

## **The Canadian Set-Back Tobacco Use In Canada 1986 - 1997**

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### **A Short-Lived Sense of Victory**

At the beginning of this decade, Canadians working in tobacco control claimed leadership on tobacco issues. At the 7<sup>th</sup> WCTOH, a leading Canadian activist boasted that "from 1983 to 1989, tobacco sales fell by 20% in absolute terms. The adult per capita fall was 29%. If there is another country with such a significant decline, we would like to learn more about that country's experience."<sup>1</sup> The descriptor "world-precedent-setting" became hackneyed through overuse by anti-tobacco lobbyists to describe Canada's landmark 1988 legislation, its rapid tax increase on cigarettes in the late 1980s and its 1994 health warnings.

As recently as the last WCTOH, Canadian government officials continued to promote the view of Canada as an arena of active progress against tobacco use. The Assistant Deputy Minister of Health Promotion came to inform the assembly that Canada had "committed \$185 million to a new Tobacco Demand Reduction Strategy." She promised a comprehensive program which would target pregnant and post-partem women, encourage employers to adopt smoke-free workplace policies, deliver hard-hitting national advertising campaigns and a panoply of research<sup>2</sup>

Other Canadian government officials told the 9<sup>th</sup> WCTOH that the national strategy to reduce tobacco use (NSTRTU), established by federal and provincial governments was "well underway" to achieving its overall mission of a generation of non-smokers by the year 2000," thanks to "a comprehensive and cooperative approach that will help to ensure its success."<sup>3</sup>

As the decade and century draw to a close, the federal Canadian government and national public health advocates have more reason to feel humble. The \$185 million campaign has shrunk to only \$10 million a year. There are currently no advertising campaigns, hard-hitting or otherwise. Plans for new research and public programming have been suspended pending allocation of the \$10 million budget, promised in November 1996, but as of August 8, 1997, still not authorized. The NSTRTU has not met for 10 months, and its future seems uncertain even as its goal of a smoke-free generation within two years seems certainly unattainable.

The 1988 'world-precedent setting legislation' was struck down by the Supreme Court in September 1995, with a blistering rebuke of Health Canada's defence. The replacement legislation, enacted in April 1997, has much less ambitious restrictions on promotion. The temporary tax roll-back of 1994 now appears permanent, and cigarette prices are virtually the same as they were a decade ago. Promising new initiatives, like plain packaging and the individual marking of cigarettes to protect against contraband, have been side-lined.

Public policy measures like high cigarette taxes and bans on tobacco promotion are only the means – not the end. If tobacco use and future mortality continues to reduce at a satisfactory rate, despite the loss of these measures, then progress is still being made.

Are there signs of progress against tobacco use? A number of indicators suggest otherwise.

## Prevalence and Consumption

Over the past decade, Canadians have continued to smoke less often, and to smoke fewer cigarettes per capita. But aggregate measures of prevalence and consumption can mask some important movements in sub-populations. Smoking among youth, as measured by the government surveys, is higher than it was in 1988 (28% versus 26%), and higher than it was during the decade's midpoint (21%).<sup>4</sup> Smoking among young adults, as measured by the tobacco industry, has similarly returned to the same level it was a decade ago (33.4% in 1988 and 32.3% in 1996).<sup>5</sup>

