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## **Standing Committee on Health**

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**EVIDENCE**

**Monday, February 12, 2018**

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**Chair**

**Mr. Bill Casey**



## Standing Committee on Health

Monday, February 12, 2018

• (1530)

[English]

**The Chair (Mr. Bill Casey (Cumberland—Colchester, Lib.)):** Welcome to meeting number 90 of the Standing Committee on Health.

We're studying Bill S-5, an act to amend the Tobacco Act and the Non-Smokers' Health Act and to make consequential amendments to other acts.

Today, on behalf of Rothmans, Benson & Hedges, we have Peter Luongo and Mike Klander. On behalf of the Canadian Convenience Stores Associations, we have Satinder Chera and Anne Kothawala. From Freeze the Industry, we have Anabel Bergeron, Akehil Johnson, and Maxime Le.

As an individual, do we have Sinclair Davidson here?

**Professor Sinclair Davidson (Professor of Institutional Economics, School of Economics, Finance and Marketing, College of Business, Royal Melbourne Institute of Technology, As an Individual):** Yes, you do. Hello.

**The Chair:** There we go, by teleconference.

All right. We'll begin the opening rounds. Each organization has 10 minutes to make an opening statement and then we'll go to questions.

Mr. Luongo or Mr. Klander, would you like to open up with a 10-minute opening statement?

**Mr. Peter Luongo (Managing Director, Rothmans, Benson & Hedges Inc.):** Absolutely.

Mr. Chair, members of the committee, thank you for inviting me here to speak with you today.

I'm Peter Luongo, the managing director of Rothmans, Benson & Hedges Inc., a fully owned subsidiary of Philip Morris International. I'm here to talk with you today about our vision for the industry, how that vision aligns with our shared goal of reducing smoking rates in Canada, and the implications of Bill S-5 for that objective.

First, our vision for the industry or goal, put simply, is to stop selling cigarettes. We can do this in a way that makes sense for us as a business and for society as a whole by switching existing adult smokers to alternative, smoke-free products that significantly reduce their exposure to the chemicals in cigarette smoke that are linked to disease. You may be thinking, if you want to stop selling cigarettes, why not simply stop? However, if we were to simply do that today,

every single adult smoker in Canada who smokes our brands would most likely switch to another brand of one of our competitors. This would not serve the long-term goal of eliminating smoking. However, we believe that by introducing new, reduced risk products and by educating adult smokers on the benefits of switching, we can reach a point where we can envision a phase-out of cigarettes. We know this is a massive undertaking and will require time and support from the government and other stakeholders, but it is a goal we should all share.

You may also be thinking, why now? What has changed? Put simply, it's technology. For more than a decade PMI has been developing a series of smoke-free alternatives, products that are designed to replace cigarettes for adult smokers who are not seeking to quit tobacco altogether. As an industry, we finally have products that both satisfy adult smokers and also significantly reduce their exposure to chemicals. This is based on the simple fact that nicotine, while addictive and not risk-free, is not the primary cause of smoking-related diseases but it is ultimately a large part of what smokers are seeking from cigarettes.

As the old quote goes that was mentioned earlier today, "People smoke for the nicotine but they die from the tar." It is the burning process, the combustion that occurs when tobacco is lit on fire that creates this tar, not the mere presence of nicotine. All of the alternative products we are looking to introduce have several things in common. They all produce an aerosol vapour, and they all contain nicotine to address smoker preferences, but they also all eliminate combustion. By eliminating combustion, we dramatically reduce users' exposure to these harmful chemicals if they fully switch to these products. We know from the millions of smokers in other countries who have already switched that we are talking about reality, not theory.

I'll give you a bit of background to what we are doing today in Canada with one of our alternative, smoke-free products called IQOS. It is an electronic device that heats specially manufactured tobacco sticks to release an aerosol vapour. The vapour contains nicotine and is similar to the vapour produced by an electronic cigarette. When compared to a reference cigarette smoke, the aerosol vapour produced by IQOS contains, on average, 90% fewer harmful and potentially harmful constituents linked to smoking-related diseases. Looking specifically at the 14 carcinogens identified by the International Agency for Research on Cancer, we see the reduction is greater than 95% on average. Recently, an advisory committee to the Food and Drug Administration in the United States concluded that switching completely to IQOS can reduce smokers' exposure to harmful smoke compounds by a vote of eight to one.

To be clear, we are not saying that smoke-free alternatives are risk-free. They are not for non-smokers, they are not for youth, and they are not for people who smoke today and who want to quit tobacco and nicotine altogether. Smoke-free alternatives, such as IQOS, are for adult smokers who will otherwise continue to smoke without a satisfactory alternative. With over four million adult smokers in Canada today, it is imperative that we provide such alternatives.

If IQOS is legally available today in Canada, you may be wondering what the problem with Bill S-5 is. To start, I think we can agree that for someone to switch to a product, they need to know that it exists and how it compares to cigarettes. However, if Bill S-5 is passed in its current form, it will be illegal for me to share with Canadian adult smokers everything I have told you so far about how IQOS compares with cigarettes. Specifically, clause 27 of Bill S-5 prohibits anyone from making comparisons between any two tobacco products or their emissions. Because the IQOS unit heats tobacco, it would be considered a tobacco product. As a result, we would not be able to clearly explain the differences between IQOS and any other tobacco product, including cigarettes, regardless of what the scientific evidence showed to be true.

● (1535)

It is important for the committee to remember that this is not just about the product that we, as RBH, have on the market today. Our competitors in the industry have products that also contain tobacco and that operate under similar principles of avoiding combustion while still delivering nicotine. It is not only about products that have already been invented; it is recognizing that through additional research and development, these categories will continue to evolve to provide smokers with ever more and better alternatives in the future. As drafted, if there is a tobacco product that is proven to be of lower risk, there will be no way to explain that fact to consumers without further amending the legislation, which could be a very lengthy process. During this time, you would have millions of adult smokers in Canada making choices about their health without having all of the relevant information and access to the best available science.

