



Canadians Losing Billions to Organized Crime

EY Canada Report Commissioned by CICC finds that contraband tobacco market continues to grow; funding organized crime across Canada

September 20, 2023, OTTAWA—The contraband tobacco market in Canada is a growing pan-Canadian problem fueled by organized crime and cheating governments and Canadians out of billions of dollars, according to a new study for the Convenience Industry Council of Canada (CICC).

Conducted by EY Canada, the [Impact of Contraband Tobacco on Legal Sales and Government Tax Revenues](#) is a follow-up study to [“The Impact of COVID-19 on contraband tobacco and provincial tax revenues in Canada”](#) from 2020, and focuses on legal tobacco sales in three provinces: British Columbia, Ontario and Newfoundland and Labrador. The study estimates the size of the contraband tobacco market is as high as 69% in Ontario, 45% in British Columbia, and 44% in Newfoundland.

This translates to tax revenue losses of up to \$1.8 billion in Ontario, \$591 million in B.C., and \$81 million in Newfoundland over the last three years.

“Governments have turned a blind eye to this illegal market. Efforts to curb smoking are actively undermined by a thriving contraband market, all while taxpayers are being short-changed, and legal retailers are competing with organized crime,” said Anne Kothawala, President & CEO of CICC.

The uptick in illegal sales, which law enforcement agencies, including the RCMP, have previously noted are controlled by organized crime groups, directly corresponds with a sharp decline in the sale of legal products. Legal tobacco sales are down 33% in BC, 20% in Ontario and a staggering 49% in Newfoundland.

“Gauging the exact size of the contraband market is difficult, but the evidence in this report clearly shows it is growing and now easily represents at least one-third of the total market in these three provinces, and possibly much more,” said Fred O’Riordan, EY Canada’s Tax Policy Leader and the lead author of this report.

Retailers are calling on governments at the federal and provincial level to take more action on the sale of legal tobacco, which is eight times more profitable than the sale of cocaine and fentanyl. Specific recommendations from CICC include:

- Increasing resources and allowing local police to keep fines and disposal of assets seized as proceeds of crime;
- Increasing police enforcement and Criminal Code penalties;
- Increasing public awareness of contraband tobacco;
- Regular, public reporting of contraband tobacco seizures; and,
- Increasing federal-provincial coordination.

About the Convenience Industry Council in Canada

The Convenience Industry Council of Canada (CICC) is an association that brings together retailers, distributors and manufacturers that sell a variety of products in convenience stores across the country. Our mission is to advance the interests of the convenience industry through effective advocacy and education. We are proud to represent an industry that contributes over \$25 billion in taxes, employs 200,000 Canadians and brings convenience to communities from coast to coast. We reflect the communities we serve and offer opportunity to new Canadians.

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