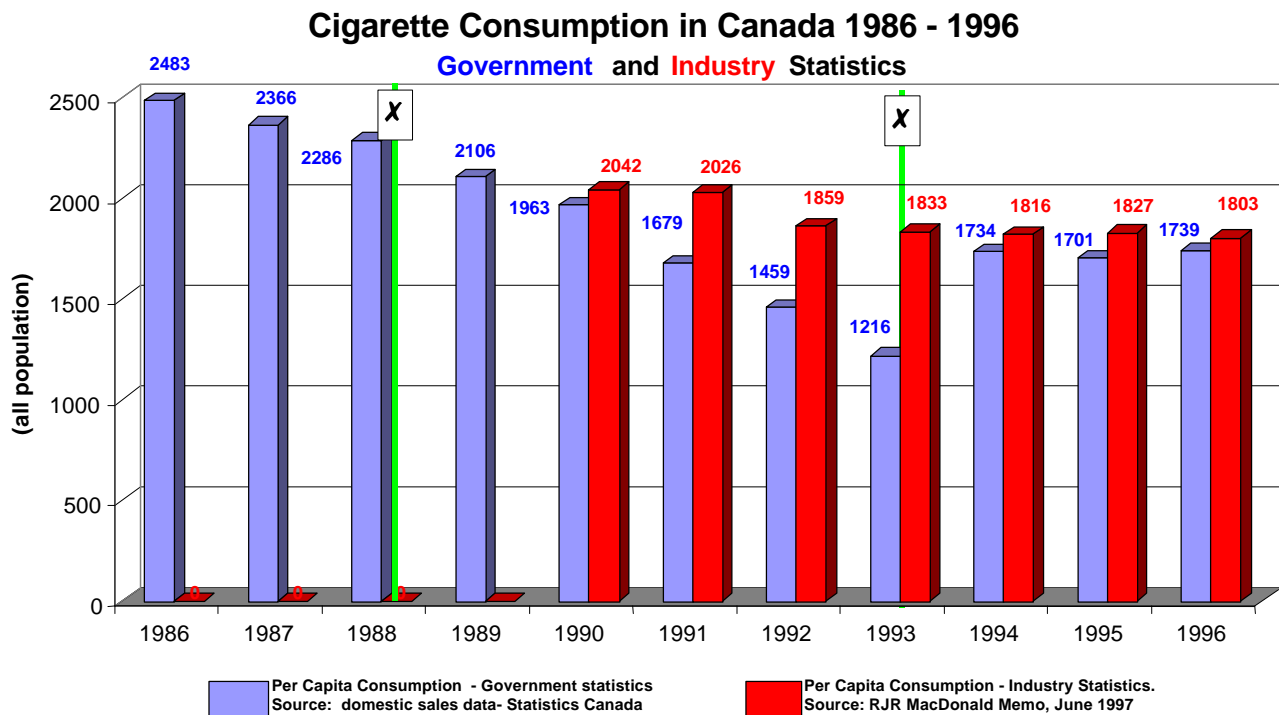
Accurate measurements of both prevalence and consumption in this period are made more difficult by the failure of the federal government to undertake consistent annual surveys during this period, and by the unreliability of manufacturing and sales data (due to high levels of smuggling between 1991 and 1993). Government statistics in both cases can now be supplemented with data provided by the smallest of Canada's three major tobacco companies, RJR Macdonald, a subsidiary of RJR Nabisco.

Both industry and government data suggest that there has been little change in per capita consumption since 1992. Industry data is only available for the years since 1990: we do not know whether their figures would also support the government findings of a 29% decrease since 1986 (from 2483 to 1739 cigarettes per person).<sup>6</sup>

## The Bottom Line

During the past decade, cigarettes have become cheaper for Canadian smokers, a greater source of profits to the multinational corporations who sell them, and a diminishing source of revenue for governments.

In 1994, the newly elected Canadian government declared a price-war on smugglers. Provinces were recruited to join the federal government in cutting taxes. As a result, in the five most populous provinces cigarettes are now roughly the same price they were in 1986. In the five other provinces (with approximately 25% of the tobacco market) which have maintained a high-tax policy, cigarettes are approximately twice as expensive as in 1986.



## Approximate Retail Price of a Carton of 200 Cigarettes

British Columbia and Ontario - 1986 – 1996

	Ontario	British Columbia
1986	\$21.79	\$21.79
1987	\$23.50	\$23.50
1988	\$25.72	\$25.72
1989	\$31.88	\$31.88
1990	\$35.13	\$35.13
1991	\$46.35	\$46.82
1992	\$47.68	\$54.20
1993	\$48.14	\$55.87
1994	\$23.21	\$50.14
1995	\$24.80	\$50.14
1996	\$25.10	\$50.44

Source: National Clearinghouse on Tobacco and Health

As a result of the tax-roll back, federal revenues from tobacco sales have declined significantly since the beginning of the decade, although they are marginally higher than in 1986.

In response to the reduction in tobacco taxes, the tobacco companies increased their profit margin on tobacco sales. This increased margin, together with increased sales, has resulted in significant gains in their earnings.

