

February 29, 2024

CICC Welcomes Contraband Tobacco Working Group in Alberta Budget 2024: Yet Tax Increase Only Turbocharges Contraband Market

The Convenience Industry Council of Canada (CICC) congratulates Premier Danielle Smith on her leadership in recognizing contraband tobacco as a serious problem. It is unfortunate that Budget 2024 also included an increase in tobacco taxes.

“Our members applauded the new contraband working group initiative announced in today’s Budget. We have been raising this issue consistently with governments of all stripes and jurisdictions and we now hope for concrete actions. The CICC is committed to working with the provincial government to help “identify appropriate policy measures to combat contraband,” said Sara MacIntyre, CICC’s Vice-President for Western Canada.

Unfortunately, a tobacco tax increase exacerbates the contraband tobacco market. “Governments often increase tobacco taxes to shore up ailing revenue because they are under the erroneous assumption that “it will deter tobacco use among Albertans.” In fact, the opposite is true. This move will increase the demand for illicit tobacco, and that in turn funds organized crime. And for the CICC, increasing tobacco taxes also has a detrimental impact on law-abiding convenience retailers who lose customers to the contraband market,” MacIntyre noted.

“To be clear, increasing these taxes does NOT increase government revenues either. In fact, according to recent Alberta Revenue [figures](#), tobacco tax revenue was \$911 million in 2017/18 and in 2023 it was just \$522 million. That’s a **42% decline in revenues** in just six years. During that time tobacco taxes increased as did the smoking rates in Alberta from 10 to 12 percent¹. And even with this increase the government is projecting \$469 million in revenue. A far cry from the nearly billion dollars a few years ago.”

CICC will continue to work with the Alberta government on measures to deal with contraband tobacco in the province. In our Pre-Budget Recommendations, the CICC urged the government to take a series of measures, including:

1. Identify Contraband Tobacco as a financial, public safety and health problem.
2. Moratorium on new tobacco taxes.
3. Double the size of the Investigations Branch of the AGLC to investigate, arrest and prosecute offenders.
4. Assign a dedicated Crown Prosecutor for contraband tobacco offences and crimes.
5. Increase fines for offences to be commensurate with those that apply to retail licensees.
6. Enable Investigators to retain proceeds of crime to fund further enforcement activities.
7. Apply external assessment authorities for those arrested of such offences.
8. AGLC Awareness Campaign: Know the Difference, Know the Risks.
9. Letter to the Ontario government: manufacturing and trafficking centre.

“As an industry that directly employs 20,000 Albertans, is home to companies like Parkland, Core-Mark, Sobeys’s Wholesale, and Petro-Canada, we were disappointed to see this government continue to hike taxes on legal tobacco. As you can see below, the price difference between legal and contraband tobacco is astonishing and it is putting our industry in peril and closing stores.”

“Convenience stores play an essential role in communities across the province. Too many of them are closing, largely due to government inaction on contraband tobacco. The commitment to put dedicated resources towards fighting contraband is most welcome,” concluded MacIntyre.

“Failure to control contraband tobacco strikes at the province’s tobacco control strategy. Contraband makes tobacco cheap, thwarting public health objectives and reducing tax dollars. We are asking the Premier and Minister Ellis to establish a dedicated contraband tobacco unit. It will help keep communities safe and convenience stores open,” concluded MacIntyre.

LEGAL RETAIL CARTON



\$140-\$210 Retail

ONLINE



\$36.99

BAG OF SMOKES



\$29.99

The CICC is a national, not-for-profit association uniting retailers, manufacturers and distributors in the convenience industry who employ more than 200,000 Canadians and sell more than \$53 billion annually in goods and services. In Alberta, the CICC represents nearly 2,400 stores and employ more than 20,000 Albertans and thousands more indirectly.

Sara MacIntyre
VP, Western Canada
Convenience Industry Council of Canada (CICC)
647 334 8054
smacintyre@convenienceindustry.ca



ⁱ Data collected from Statistics Canada reports, Canadian Tobacco and Nicotine Survey (CTNS 2019, 2022).
<https://www.canada.ca/en/health-canada/services/canadian-tobacco-nicotine-survey/2019-summary.html>
<https://www.canada.ca/en/health-canada/services/canadian-tobacco-nicotine-survey/2022-summary.html>

