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Higher rate now: Why excise tax on tobacco is long overdue for an increase

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Check against delivery
Thank you for the opportunity to be here today. An increase in the excise tax on tobacco is very important to the well-being of the public and the health care system — and long overdue.

It is almost 51 years since Judy LaMarsh rose in the House of Commons as minister of health and welfare to declare war on smoking. Since then, the Canadian Medical Association and other important allies like the Canadian Cancer Society have been on the frontlines as allies to win this war.

There have been many victories in this struggle, including the fact the national smoking rate has plummeted from a staggering 50% of all Canadian adults.

But instead of celebrating we need to face the fact that our work is far from done. The national smoking rate is still 17% — and 20% for young adults.
Despite the lower rates of use, tobacco is still the No. 1 cause of preventable disease and death in Canada, claiming the lives of 37,000 or more Canadians every year.

The financial costs are more than $17 billion a year for medical treatment, social assistance, lost productivity and reduced quality of life.

Every day, Canada’s doctors treat the devastation of tobacco. The CMA has consistently recommended tough legislative and regulatory measures to control tobacco use.

The current proposal to adjust the domestic rate of excise duty on tobacco products to account for inflation, and eliminate the preferential excise duty treatment of tobacco products available through duty free markets, will increase the cost of cigarettes and other tobacco products.

The duty free rate for cigarettes will increase from $15.00 to $21.03 per carton, with adjustment for inflation every five years.
Youth are up to three times more sensitive to price than adults. A 10% price increase is estimated to reduce youth smoking by 5%, and reduce consumption among continuing young smokers.

Estimates show the long-term effect of a permanent price increase is approximately double the short-term impact. So a 10% increase in cigarette price is expected to reduce the prevalence of cigarette smoking by approximately 8% in the long term.

There is certainly a concern that higher tobacco taxes will lead to an increase in the smuggling of lower-cost cigarettes.

To avoid potential unintended consequences, such as smuggling, the CMA recommends Ottawa work with other countries to ensure tobacco prices are harmonized across national borders.
In addition, all levels of government should take the most stringent measures possible to control the sale and distribution of contraband tobacco, on their own and in cooperation with other affected jurisdictions.

The Minister of Finance has estimated that increasing tobacco taxes, including excise taxes on tobacco products, will increase federal tax revenues by $96 million in 2013–14, $685 million in 2014–15 and $660 million in 2015–16.

The CMA recommends revenue from increased taxation should be directed towards strengthening Canada’s tobacco control strategy. To sum up, this provision of Bill C-31 will provide ammunition in the war against tobacco for years to come. And let’s all hope we don’t need another 50 years to eradicate smoking.

Thank you for this opportunity to address this important issue.