Earnings for only two of Canada's three cigarette companies are reported publicly. Imperial Tobacco, the largest cigarette manufacturer with 67% of the market share<sup>7</sup>, saw its earnings grow 339% since 1986 (from \$208,000,000 in 1986 to \$705,000,000 in 1996)<sup>8</sup> Rothmans, Benson & Hedges has seen its profits grow by an even more dramatic 468% (from \$21,500,000 to \$100,773,000)<sup>9</sup>. The earnings of Canada's other cigarette company, RJR Macdonald, are not separately reported by its owner, RJR Nabisco.

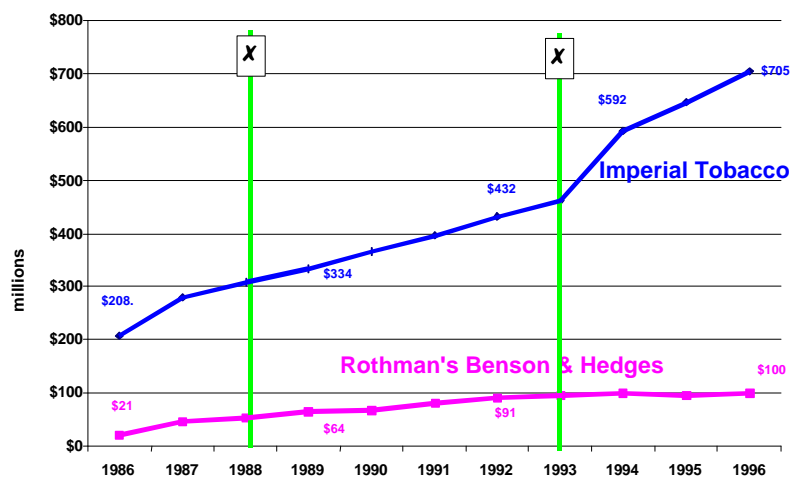
## Policy Initiatives

Since 1986, Canadian public policy on tobacco has shifted a number of times. In 1986, the promotion and

sale of tobacco products was governed for the most part by the tobacco industry voluntary code. By 1990, legislation effecting a total ban was in the statute books. By 1993, dramatic new health warnings were planned and cigarette taxes had risen to world levels; discussions about 'plain packaging' were beginning. By 1996, taxes had been slashed, the ad-ban had been thrown out by the Supreme Court and cigarette advertising had returned, governed by a tobacco industry voluntary code. In 1997, a new law banned direct advertising, but allowed sponsorship advertising and other