Therefore, our recommendation is that clause 27 be amended to create regulatory power and to put tools in place to take advantage of the opportunity that we believe these products represent, and to have regulations reflect the latest available evidence. The Senate modified a similar section of this bill dealing with vaping products so that,

through regulations, authorized statements could be created by Health Canada that strike a balance between providing adult smokers with the information they require to make informed choices while at the same time preventing them from being given a misleading impression. A similar change to the tobacco section of Bill S-5, giving Health Canada the power to create tailored regulations going forward, is a reasonable and balanced step for this committee to take.

Now, you don't have to believe everything I've said today. You don't even have to believe that IQOS is a better choice than smoking. You only have to believe that it is possible for a tobacco product to exist that has lower risks than cigarettes, and, if it is possible, I think we should all be able to agree that adult smokers in Canada have a right to that information and that the law should provide flexibility for regulations to reflect that fact.

Before I conclude, it's also important to recognize that given the ongoing evolution of these categories, we will continue to need to study and update our knowledge of these new alternatives. Our second recommendation for this committee is that in your report on Bill S-5, you recommend that the Government of Canada, in the upcoming federal tobacco control strategy, commit to funding research into smoke-free alternatives, including heated tobacco products and electronic cigarettes, to help inform future policy discussions with evidence that is entirely impartial. Doing so will provide legislators and regulators with substantiated third-party information regarding the science behind smoke-free alternatives, and better enable a more fulsome dialogue about the potential of harm reduction in tobacco to achieve the goal of "5% by '35", a goal we all share.

Thank you very much.

● (1540)

**The Chair:** Thank you.

Now we'll go the Canadian Convenience Stores Association.

Mr. Chera.

**Mr. Satinder Chera (President, Canadian Convenience Stores Association):** Thank you, Mr. Chair and members of the committee. My name is Satinder Chera, and I am the president of the Canadian Convenience Stores Association.

Our association is proud to represent 27,000 small business owners across Canada who serve 10 million customers each and every day. As you will note from the materials in your kits, our channel provides employment opportunities for over 234,000 Canadians and collects over \$22 billion in taxes for all levels of government. Our stores ensure that Canadians have access to necessities and basic groceries wherever they live, and a third of them serve rural and remote regions of the country. In our vast country it is our distributors who provide this critical link of getting those necessities to our stores, which is why I am joined by Anne Kothawala, who represents that part of our industry.

Our industry is much more than our contribution to the economy. We support local sports teams and charities. Last year we held our first ever national Convenience Store Day, during which politicians and community leaders worked a shift in our stores and helped us to raise over \$80,000 for charity. Our channel is constantly changing and adapting. You can buy food-service items like samosas and healthier snack options such as energy bars. Twenty years ago newspapers were a significant part of our sales; today they are not.

Tobacco sales have also declined, just as the number of Canadians who smoke has declined. This is a good thing; however, those sales have moved to the illegal market. Across Ontario, one in every three cigarettes sold is illegal, and it's as high as 60% in some markets throughout the province. Please find more information regarding contraband in your kits.

Just so we are very clear, we're not here to defend the tobacco industry. After all, tobacco is a cause of serious diseases. That said, so long as Canadians choose to smoke this legal product, our retailers continue to represent the most responsible avenue for them to buy tobacco products. We are the most responsible safeguard to keep tobacco products out of the hands of children. It is in this context that we work with the tobacco companies, along with confectionery, snack, and beverage manufacturers, who are all non-voting members of our association.

My colleague and I are both parents. As any parent, we don't want our kids, or any kids, to get their hands on tobacco products. In fact, retailers play an important role in keeping these products out of the hands of youth to begin with through display bans and with identification checks through our We Expect ID program that is included in your kits. Convenience retailers are part of the solution to preventing kids from smoking, not in opposition to it.

We are here today to raise the concerns of our members about the impact that the proposed plain-packaging legislation will have on our stores. We fear that despite the intent of the legislation, efforts to reduce tobacco consumption will be wasted and, ultimately, worsened by this bill. We will also talk about the vaping side of Bill S-5, where we fully support the government's finally stepping in to regulate this promising development for consumer choice.

Our channel has proven to be the best at age testing when measured against the Beer Store or the government-owned LCBO in Ontario. According to data from Smoke-Free Ontario, public health units have conducted over 20,000 underage mystery shops, with a pass rate of 96% by convenience stores in Ontario.

Committee members may be asking why, if 75% of the package is already covered by warning labels, it would matter if the remaining 25% were covered too? There are three reasons.

First, as with any product, branded packaging gives consumers assurances of quality and reliability and helps them distinguish one product from another. Standardizing cigarette packaging will make it much more difficult to differentiate legal from non-legal products. Moreover, Bill S-5 allows for the standardization of the cigarettes themselves. Forcing legal products to look like their already-standardized illegal counterparts will only further encourage consumers to make their purchasing decisions on price alone. The cheapest products will always come from the black market, free from any tax or ID check.

Second, we already compete with an illicit market that is double the global average. With plain packaging, we can expect to see counterfeiting become a bigger problem than it already is.

Third, because of the black market, law-abiding convenience stores lose not only the tobacco sales, but also the purchases that go along with them—milk, bread, lottery tickets. Governments lose tax revenue, and no one is there to prevent children from buying illegal tobacco.

We know that committee members have heard a lot about the black market and contraband lately, having just studied Bill C-45. Many witnesses have remarked on the importance of addressing the black market when it comes to cannabis, and several have pointed to branding to visually separate these products and provide consumers basic information about them as well as a quality guarantee.

• (1545)

Our members cannot understand why, when the government is trying to curb black market cannabis, it chooses to proceed with plain packaging for tobacco, which will be a boon to the already thriving black market. If the shared problem between tobacco and cannabis is the black market, why are we treating these products so differently?

This is compounded by stories from retailers in other countries where they have adopted plain packaging. Our Australian retail counterparts have struggled with inventory control, staff training, and customer transactions without any of the intended benefits. Contraband rates increased by 20% in that country after plain packaging was introduced. More recently, the Australian and French governments have both stated that plain packaging did not have the desired impact on smoking rates. As you can imagine, our retailers and distributors hear these stories and are naturally questioning whether we should expect to see any different outcome for plain packaging if implemented here in Canada.

