

Canadian Tobacco Manufacturers' Council

News Release

ONE IN THREE CIGARETTES SMOKED IN QUEBEC IS ILLEGAL

Highlights

- 22 per cent of cigarettes smoked in Canada are illegal - up from 16.5 per cent in 2006 or a 30 per cent increase.
- 30.5 per cent of cigarettes smoked in Quebec are illegal - up from 22.2 per cent in 2006 or a 37 per cent increase.
- Quebec accounts for 36.6 per cent of illegal smokers and 41.1 per cent of illegal cigarettes in Canada.

Montreal, August 2, 2007 –Illegal cigarette sales continue to tear through the Canadian economy. A new study commissioned by the Canadian Tobacco Manufacturers Council (CTMC) indicates that nationally, 22 per cent of cigarettes purchased are illegal, up from 16,5 per cent in 2006. In Quebec, 30.5 percent of the cigarettes purchased are illegal, up from 22.2 percent in 2006.

“This is one of the most robust studies on the illegal cigarette issue and it clearly shows that this problem is not going away,” said John Barnett, president of the Canadian Tobacco Manufacturers Council and Rothmans, Benson and Hedges Inc. “Last year the study confirmed the scope of the problem. This year the study clearly demonstrates that the problem is growing and spreading.”

The majority (94.9 per cent) of illegal cigarette volume is concentrated in Quebec and Ontario. Quebec accounts for 41.1 per cent of the total illegal volume.

“Illegal cigarettes are not regulated as are cigarettes produced by CTMC member companies. They do not have the same health warnings. There is no control on whether or not the information on the pack, when there is actually information given, is the correct information. There is no control on ingredients,” said Benjamin Kemball, president of Imperial Tobacco Canada. “Often they are sold loose in plastic bags with no information or health warnings.”

The CTMC estimates that governments are losing approximately \$1.6 billion per year in tax revenues. The Quebec government alone is losing \$264 million.

“It has become very easy and is getting easier to obtain illegal cigarettes in Canada,” said Mr. Kemball. “Everyone is impacted. The networks that traffic in illegal cigarettes are not limiting themselves to tobacco. They are trafficking in drugs, alcohol and firearms. And you can be guaranteed that these individuals are not asking for proof-of-age when they are selling cigarettes.”

“Retailers, large and small, are hit hard by illicit trade. In addition to lost customers, the illegal tobacco market costs retailers an average of \$120,000 in lost sales per year,” said Michel Poirier, president of JTI-Macdonald Corp. Small retailers can’t compete with cheap, illegal tobacco and if the current trend continues we will see many family-run stores closing their doors for good.”

Conducted by GfK Research Dynamics, the study’s objectives were to establish the incidence and relative share of illegal tailor-made cigarettes in Canada as well as to understand consumer awareness and purchase patterns of illegal trade. The sample size was 2,057 Canadians distributed across the country between May and June 2007. The level of confidence around the reported figures is +/- 2.2 per cent for the national results.

The study was commissioned and paid for by Canada’s three largest tobacco manufacturers (Imperial Tobacco Canada, Rothmans, Benson and Hedges Inc. and JTI-Macdonald Corp.). For the purposes of the study, illegal cigarettes were defined as cigarettes/tobacco manufactured and sold by individuals who are not paying appropriate government taxes and duty.

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