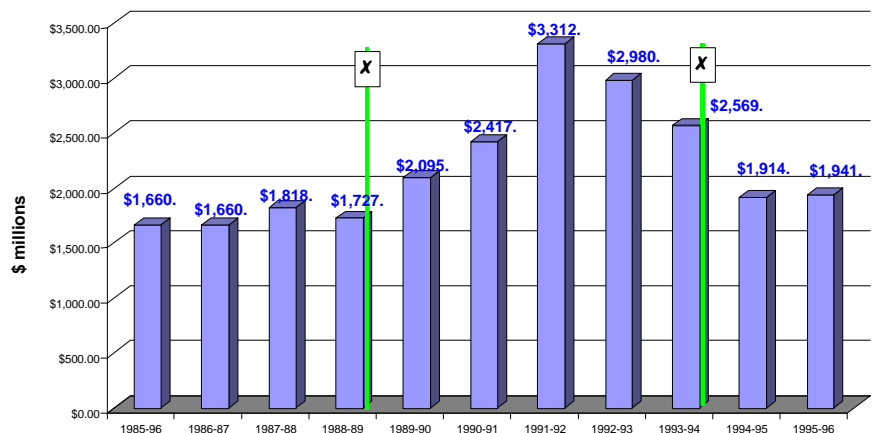
## Tobacco Profits in Canada

1986 - 1996



## Canadian Federal Revenue

Excise Tax and Duties - Tobacco Products  
1985-86 to 1995-96



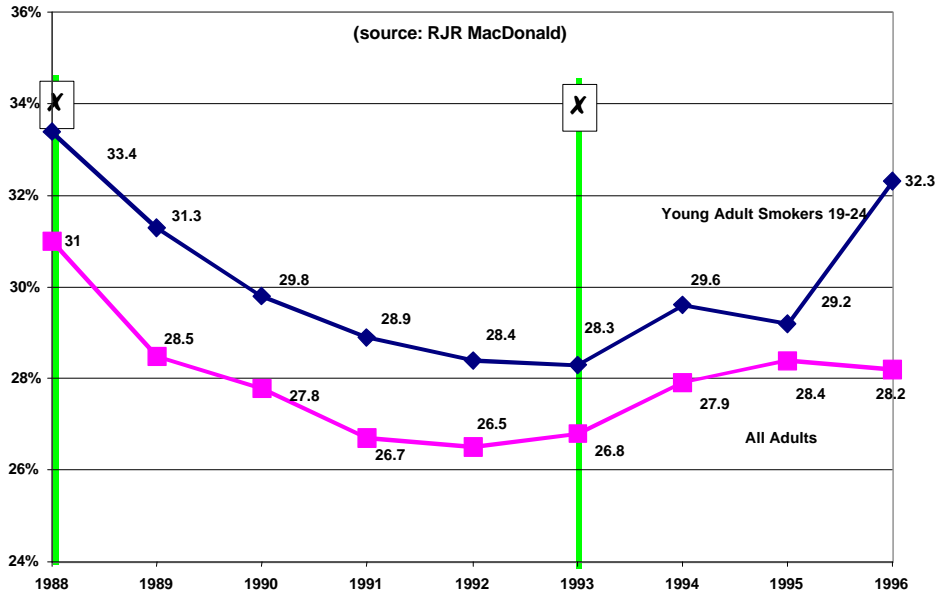
Source: Public Accounts, Government of Canada, 1985-86 to 1995-96

## Tobacco Control in Canada

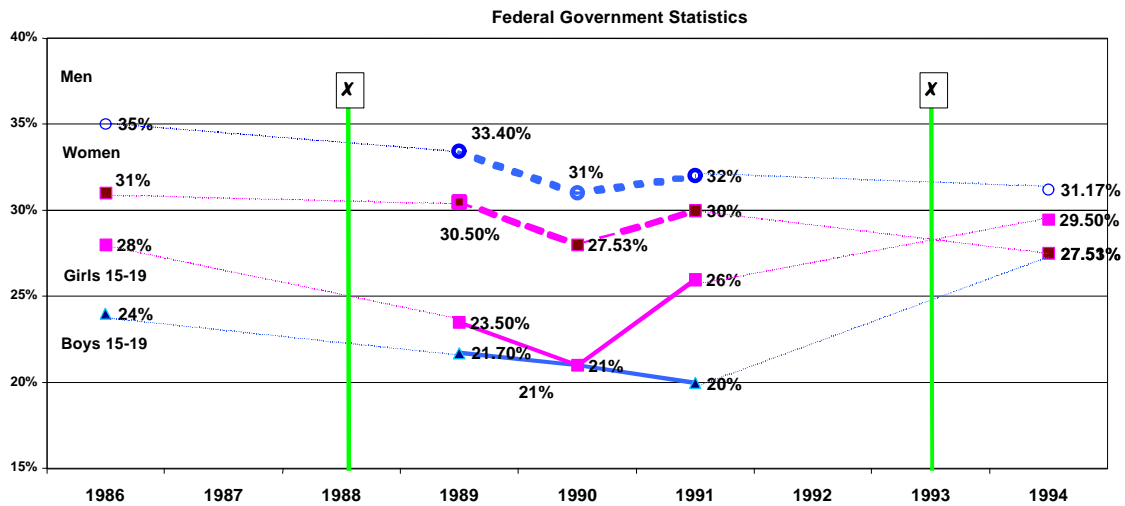
### A Chronology of Public Policy Decisions 1986 - 1996