I'll now turn it over to my colleague to conclude our remarks.

**Ms. Anne Kothawala (President, Convenience Distributors, Canadian Convenience Stores Association):** Thanks, Satinder.

Without adequate resources to deal with contraband tobacco, and without adequate time to prepare for the consequences of plain packaging, already stretched small businesses will take a hit once again. A poll of our retailers, which has been shared with Health Canada, found that over 88% of staff use brand logos to differentiate between tobacco products; 97% of retailers believe that they would need to increase staff training to ensure proper inventory control, stock management, and customer service if plain-packaging restrictions are imposed in Canada. Our stores and distributors are not asking for any compensation to assist with this transition, but we are asking for time to deal with what we know the fallout will be.

While it's not in the mandate of this committee to recommend, we believe the government should address the issue of contraband tobacco before moving ahead with Bill S-5. The Senate social affairs committee noted in its report that more should be done to fight the black market. Health Canada is contemplating studying the illegal market in its renewed tobacco control strategy, and we support that effort.

We need action. Illegal tobacco is unregulated, untested, and untaxed. Many have zero per cent health warnings. The existence of this significant market undercuts every single one of the government's tobacco control measures and goes against the government's stated rationale for plain packaging. Providing law enforcement with greater resources specifically allocated to eliminating contraband tobacco is one option. Funding a regular study to evaluate the state of contraband tobacco and regulatory impacts on illegal tobacco usage rates is another. It is worth noting that this is not something the Government of Canada currently tracks.

To support this committee in its ability to recommend amendments to the proposed legislation, we offer the following recommendations.

First, to help mitigate the impacts of plain packaging on our small businesses, allow for some type of visual differentiation on packages, perhaps on the cellophane overwrap, which has the added benefit of being removed as soon as the package is opened. This would help to distinguish legal from illegal products, particularly for law enforcement. The RCMP have raised concerns about contraband tobacco, particularly the links to organized crime. In a recent massive seizure of drugs, weapons, and contraband, their press release stated that the investigation demonstrated "the strong ties between contraband tobacco and the organized crime community."

From a distributor perspective, this is crucial when it comes to shipments of cartons of cigarettes. Very rarely are cartons purchased in stores, as you can well appreciate because of the cost, but our distributors use the visual differentiation to pick and fill customer orders. We understand that the U.K. plain-packaging legislation focused specifically on products destined for retail, rather than on shipments. We believe Bill S-5 should include that same provision.

The committee may also want to consider extending the same logic to individual cigarettes. Some differentiation would likely assist law enforcement in telling legal and illegal products apart.

Our second recommendation would recognize that many of our retailers and distributors are small businesses that are already burdened by excessive red tape and regulation. Not allowing for a reasonable transition period for our stores and their distributors will hurt our already struggling channel. Should this legislation proceed, we implore you to consider amending Bill S-5 to include a separate adjustment and sell-through period for retailers and distributors, of between 12 and 18 months.

Our third and final recommendation deals with vaping. We support the government one hundred per cent in finally regulating this product. We find it extraordinarily unfair that our stores and distributors have followed Health Canada's directive to refrain from selling vape products with nicotine, while illegal vape shops have been allowed to pop up on street corners in virtually every community.

● (1550)

With growing acknowledgement of the benefits of vape products as an alternative to traditional cigarettes, we ask this committee to create a level playing field by allowing for limited, substantiated communication by convenience retailers about alternative nicotine-containing products, including electronic cigarettes and heated tobacco products.

We thank you very much for the opportunity to present today, and we would be happy to answer any questions you might have.

**The Chair:** Thank you very much.

Now we'll go to Freeze the Industry.

Mr. Johnson.

**Mr. Akehil Johnson (Volunteer, Freeze the Industry):** Imagine if an airplane manufacturer sold airplanes that routinely fell out of the sky and killed 45,000 people per year. Surely that would not be normal. There would be an outcry and people would demand that steps be taken to protect the public. That would be normal.

That said, good afternoon, Mr. Chair and committee members.

We are here together to talk about Bill S-5, the issue of plain and standardized packaging, and to introduce our group called Freeze the Industry.

That quote I read is one from my first Unfiltered Facts meeting. Unfiltered Facts is youth advocacy, anti-industry group in Hamilton, Ontario. I thought about it long and hard. This was a self-evident truth. I thought to myself this was crazy, because tobacco is the only product that, when used as intended, kills over half its users. It seemed to me that nobody cared that smoking kills or tobacco usage kills. We hear it all the time and we just brush it off. I couldn't just sit by while this was happening. I'm also a Seventh-day Adventist. Our church believes that good health is vital to good living. We must do all we can to ensure that we live the best and healthiest lives.

Thus, in that singular moment, I became passionate and energized. I was ready to advocate in my school, in my church, in my communities, in Ontario, across Canada, in North America, and in the world that the industry targets youth to be replacement customers. No longer could "Smoking kills" work. I had to get the message out there to resist big tobacco, revolt against its manipulative tactics, and unite in solidarity that we would never use its products, and advocate to other youth about this shady industry. That's how I became an advocate, and it has been nothing short of a powerful journey.

I've been able to witness first-hand how youth advocacy has helped shape and change society, whether it was in Hamilton where we informed and gained 5,000 petitions in support of smoke-free movies, or helped lower the smoking rate in high school to 6%. However, that's not all. Throughout my volunteering and time spent at Unfiltered Facts, I learned about a provincial-wide network of youth and young adults who were committed voluntarily to fighting the industry in Ontario. Thus I got involved with this network known as Freeze the Industry.

It was through Freeze the Industry that I saw youth become informed and empowered. I saw youth take an interest in the Canadian political and democratic process. I've had the joy of being a youth advocate and seeing youth advocacy result in laws passed and new policies implemented. Some of these include power walls; the banning of flavouring in tobacco; the regulation of electronic cigarettes; the banning of smoking in parks and on patios in Ontario; the divestment from big tobacco by the University of Toronto; regulations on hookah and shisha use; and recently McMaster University, a university in Hamilton, going tobacco-free.

