribution of drugs and guns.

To support local and provincial police services in Alberta, NCACT is asking the Government of Alberta to increase funding to expand contraband tobacco investigations including dedicated resources.

Illicit tobacco is predominantly manufactured in Ontario. There are over 300 illegal smoke shacks manufacturing and selling contraband tobacco in Ontario alone. These illegal factories can produce as many as 10,000 cigarettes a minute. Organized crime groups then ship the contraband tobacco across the country to other provinces – including Alberta – where it is sold illegally putting our communities in danger.

We urge the Government of Alberta to work with its counterparts in Ontario and across Canada to increase enforcement of the manufacturing and sale of contraband tobacco.

No further tax increases

Since 2017, the federal government has annually increased the excise duty rates on tobacco products, as well as introduced surprise increases as seen in 2021. This, with Alberta's tobacco tax rates, have encouraged smokers in the province to purchase tobacco from the less expensive illegal market. Evidence shows that increases in price differentials between legal and illegal tobacco helps the contraband market increase its footprint. While taxation continues to be an effective tobacco control measure, it is ineffective without actions taken against contraband tobacco.

NCACT is asking the Government of Alberta to maintain a prudent tax policy that keeps legal tobacco costs from rising until illegal tobacco is removed from the market. Alberta should institute a freeze on any tobacco tax increases, as they actively push smokers into the illicit market, impacting the health and safety of our communities.

By taking steps to enforce existing laws and curb the flow of illegal tobacco, the Government of Alberta will increase its revenues and further its public health goals. We welcome the opportunity to meet with you to discuss our proposal in detail and answer any questions.

Sincerely,



Rick Barnum
Executive Director
National Coalition Against Contraband Tobacco

Cc Honourable Mickey Amery
Minister of Justice