1985	<ul style="list-style-type: none"> <li>Federal government stops giving grants to amateur sports groups that accept tobacco sponsorship money</li> </ul>
1986	<ul style="list-style-type: none"> <li><i>Non Smoker's Health Act</i> (Bill C-204) introduced. This private member's bill proposes to: <ul style="list-style-type: none"> <li>ban all tobacco advertising and promotion by including tobacco in the Hazardous Products Act</li> <li>guarantee smoke-free workplaces for all federally regulated workers</li> <li>guarantee smoke-free travel on all federally regulated carriers</li> </ul> </li> </ul>
1987	<ul style="list-style-type: none"> <li><i>Tobacco Products Control Act</i> (TPCA, Bill C-51) introduced. This government bill proposes to: <ul style="list-style-type: none"> <li>Ban all tobacco advertising and sponsorship</li> <li>Require health warnings</li> </ul> </li> </ul>
1988	<ul style="list-style-type: none"> <li>TPCA becomes law. (amended to grandfather existing sponsorship agreements)</li> <li>Smoke-free workplace and public transportation (where federally regulated)</li> <li>Tobacco companies launch constitutional court challenge to TPCA</li> <li>Tobacco Companies establish 'shell corporations' to circumvent ban on sponsorship advertising</li> </ul>
<b>Federal Election. Conservative party returned with majority government</b>	
1989	<ul style="list-style-type: none"> <li>Tobacco taxes increased \$4.00/carton</li> </ul>
1990	<ul style="list-style-type: none"> <li>Rotating health warnings effected</li> </ul>
1991	<ul style="list-style-type: none"> <li>Quebec Superior Court declares federal ban on tobacco advertising unconstitutional</li> <li>Federal tobacco taxes increased by \$6.00/carton</li> </ul>
1992	<ul style="list-style-type: none"> <li>Lung cancer becomes the leading cause of cancer deaths among Canadian women</li> </ul>
1993	<ul style="list-style-type: none"> <li><i>Tobacco Sales to Young Persons Act</i> (TSYPA) passed. Vendors may not sell cigarettes to children under 18</li> <li>Contraband market peaks at 25% - 31% of total market</li> </ul>
<b>Federal Election. Conservatives defeated. Liberal majority government comes to power.</b>	
1994	<ul style="list-style-type: none"> <li>Federal cigarette taxes cut as part of anti-smuggling initiative. The price of cigarettes for 75% of Canadians is cut in half.</li> <li>Parliamentary committee recommends adoption of 'plain packaging'</li> <li>Eight 'new and improved' health warnings on cigarette packages</li> </ul>
1995	<ul style="list-style-type: none"> <li>Supreme Court of Canada rules the TPCA unconstitutional</li> <li>Government introduces 'blueprint on tobacco control,' proposing to re-enact a total ban on tobacco promotion</li> </ul>
1996	<ul style="list-style-type: none"> <li>Government introduces <i>Tobacco Act</i> (C-71) which: <ul style="list-style-type: none"> <li>Restricts direct advertising to direct mail, publications with 85% adult readership (this will include newspapers and most magazines), and bars</li> <li>Restricts sponsorship promotion to on-site promotion and the same distribution vehicles as direct advertising</li> <li>Gives the government the authority to regulate retail displays, package labelling, cigarette manufacture</li> <li>Disallows promotion through clothing and other goods if they have youth appeal</li> <li>Bans mail order sale of cigarettes</li> <li>Continues provisions of TSYPA</li> </ul> </li> </ul>
1997	<ul style="list-style-type: none"> <li><i>Tobacco Act</i> (C-71) is passed but restrictions on sponsorship are delayed until October 1998.</li> <li>Government announces plans to amend <i>Tobacco Act</i> to exempt motorsports from some provisions of the <i>Tobacco Act</i></li> <li>Government fails to pass regulations to put <i>Tobacco Act</i> in force: tobacco industry voluntarily complies with regulations established under previous legislation.</li> <li>Tobacco Industry launches court challenge to <i>Tobacco Act</i>.</li> </ul>
<b>Federal Election. Liberal majority government relected</b>	

## Incidence of Smoking History Total Adult Population and Young Adult Smokers



## Smoking Status in Canada - 1986 - 1994



*Prevalence of Smoking in Canada as measured by the Tobacco Industry ('incidence') and by the Statistics Canada. No data from national government surveys conducted (if any) for the years 1987, 1988, 1992, 1993 have been released. RJR Macdonald (a subsidiary of RJR Nabisco, has produced annual data, and the only available data on 1996.*

forms of promotion to continue (some of which will be banned at the end of 1988).