I've seen so much accomplished, but I know there's a lot more to get done, whether it's tighter regulations on flavours in tobacco, a moratorium on new products, or the implementation of plain and standardized packaging, which is why we are here today.

The fact remains that cigarette packaging is a mini-billboard. It's flashy, it's bright, it's colourful and attractive. We want people to

understand that items that look friendly should not be deadly to your health. Friendly should not be deadly. You would not advertise rat poison or bleach the same way you advertise sugar or apple juice.

Therefore, in addition to countless other youth from across Ontario and across this nation, we support the passage of this legislation and will continue to advocate in favour of it, and we will strive to inform the public of the importance and necessity of this legislation.

Thank you.

● (1555)

**Ms. Anabel Bergeron (Volunteer, Freeze the Industry):** Thank you.

I come here wearing many hats. I am a science student, a volunteer, a sister, a daughter, and a community leader. As a master's student conducting research on innovative cancer therapies here in the nation's capital, I have come to appreciate the repercussions of tobacco products on our economy, health care, and families. As you perhaps already know, treatments of tobacco-related conditions cost Canadians an estimated \$6.5 billion in direct health care costs and tobacco-related conditions kill 100 Canadians every day. Smoking remains the foremost cause of premature death, and we must act.

I can testify first-hand that research innovates at a rapid rate, and progress in the field of medicine has significantly improved the prognosis of various diseases and continues to improve the quality of life of many patients. However, we must also acknowledge the power of education and prevention. Plain and standardized packaging elevates the impact of health warnings and prevents the use of deceiving designs.

As a volunteer in my community, I know youth have opinions on public health issues, and they deserve to have their voices heard. As an ambassador with Freeze the Industry, I have witnessed the support of younger generations for plain and standardized packaging. Last November, approximately 100 youths and young adults expressed their support for plain and standardized packaging at our Freeze the Industry "Make 'Em Plain" rally on the Hill.

We understand the dangers of smoking and recognize that the tobacco industry employs various strategies to deceive. We know that plain and standardized packaging will spread this knowledge by highlighting the health warnings, and will prevent new smokers from falling into the tobacco industry's manipulative traps.

[Translation]

It is with these many hats on today that I support the proposed amendments to Bill S-5 for standardized, plain packaging.

I am hopeful that, together, we will be able to provide for a better future for current and future generations of Canadians.

[English]

**Mr. Maxime Le (Volunteer, Freeze the Industry):** Back when I was in high school there was a smokers' pit outside every morning, at lunch, and after class. Nowadays when I'm not busy studying or conducting research on population health, serving as a patient adviser to the Ottawa Hospital, or advocating for tobacco endgame measures with Freeze the Industry, I take my little brother to this very same school and see that without fail the smokers' pit endures. Masked behind plumes of cigarette smoke, I can see some new faces from back when I was just a youth, but nonetheless the fact remains that it is the young, the vulnerable, and those who just want to fit in that populate this pocket of poison. I asked my little brother if he knew who they were, and his answer was, "It's all the cool kids who go there."

•(1600)

[Translation]

When I was younger, my mother smoked. Fortunately, she quit, but I still had secondhand smoke from tobacco products in my lungs at times. She got hooked on cigarettes because of her environment and living situation, but it was not her fault since everyone around her smoked. It was considered normal; everyone smoked.

Through my studies, I have learned that, for various reasons, francophones have poorer health than other non-marginalized communities. This is easier to understand considering that 35% of francophones in Canada are smokers.

[English]

Young people can be affected by tobacco in many ways—not just by smoking it and poisoning their body, but also by being robbed of the lives of the loved ones they care about. This summer I was in an accident and required surgery. When I was transferred to my overnight bed, a fellow patient who required surgery as well became my roommate. When prepping the patient for anaesthesia, one of the staff members asked whether or not the individual smoked. The answer was yes, and because of this the staff member said that smoking could complicate the procedure. The little girl who was there started to cry and become worried. Can you imagine how she would have felt if her parent died because of that?

For me, advocating for and supporting Bill S-5 with Freeze the Industry means saving my little brother from the influence of tobacco packaging.

[Translation]

The coming into force of Bill S-5 will help people of my generation be healthier parents and have healthier children, while reducing the health inequalities in marginalized communities.

[English]

It's about making sure the air we breathe is a little cleaner for everyone, but also for young people in particular who are tired of having seconds, minutes, or years of their lives taken away by tobacco-related death.

Freeze the Industry allows me to be this advocate and to be the role model I want my brother to have. We urge this committee to take our perspective seriously and to follow through with our recommendations to implement plain and standardized packaging so that every Canadian from sea to sea to sea is happier, more productive, and can lead a healthier life.

We thank you for your time today and this opportunity, and we look forward to our discussions later on.

**The Chair:** Thank you very much.

Now we have an invisible witness by teleconference, Dr. Sinclair Davidson, from Melbourne, Australia.

Are you with us, Dr. Davidson?

**Prof. Sinclair Davidson:** Yes, I am.

**The Chair:** We've never had an invisible witness before, but we have a technology issue, I guess.

Welcome. We look forward to your opening statement.

**Prof. Sinclair Davidson:** Thank you so much for inviting me to speak.

I'm a professor of economics at an Australian public university. I'm also associated with some free market think tanks, the Institute of Public Affairs and the Australian Taxpayers' Alliance.

As part of my overall research during my career, I have looked at various government policies, ranging from things such as insider trading, native title, and petrol pricing, and all sorts of things along those lines. One of the public policies I have looked at is the plain-packaging policy that was introduced in Australia in December 2012.

I think we can all agree that smoking kills and that the rate of smoking in our society is probably a lot higher than what is socially desirable. The real question is what we ought to do about the fact that people choose to smoke. What I'm going to argue today is that if the Canadian government wishes to lower smoking rates they need to do the hard policy work on issues such as excise pricing, public education and information, and the provisional substitutes to smoking. Particularly, my argument is you should focus on actual results, not virtue signalling, and you should stay away from utopian public policy-making. The idea under utopian public policy-making is that there are free lunches, that people would be different, and that things could change for the better if only we all tried and worked harder.



