

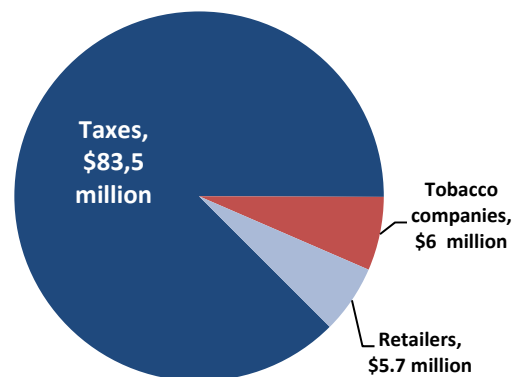
Profiting from starter smokers

Government revenues and industry profits from youth smoking. Findings from the Youth Smoking Survey, 2008-2009.

Key findings

- More than a million cigarettes are smoked each day by school-aged Canadians.
- Less than 1 in 10 cigarettes smoked by young people is smoked by a young person who identifies 'native brands' (contraband or untaxed cigarettes) as their usual brand of cigarettes.
- Provincial and federal governments collectively receive \$83 million a year in revenue from tobacco taxes on cigarettes smoked by young Canadians, representing about \$380 for each of the 220,000 young Canadian smokers identified in the survey.
- The most commonly smoked brands, representing three-quarters of the cigarettes smoked by young people, are manufactured by multinational tobacco companies.
- Based on Health Canada's estimate that tobacco companies make \$4.43 in profit on each carton of cigarettes sold, and that retailers make \$3 on each carton of cigarettes sold, industry revenues that result from young Canadians smoking totals \$12 million per year.

REVENUES THAT RESULT FROM SMOKING BY SCHOOL-AGED CANADIANS



ESTIMATED REVENUE TO GOVERNMENT AND INDUSTRY RESULTING FROM YOUTH SMOKING, 2008-2009.

Based on usual brand of cigarettes smoked for all cigarettes obtained by youth from all sources.

	Cigarettes per day smoked by youth	Excluding "Native" brands	Cartons per year smoked by youth (excl. native)	Revenue per 200 cigarettes	Annual Revenue
				<i>Tax rate</i>	<i>Tax revenue</i>
Newfoundland & Labrador	20,196	20,019	36,535	\$38.00	\$1,388,318
Prince Edward Island	4,712	4,573	8,346	\$44.90	\$374,723
Nova Scotia	31,736	29,458	53,761	\$43.04	\$2,313,867
New Brunswick	29,132	26,698	48,724	\$25.50	\$1,242,458
Ontario	356,091	279,642	510,347	\$20.60	\$10,513,141
Quebec	346,264	310,145	566,015	\$24.70	\$13,980,561
Manitoba	29,057	28,350	51,739	\$41.00	\$2,121,289
Saskatchewan	51,943	50,963	93,007	\$42.00	\$3,906,314
Alberta	76,517	76,517	139,644	\$40.00	\$5,585,741
British Columbia	144,965	143,234	261,402	\$37.00	\$9,671,876
Canada-wide (excl. territories)	1,167,130	1,044,557	1,906,317	\$17.00	\$32,407,381
Total government	1,167,130	1,044,557	1,906,317		\$83,505,668
				<i>Revenue per carton</i>	<i>Pre-tax profit</i>
Rothmans, Benson & Hedges (PMI)	340,772		621,909	\$4.43	\$2,755,056
JTI- MacDonald (JTI)	278,947		509,078	\$4.43	\$2,255,217
Imperial Tobacco Canada (BAT)	141,063		257,440	\$4.43	\$1,140,459
Native	122,573		223,696	unknown	unknown
No usual brand/other/not stated	283,775		517,889	unknown	unknown
Total sold in retail stores	1,044,557		1,906,317	\$3.00	\$5,718,950
Total industry	1,167,130	1,044,557	1,906,317		\$11,869,682

NOTES, ASSUMPTIONS AND LIMITATIONS:

The data were taken from the Public Use Microdata of the 2008-2009 Youth Smoking Survey, which is administered by the Propel Centre for Population Health Impact.

Variables used included:

DVAMTSMK: Average number of cigarettes smoked in the past week.

ProvID: Province of residence

SBRNDUA1: What brand of cigarettes do you usually smoke?

Data released by the Youth Smoking Survey does not identify the age of school-age smokers. The survey is conducted in grade schools and high schools (grades 6 to 12) in all provinces, but not in the northern territories. Included in the survey will be students who have reached the 'legal age' to buy cigarettes, but the number of these students cannot be determined from the data released.

This study does not address whether the cigarettes are 'legally' sold or not. Under federal law, it is illegal to sell or to give cigarettes to young people (under 18 years of age) in a public place. It is, however, legal to sell or give young people cigarettes in a private setting, such as a home. In Newfoundland, Nova Scotia, New Brunswick, Ontario, British Columbia and Nunavut, the 'legal age' of a person to whom cigarettes may be legally sold is 19.

Estimates of industry revenue from the manufacture of cigarettes were taken from a study commissioned by Health Canada "Economic Evaluation of Health Canada's Regulatory Proposal for Reducing Fire Risks from Cigarettes"¹ This analysis was prepared in 2005. It does not account for differences in profitability between brands or among manufacturers. We have not been able to locate better estimates of industry revenue from the sale of tobacco products on a per-product basis for Canada.

A study of an earlier cycle of the Youth Smoking Survey reported that 17% of all cigarettes smoked by adolescent daily smokers in Canada, and 25% of daily smokers in Ontario and Quebec were contraband. [see Russell C. Callaghan et al, Use of contraband cigarettes among adolescent daily smokers in Canada. Russell C. Callaghan et al, CMAJ, September 2009]. The data presented here are for all smokers, including those who smoke on an occasional basis. Looking at only daily smokers in the 2008-2009 data, we found that about 13% of cigarettes smoked were native brands, 34% were manufactured by Rothmans, Benson and Hedges, 29% were manufactured by JTI-Macdonald, 13% were manufactured by Imperial Tobacco Canada Ltd., and 10% were unidentified.

¹ <http://www.hc-sc.gc.ca/hc-ps/pubs/tobac-tabac/evaluation-risks-risques/industry-industrie2-eng.php#a3>