The chronology of policy decisions on tobacco issues reveals the vulnerability of policy gains to political change, and the rapid pace at which legislative and tax decisions can be undone.

The policy analysis and approach of Canadian governments and tobacco control advocates is

consistent with international health communities, including the World Health Organization. It is instructive to compare the changes in domestic Canadian policy over the past decade with tobacco policy measures proposed by the World Health Organization. This analysis reveals that there has been significant policy changes towards WHO recommendations, but that that progress towards meeting WHO recommendations has been eroded since the beginning of the 1990s.

## Canadian Federal Government Initiatives Against Tobacco Use - 1986 – 1996

### A comparison with WHO recommendations

	WHO recommendation	1987	1988	1995	1996	1997
Policy Framework		Tobacco Products Control Act – (as proposed)	Tobacco Products Control Act (as enacted)	Blue Print on Tobacco Control	Tobacco Act – (as proposed including regulatory potential)	Tobacco Act – (as enacted, with regulations proposed to date)
Ban advertising						
Ban sponsorship						
Ban promotion						
Ban sales to minors						
Accelerating tobacco taxes						
Protection of involuntary exposure to ETS						
allocation of tobacco taxes to health						
Health promotion, health education and cessation programmes				*		
Elimination of socioeconomic, behavioural and other incentives						
Health warnings on products						*
Health warnings on advertisements		N/A	N/A	N/A		
Limits on toxic constituents						
Reporting of toxic constituents						
Economic alternatives to tobacco growing						
Management, monitoring of tobacco issues				*		
key	- included	- not included	N/A - Not needed or not applicable		* - particularly strong measures.	partially included

## **Conclusion**

Canada has made enormous progress over the past thirty years against tobacco use, and ultimately against tobacco-caused disease. Analysts of tobacco control should not allow the achievements of the 1970s and 1980s, however, to obscure the lack of progress over the past 10 years. Trend-line analysis of smoking rates among younger Canadians are particularly troublesome. The temptation to perceive stalled progress as a reflection of a natural asymptote in the reduction of tobacco use should be resisted

The source of tobacco policy stagnation has not been identified, but a significant number of regressive policy decisions coincide with the election of a Liberal government in October 1993. The restoration of established policy tools, like a total ban on tobacco promotion and advertising and high cigarette taxes, should re-establish a reduction in tobacco consumption and smoking prevalence. The development of new policy tools, particularly those designed for population sub-groups which show low resiliency to nicotine addiction, should be the focus of a reinvigorated tobacco control strategy.

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## **ENDNOTES**

- 1 Treating the Tobacco Epidemic Like an Epidemic, the Road to Effective Tobacco Control in Canada. Gar Mahood, ED, NSRA, The Global War, Proceedings of the Seventh World Conference on Tobacco and Health.
- 2 Canada's Tobacco Demand Reduction Strategy, Kay Stanley, Health Promotions and Services Branch, p. 129.
- 3 Tracking the progress of the National Strategy to Reduce Tobacco Use in Canada. Helen McElroy and T. Stephens
- 4 Statistics Canada Suveys taken from A Critical Review of Canadian Survey Data on Tobacco Use. Health and Welfare Canada, 1988 Smoking Behaviour of Canadians: A National Alcohol and Other Drugs Survey Report, 1989. Health and Welfare Canada, 1992 Canada's Health Promotion survey, 1990: Technical Report, Health and Welfare Canada,, 1993 National Population Health Survey, Statistics Canada.....
- 5 RJR Macdonald statistics produced in an internal memo dated June 4, 1997 to Rich Kauffeld, Chairman and CEO of RJR Macdonald from Lance Newman and Steve Wilson.
- 6 Wholesale sales as reported to Health Canada; population statistics as estimated by Statistics Canada.
- 7 Based on wholesale shipment figures provided to Health Canada by manufacturers, 1996.
- 8 IMASCO Annual Reports, 1986 through 1996
- 9 Rothmans, Benson & Hedges Annual Reports, 1986 through 1996