It turns out that the Australian policy of plain-packaging failed. You don't have to believe me on this point. If we have a look at the latest Australian national drug strategy survey results, the decline in smoking prevalence in Australia stalled after the introduction of the plain-packaging policies. The government waste-water intelligence survey found that the amount of nicotine in Australian waste water actually increased during that time. The size of the contraband market has increased dramatically over time. The bottom line is that a policy experiment was attempted. The notion that by taking away the branding of packets you could emphasize the graphic health warnings was an experiment that was probably well worth trying. The Australian government did this experiment. They conducted a tracking survey to see how it would work. The fact of the matter is that the experiment failed. It turns out that taking away branding adds costs to the economy, which previous speakers have spoken about, but does not actually reduce the prevalence and instances of smoking. In fact, today in Australia there are more people smoking than there were five years ago when they introduced the policy.

What some of my colleagues and I have done is have a look at the government's own survey results, taking their own data and using their own techniques. What we found is that the graphic health warnings, as a form of public education, do have an effect on reducing smoking. What we also found, however, is that the size of that effect actually declined after the introduction of plain packaging. Graphic health warnings in Australia were introduced in 2006. You can see clearly that they do have an impact on people's smoking behaviour, but that taking away the branding, the notion that people would be more aware of the graphic health warnings if we took away the branding, did not work. There is no evidence, even in the government's own data, to suggest that a lack of branding reduces smoking. The other thing is, when you have a look at the packets themselves, the government's own research found that the appeal variables of the packets did not really have a big impact on the intention to quit and quitting behaviour.

Yes, it was probably a good idea that should have been tried. I can't say that it has succeeded, but more importantly, given that it can be very difficult for a government not to go ahead and do something along these lines, I would like to make some recommendations. First, if the Canadian government does go ahead with the S-5 bill, it should introduce a sunset clause so that after a period of five or ten years, say, the legislation could be reviewed and renewed if it has been successful. Second, a formal tracking study should be commissioned to measure the success or failure of the policy, and this tracking study should include a full assessment of the health, economic, and social costs associated with the policy, especially the impact on small business, on convenient stores, and on insurance costs, because we know crime will increase. Third, the tracking study should be conducted in an open and transparent manner by people who are not intimately associated with the policy themselves. Fourth, formal and transparent cost-benefit analysis should be conducted by credible external individuals. Fifth, all of this data should be made available on the Health Canada website for external verification and analysis.

•(1605)

I'd be happy to answer questions.

Thank you very much.

**The Chair:** Thank you very much for your presentation.

I'm sorry about the problem with our technology, but you've certainly made your message very clear. We appreciate it a lot.

We'll now go to our question period, and we'll have seven-minute questions.

Dr. Eyolfson.

**Mr. Doug Eyolfson (Charleswood—St. James—Assiniboia—Headingley, Lib.):** Thank you, Mr. Chair.

Thank you all for coming.

Mr. Luongo, you talked about IQOS. You described it as a less harmful alternative to the actual combustion of cigarettes. Is that correct?

**Mr. Peter Luongo:** Yes.

**Mr. Doug Eyolfson:** What research is that based on, that this is less harmful?

**Mr. Peter Luongo:** It's based on a wide body of research that's looking at a number of things.

**Mr. Doug Eyolfson:** What research is that? Is this industry-sponsored research? Is it independent, peer-reviewed scientific research? Who's doing this research?

**Mr. Peter Luongo:** It's a combination of industry-sponsored research. We, obviously, pay for a large portion of the research that's done over here. It is also being independently verified by numerous people around the world, and this is published—

**Mr. Doug Eyolfson:** Who are these numerous people—universities, research institutes? Can you supply some references to research that is not private industry-sponsored research, to peer-reviewed scientific research supporting this?

**Mr. Peter Luongo:** Absolutely. I think the most recent would have been by Public Health England, which has said that all of the evidence suggests there is a reduction in harm associated with these products.

**Mr. Doug Eyolfson:** Public Health England. All right. When was this published?

**Mr. Peter Luongo:** That report came out just a few weeks ago.

**Mr. Doug Eyolfson:** The reason I ask is that I was reading a statement by the Conference of the Parties to the World Health Organization Framework Convention on Tobacco Control. Basically what they are saying—and I've been hearing this from other experts in other meetings, as well—is that the only evidence they've found that actually says there's less harm is industry-sponsored research, and that there's been no definitive evidence to support this claim that these are less harmful.

•(1610)

**Mr. Peter Luongo:** Number one, there have been a number of people who have come out, including Public Health England. There was a recent review done of all the evidence submitted to the FDA in the U.S. A number of positive statements came out of that, including, as I mentioned in my testimony, the committee recognizing by an eight-to-one margin that completely switching to IQOS would reduce people's exposure—

**Mr. Doug Eyolfson:** I'm sorry. Who was on this committee?

**Mr. Peter Luongo:** It was a group of people picked by the FDA for their independence explicitly. I can provide a list of those names.

**Mr. Doug Eyolfson:** Thank you. If that study by Public Health England, in particular, could be submitted to the committee later, we would appreciate it.

**Mr. Peter Luongo:** Absolutely.

**Mr. Doug Eyolfson:** Thank you very much.

I have limited time, so I'd like to go on to this.

Mr. Chera, you talked about the issue with the contraband tobacco and how plain packaging would increase contraband. You said that the Government of Australia has noted that this is increasing the rates that...? Correct me if I'm wrong. I wrote something down here to the effect that you said that the Government of Australia had indicated that this was not working, that, in fact, plain packaging was increasing the rates of contraband tobacco.

**Mr. Satinder Chera:** What I was referring to is a report that was done by the Australian government. It found that, over the last three years, under plain packaging, the decline in the incidence of smoking had actually stalled, that it hadn't continued the way it had prior to plain packaging being introduced. It was an observation. What we noted was that one of the reasons plain packaging was brought in, from what we've heard from our counterparts down in Australia, was to help to reduce the incidence of smoking. The government's own analysis showed that it actually had stalled.

