

Minister of Public Safety



Ministre de la Sécurité publique

Ottawa, Canada K1A 0P8

OCT 18 2007

Ms. Joyce Frustaglio
Regional Councillor
City of Vaughan
2141 Major Mackenzie Drive
Vaughan, Ontario L6A 1T1

Dear Ms. Frustaglio:

My colleague the Honourable Tony Clement, Minister of Health, has forwarded to me your letter regarding contraband tobacco.

First, please accept my apology for the extended length of time it has taken for a reply to your concerns, which you sent some months ago. A combination of factors including the need of my officials to explore fully the matters you raised, added to the sheer volume of requests which come to me, has created a delay which is not appropriate. I am pleased I can finally respond.

As Minister of Public Safety I am greatly concerned by the production and sale of contraband tobacco, as it has demonstrated links to organized crime and it has proven to be a source of destabilization in communities. Contraband tobacco is also a major Canada – U.S. cross border concern.

In 2001, the federal government introduced a comprehensive Federal Tobacco Control Strategy to improve the health of Canadians by discouraging tobacco consumption. With Health Canada as the lead, the federal partners—including the Department of Justice, the Canada Revenue Agency, and Public Safety Canada with its portfolio agencies the Royal Canadian Mounted Police (RCMP) and the Canada Border Services Agency (CBSA)—work closely to reduce access to tobacco, regulate its manufacture and sale, and monitor and assess domestic, bi-national and international contraband tobacco activity.

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Under the Strategy, Public Safety Canada plays a significant role in monitoring the nature, size and scope of the illicit tobacco trade. My portfolio works closely with the Department of Finance to assess the impact of taxation policy on the level of contraband in Canada. Such information is essential for the federal government not only to make informed decisions on future tax policies, but also on the allocation of law enforcement resources to combat illicit sales and contraband.

I understand that the largest current tobacco enforcement challenge involves contraband cigarettes being manufactured on the U.S. side of the Akwesasne Reserve and smuggled into Canada. These contraband cigarettes are then distributed by organized crime groups with national distribution pipelines that make their low-cost products readily available to smokers.

In response to these challenges, the RCMP works in close partnership with First Nations communities and others to combat the distribution of contraband tobacco and on the broader issue of organized crime. The First Nations Organized Crime Initiative is combating organized crime through law enforcement partnerships in and around First Nations communities in Ontario and Québec.

For example, in the Cornwall area, the Akwesasne Mohawk Police Service works with both Canadian and American law enforcement partners to combat organized crime in and around the Mohawk Territory of Akwesasne, and to stop the smuggling of goods, including tobacco products.

The illicit trade in tobacco products presents a serious threat to public safety and health in Canada. In addition to undermining the Government of Canada's health objectives, and resulting in hundreds of millions of dollars in federal and provincial revenue losses, the contraband tobacco trade damages legitimate business by creating an environment of unfair competition. It also contributes to the growth of organized crime and other criminality.

In Budget 2006, the federal government allocated funding for 1,000 more RCMP officers and federal prosecutors to focus on law enforcement priorities such as drugs, corruption and border security. I am pleased to inform you that 71 new resources will be allocated to the RCMP's Customs and Excise Program which will increase the capacity to proactively combat tobacco smuggling and will therefore contribute to the Government's overall stance on tobacco control.

Reducing the availability of and demand for contraband tobacco products is a priority for the RCMP. Criminal syndicates are lured to this criminal market by the possibility of generating huge profits. The RCMP, in partnership with domestic and international law enforcement agencies, is directing its operations

at significantly increasing the risks for organized crime by dismantling manufacturing facilities, disrupting the distribution supply lines, apprehending key figures and seizing the proceeds of their criminal activity. In the past year, the RCMP has disrupted a number of criminal organizations involved in the illicit tobacco trade, resulting in an exponential increase in the amount of contraband tobacco products seized.

In an effort to increase public awareness about the consequences of the tobacco black market, the RCMP recently produced a brochure entitled *Illegal Tobacco: What You Should Know*, which is available on the RCMP Website at www.rcmp-grc.gc.ca/customs/customs_e.htm.

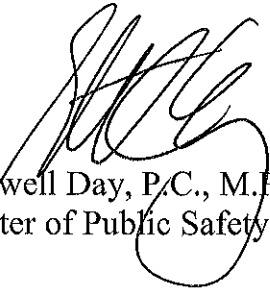
The RCMP has indicated to me that it will soon release its contraband tobacco enforcement strategy, developed following a detailed analysis of illicit tobacco trade issues and extensive national consultations. I understand that the strategy outlines a number of concrete actions that will be taken to reduce the impact of the illicit trade, including the development of innovative enforcement responses to disrupt contraband tobacco networks, strengthened inter-agency coordination and collaboration, and enhanced outreach and public awareness initiatives.

The Canada Border Services Agency (CBSA) partners with the RCMP and others to monitor and assess the contraband tobacco market and develop strategies to combat the trade of illicit tobacco. The CBSA has been successful in preventing illegal shipments of tobacco from entering the Canadian market by air, marine, highway, postal and courier modes. In 2006, the CBSA executed 2,718 seizures, intercepting 383,795 cartons of cigarettes (up from 175,245 cartons seized in 2005) as well as other types of tobacco, with an approximate value of over \$28 million.

The CBSA continues to expand its cooperation with provincial, national and international law enforcement partners to combat the illicit movement of contraband tobacco on a local, national and global scale. Cooperation between CBSA and the provinces is valued and has garnered some positive results. For example, in 2006, Revenu Québec was able to intercept a number of container loads of tobacco destined for companies in Quebec with a federal permit but no provincial licence. The CBSA participates in Joint Force Operations with both Ontario and Quebec to disrupt the illicit tobacco trade. CBSA officials and the tobacco authorities from the provinces meet at regular events such as the Joint Canada-U.S. Tobacco Diversion Workshops and the Interprovincial Investigations Tobacco Conference to share best practices and discuss common concerns.

Thank you for writing on this issue of such importance to all of us. I appreciate having had the opportunity to respond to your concerns. Let me assure you that Canada's New Government views the illicit tobacco trade and the organized criminal networks behind it as a serious issue and is committed to working to address this problem.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'S. Day', written over the printed name and title.

Stockwell Day, P.C., M.P.
Minister of Public Safety