



Press release



For immediate release

Major tobacco tax reduction in 1994: No impact on smoking rate says HEC Montréal

Ottawa, Wednesday, January 13, 2010 –The call from convenience stores to reduce excessive tobacco taxes as a temporary solution to eliminate contraband has gained tremendous support today with the release of a damning report submitted by the HEC Montréal at the request of the Canadian Convenience Stores Association (CCSA). Entitled The failure of tax policies to curb tobacco consumption, the report clearly establishes that according to the biggest study in the country to date examining the effects of decreased tobacco taxes, namely the 1994-1995 Statistics Canada Survey on Smoking in Canada, the major tax decreases implemented in February 1994 had no significant impact on tobacco consumption or promotion, even among the youth. This extensive study was commissioned by Health Canada who had never admit, publish or endorse the findings.

“ Let’s stop pretending that lowering excessive taxes encourages smoking: it is absolutely false and plain to see in the Statistics Canada survey done at Health Canada’s request”, says Michel Gadbois, Executive Vice-President, CCSA. According to Mr Gadbois, it is now scientifically-proven fact that decreasing excessive tobacco taxes does not increase smoking rates, even among the youth. *“What it does accomplish however is the complete elimination of the scourge of contraband tobacco, allowing governments to regain control of the market and limiting youth access to tobacco, which is what we all want.”*

The study unveiled today was prepared by Jean-François Ouellet, associate professor at HEC Montréal. He holds an MBA from Université Laval and a doctorate in management sciences from Université de Grenoble in France. He teaches database analysis and market research at the master’s and doctoral level business administration programs. After thoroughly examining the data collected from the 12,000 Canadians who participated in this major survey, Ouellet concludes that *“based on the data collected by Statistics Canada, randomness is as good a way as any in determining if a Canadian will change his smoking patterns based on decreased tobacco tax. Particularly noteworthy, the absence of difference is observed equally in the general sample population as in the youth respondent population.”* The study can be downloaded at www.acda-aqda.ca.

In comparing the evolution of tobacco use in the five provinces having decreased taxes and the five who did not in 1994, Statistics Canada was never able to detect the slightest significant difference, proving beyond a shadow of a doubt that decreasing taxes has no effect. In certain cases, it was even observed that provinces where taxes were not lowered saw a weaker decrease in rates of tobacco use than other provinces. *“The time has come to put this myth to rest and to decrease excessive tobacco taxes in order to eliminate once and for all, and as quickly as possible, the scourge of contraband tobacco endured far too long because of the unproven and unfounded fear that it would encourage people to smoke. For this, the contraband market is currently doing fine on its own by selling cheap cigarettes to kids in high school courtyards.”*

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