**Mr. Doug Eyolfson:** Again, I beg to differ. We've been reading reports from the Australian government and from the World Health Organization. We had a previous witness from the Canadian Cancer Society. Although he hadn't read them all yet, he was able to refer to 150 peer-reviewed scientific studies that showed that plain packaging, in fact, does not increase the rate of contraband tobacco and that it also, in fact, does help to decrease smoking rates.

**Ms. Anne Kothawala:** Three countries in the world so far have moved to plain packaging: Australia, France, and the U.K. The U.K. is still pretty new. But based on everything we have heard in dealing with our counterparts in Australia, for example, they have doubled border security because they have noticed that there has been an increase in contraband. We're not saying there's a direct cause and effect. We are saying, based on what we have heard from these three countries, who didn't have as big a contraband problem as we have here in Canada...and I think that's important. We've already got a bad problem.

**Mr. Doug Eyolfson:** I hate to cut you off, but I have limited time here.

Again, data from the Department of Health in Australia has said this was one of the contributing factors to decreasing smoking. The

study you're referring to seems to fly in the face of the majority of evidence. Now again we're talking about over 100 papers by independent, peer-reviewed scientific organizations that are saying this does not increase contraband tobacco. To say that since this happened because they're paying more for border security is no more than a correlation, and it's so many steps removed from that, I don't know how we can draw a conclusion from that.

**Mr. Satinder Chera:** We'd be happy to share the exact data that we retrieved from the Government of Australia and present that to the committee.

**Mr. Doug Eyolfson:** All right, thank you very much. We'd appreciate receiving that information.

Now let's go on to vaping.

Ms. Kothawala, you talked about vaping being a safe alternative to cigarettes.

**Ms. Anne Kothawala:** I said it was safer.

**Mr. Doug Eyolfson:** Or safer. Yes, sorry: a safer alternative to cigarettes.

A study in the *Canadian Medical Association Journal* said that young people who started off vaping were significantly more likely to go on to smoke tobacco. Even if the actual substance is all you smoke, it may not be as dangerous. Would this not be a significant danger for someone starting to use this product, going on to tobacco? Wouldn't this indirectly make it a very dangerous product?

•(1615)

**Ms. Anne Kothawala:** I appreciate what Freeze the Industry is talking about. What we're saying with respect to cigarettes and vaping is that if young people want to access either of these products, they can. In the case of vape, it's from the illegal vape shops. We have followed the law. Health Canada had a directive that we could not sell, so distributors and retailers did not sell those products. Meanwhile we're competing with illegal shops, which are cropping up on every street corner. We're saying that if that's going to continue to happen, there should be a level playing field.

By the way, we have a very strong track record in checking for ID, so young people don't develop their smoking habit based on buying cigarettes in convenience stores.

**The Chair:** All right, time's up.

Now we go to Ms. Finley. Welcome to our committee.

**Hon. Diane Finley:** Thank you very much, Mr. Chair.

Dr. Davidson, could you tell us about the illegal tobacco market in Australia? Do you grow tobacco there? Are the products counterfeit or are they contraband? Are they domestically produced or brought in from outside the country?

**Prof. Sinclair Davidson:** No legal tobacco is grown in Australia. There used to be tobacco licences for farming here in Victoria, where I live, and I think over the last 10 years the governments have been buying back the licences, so there is no legal tobacco produced in Australia. Any tobacco produced in Australia must be illegally grown or it is imported into the country either as illicit or as contraband. We have both types—people buy legal tobacco in neighbouring countries and import it into the country, and/or they're actually using counterfeit cigarettes. We have both.

KPMG U.K. does an annual survey, and they estimate that the size of those illegal markets has grown from about 11% before the policy was introduced to about 13% to 14% now. That, depending upon the precise numbers, is about a 20% to 25% increase in the illegal markets in Australia.

Now bear in mind that Australia is an island, so it's actually quite hard to get stuff to us. There's also been talk that a lot of people have stopped smuggling more dangerous types of drugs and are substituting tobacco for those, simply because the penalties for smuggling tobacco are so much lower than the penalties for smuggling harder drugs. You might even say that that could be a positive, I suppose, except of course for the people who are completely against criminals. There's been an increase in theft from convenience stores, with people now breaking in and stealing tobacco products, so convenience stores are now having to compete against their own stolen product, which is, of course, grossly unfair to them.

There's also been a policy disconnect. We have illegal tobacconists setting up all over the place, but between the customs people, the local police, and the local councils that are supposed to license all of this, there doesn't seem to be a clear pathway of responsibility to the policing of the illegal market. One of the other recommendations I should make, now that I'm thinking about it, is for the Canadian government to actually create clear lines of responsibility for enforcing the plain packaging laws; otherwise, it ends up falling between the cracks and everybody is pointing a finger at everybody else.

There was another point I was going to make, but it escapes me for the minute.

**Hon. Diane Finley:** Are you at all familiar with the contraband situation in Canada and North America?

**Prof. Sinclair Davidson:** I have some familiarity with it, and that was the other point I wanted to make. Our native title here in Australia is very different from native title in North America. We can't actually have situations where Australian aboriginal people grow tobacco on their lands and then sell it into the rest of Australia, which I understand can happen in North America. In the United States and I think also in Canada, that is the situation. I also understand that the illegal market in Canada is so much bigger than what it is here in Australia.

• (1620)

**Hon. Diane Finley:** Exactly. In fact, it's conservatively estimated at between 20% and 30% of the market. In some areas it's as high as 80% percent. It's a very serious issue. It's not just that these are dirty cigarettes or that they're cheap cigarettes. The money, as mentioned earlier, is actually tied to international organized crime and it's often

used to launder money. It's easier to drive a big truck full of cartons of cigarettes across the Canada-U.S. border than it is to transport hundreds of thousands or even millions of dollars of cash. This is big business and it's big money.

**Prof. Sinclair Davidson:** The point to understand is that this actually becomes a subsidy to criminality, which of course, in and of itself, is always bad policy.

I like to make the point that criminality itself is a gateway drug to further criminality because criminals do not pay taxes, they do not pay dividends, they do not employ under minimum employment standards, they engage in violence, they increase insurance costs, they subvert social institutions, and they compete unfairly with legal business. All around, criminality is a serious problem that needs to be suppressed and certainly not subsidized, even when you have the best of intentions.

**Hon. Diane Finley:** My big fear with this bill is that it's going to be one of the best pieces of good news the contraband industry in this country could ever get.

Thank you very much, Dr. Davidson.

**Prof. Sinclair Davidson:** Thank you.

**Hon. Diane Finley:** I have a question for Freeze the Industry. You say that you want to help people quit smoking. Obviously if we're going to get to 5% by 2035, a lot of people are going to have to quit.

Would it be helpful if they knew what alternatives were available to them, Mr. Johnson?

**Mr. Akehil Johnson:** Yes, I think it would be helpful to know what safer alternatives are out there to use. Obviously, all people can't quit cold turkey.

But getting to less than 5% by '35 is not just about getting people to quit smoking—

**Hon. Diane Finley:** No, but that was the question. You agree that they should. Yet this bill, Bill S-5, would not allow any products that are safer, that are determined to be safer, that are logically safer, to advertise that fact. Anyone who is wanting to quit can't be told about the alternatives unless Health Canada does so.

**Mr. Maxime Le:** I agree with Health Canada that it should be the only regulatory body to determine whether or not it is a safer alternative, and to pass on that messaging through their packaging, or or whatever it deems appropriate.

**Hon. Diane Finley:** Health Canada does not send messages to people on the street. People on the street aren't reading those messages, that's for sure.

Some food products can advertise that they have less fat or fewer carbs or whatever, and yet we're talking about a major health issue here. With this bill, a smoker would not be able to look at advertising to do their research to find out what products would help them. They'd have to rely on a physician, who would not be able to do that research either, because Health Canada would be the only one who would have that information.

Do you think that's right?

**Mr. Maxime Le:** Our position still stands that we would support Health Canada's distributing that sort of messaging and making sure that it gets across clearly. It's not the responsibility of tobacco companies or e-cigarette companies or whatever to advertise that to their consumers.

**The Chair:** Thanks very much. The time is up.

Mr. Davies, you have seven minutes.

**Mr. Don Davies (Vancouver Kingsway, NDP):** Thank you, Mr. Chair.

Mr. Luongo, you referred to the fact that you'd like the industry to move to IQOS, the electronic penlike device, and you made some claims about its being safer. I'm reading a *New York Times* article from January 25, 2018 that says:

A federal advisory committee on Thursday recommended that the Food and Drug Administration reject a bid by Philip Morris International to market a smokeless tobacco stick in the United States as safer than traditional cigarettes.

Philip Morris is your parent company, is it?

**Mr. Peter Luongo:** Yes, that's correct.

**Mr. Don Davies:** It goes on:

In an eight-to-one vote, the advisory panel rejected the company's contention that "scientific studies have shown that switching completely from cigarettes to the IQOS system can reduce the risks of tobacco-related diseases."

The panel also expressed doubt that smokers would completely switch to use of the stick, saying many might become long-term dual users of the device and traditional cigarettes.

The committee did agree that the heated product would limit exposure to harmful chemicals in conventional cigarettes.

I put it to you, sir, that the FDA panel has, so far at least, rejected your claim before this committee that the IQOS system has reduced the risks of tobacco-related diseases. Isn't that what they found?

• (1625)

**Mr. Peter Luongo:** Well, I think you need to differentiate between two things. Number one is whether they felt there was enough evidence to make certain recommendations on specific language, what that underlying evidence showed, and what the discussion of that committee showed. I think there was a lot of actual positive discussion, if you watched the two days' worth of committee hearings.

Clearly, this is an advisory panel. The FDA is now going to make its determination. The FDA has actually not made a determination on the application yet. We were actually very encouraged by all of the feedback that came from the committee in total.

**Mr. Don Davies:** Okay.

To the Canadian Convenience Stores Association, are tobacco companies members of your association?

**Mr. Satinder Chera:** As I mentioned in my opening remarks, they are in fact non-voting members of our association.

**Mr. Don Davies:** How much funding does the tobacco industry give to your organization and to your regional affiliates, such as the Ontario and Atlantic convenience stores associations?

**Mr. Satinder Chera:** We don't divulge our financial information.

**Mr. Don Davies:** You don't divulge how much money the tobacco companies provide, so I don't know how much money you're receiving from the tobacco industry.

**Mr. Satinder Chera:** We don't divulge any financial information that our members provide us.

**Mr. Don Davies:** Why not, sir?

**Mr. Satinder Chera:** It's a long-standing policy that we've had with our members. It's not just with regard to tobacco, but also confectionary, and beverages. I might note that it's virtually unheard of for associations to provide that type of information.

**Mr. Don Davies:** Okay.

To go back to you, Mr. Luongo, we heard some evidence about contraband. My understanding is that the three major tobacco companies in Canada, including your company, were convicted of being engaged in illegal contraband in 2008. You were required to pay fines and civil payments totalling \$1.7 billion.

What was the behaviour or action that was undertaken by the tobacco companies that led to those convictions?

**Mr. Peter Luongo:** To start, just to be clear, I was not at RBH at the time. The reality at the time was that even though it was in 2008, you're talking about behaviour that had taken place many years before.

**Mr. Don Davies:** My question, sir, is what was the behaviour that led to the conviction?

**Mr. Peter Luongo:** My understanding is that—and you can look to the specific settlement that was reached—there was product coming out of Canada going into the U.S. and back into Canada.

**Mr. Don Davies:** The tobacco industry comes to this committee and says, don't bring in plain packaging, don't increase health warnings, because you're going to have an increase in contraband, yet the whole time the tobacco industry was actually conspiring with the contraband industry to actually participate in the sale and promotion of contraband material.

**Mr. Peter Luongo:** I'm sorry. There are two things.

**Mr. Don Davies:** There are more than two things there.

**Mr. Peter Luongo:** At least.

First, we're not coming to the committee to talk about plain packaging; that's not our focus for today. Our focus is on doing the right things for Canadian smokers.

Second, I think it's important that we look at what the state of the industry is today and not talk about things that happened decades ago.

**Mr. Don Davies:** Could I clarify my question, then? Given that your company, as you said, wants to end the sale of cigarettes, do you support plain packaging for cigarettes?

**Mr. Peter Luongo:** We don't think it's effective, but it's not something that we're opposing.

**Mr. Don Davies:** I want to go to Freeze the Industry.

Thank you for your testimony. I think it's so important to hear from young people because, as we heard, most people who get addicted to cigarettes start young, probably before the age of 18.

I noticed on your website that you said, "Plain packaging is good, but plain and standard is better". Can you explain the difference between the two?

**Mr. Akehil Johnson:** Yes. I'm glad you asked the question because we have some samples of tobacco products here today.

We want all packaging to be plain and standard, in that it would have the health warning and be all slide and shell, with no flip top or anything else. All tobacco products would be slide and shell. When you have different products, you could have the health warning here, but with a product like this, there's branding on the back and all along the sides. When you open up the product itself, you see more branding on the inside. It's the same with this one. For that health warning that was mandated to be on there, you're only seeing it here and it's not on the rest of the product. Take, again, the Vogue Slims: you see the warning here, the warning here, all around, and when you open it up there's advertising. This one actually smells particularly nice as well.

• (1630)

**Mr. Don Davies:** Are you aware if any of your peers started with vaping and ultimately switched to smoking cigarettes?

**Mr. Maxime Le:** Absolutely.

**Ms. Anabel Bergeron:** To my knowledge, the current perception of vaping is that it's harmless and safer than smoking. "Safer" is a big word. I think we need more evidence-based facts. It's true that once they start vaping, they're more likely to start smoking later on their life.

**The Chair:** The time is up.

Now we'll go to Mr. Oliver.

**Mr. John Oliver (Oakville, Lib.):** Thank you very much.

Mr. Luongo, one of your representatives was in to see me in my office in Oakville before this meeting just to let me know what some of your issues were. He asked me to proposed section 20.1:

No person shall promote a tobacco product, including by means of the packaging, (a) in a manner that could cause a person to believe that the product or its emissions are less harmful than other tobacco products or their emissions...

He was making the case that you should be able to advertise new products that have lower risks of smoking than cigarettes. It made me do some research into nicotine. I found this research from 2016. It said:

Nicotine poses several health hazards. There is an increased risk of cardiovascular, respiratory, gastrointestinal disorders. There is decreased immune response and it also poses ill impacts on the reproductive health. It affects the cell proliferation, oxidative stress, apoptosis, DNA mutation by various mechanisms which leads to cancer. It also affects the tumor proliferation and metastasis and causes resistance to chemo and radio therapeutic agents. The use of nicotine needs regulation. The sale of nicotine should be under supervision of trained medical personnel.

I remain convinced that our goal as a health committee is to get nicotine, and addiction to it, out of our society. What struck me though was that this was the *Indian Journal of Medical and Paediatric Oncology*. I thought to myself, India is not known for high smoking rates. I then went on and did a bit more research, and I found this from an article in July 2017:

The tobacco giant is pushing Marlboros in colorful ads at kiosks and handing out free smokes at parties frequented by young adults—tactics that break India's anti-smoking laws...In internal documents, Philip Morris International is explicit about targeting the country's youth. A key goal is "winning the hearts and minds of LA-24," those between legal age, 18, and 24, according to one slide in a 2015 commercial review presentation...Philip Morris' marketing strategy for India, which relies heavily on kiosk advertising and social events, is laid out in hundreds of pages of internal documents reviewed by Reuters that cover the period from 2009 to 2016... In targeting young adults, Philip Morris is deploying a promotional strategy that it and other tobacco companies used in the United States decades ago. A study published in the American Journal of Public Health in 2002 found that during the 1990s, "tobacco industry sponsorship of bars and nightclubs increased dramatically, accompanied by cigarette brand paraphernalia, advertisements, and entertainment events in bars and clubs." With cigarette sales declining in many countries, Philip Morris has identified India, population 1.3 billion, as a market with opportunity for significant growth. "India remains a high potential market with huge upside with cigarette market still in infancy."

Did you lie to the committee when you said Philip Morris wanted out of the cigarette business?

**Mr. Peter Luongo:** Absolutely not. It's pretty clear that when you talk about the risks of nicotine, we've always said that nicotine is not risk-free, but you have to look at the continuum of risk. That's the whole point of—

**Mr. John Oliver:** In 2016, you were targeting a population of 1.3 billion geared to addicting them to cigarettes. Sometime between 2016 and today at this committee, Philip Morris decided to end its sale of cigarettes?

**Mr. Peter Luongo:** Let's be very clear. Our goal is to stop selling cigarettes. I'm not going to speak to the committee about things that may or may not have happened in India—

• (1635)

**Mr. John Oliver:** Are they happening today in India? Are you trying to addict—

**Mr. Peter Luongo:** I'm the managing director—

**Mr. John Oliver:** This isn't some foreign place. My neighbours, my friends, my constituents, are from India. They have relatives, they have moms and sons, and daughters who live in India. I view these as my friends and family.

Is Phillip Morris International attempting to addict Indians to cigarettes?

**Mr. Peter Luongo:** I can't speak on behalf of Philip Morris other than to say—

**Mr. John Oliver:** You did. You said Philip Morris wants out of selling cigarettes, so you did speak for it.

**Mr. Peter Luongo:** That is something that is publicly stated. Phillip Morris always adheres to the highest ethical standards when marketing and selling its products. The only thing that we are asking for here in Canada is to tell smokers factual information about the products they can choose between.

**Mr. John Oliver:** You're moving away from cigarettes, but you're still working to addict Canadians to nicotine, am I right?

**Mr. Peter Luongo:** We are trying to switch people who already smoke—who already, based on everything we know, are at high risk of disease—to go to potentially less risky alternatives.

**Mr. John Oliver:** We've undertaken massive regulation and restrictions on your industry to stop targeting kids, to stop targeting young people so that they don't get addicted to begin with. Now you're left with the population of people you did get addicted, and you're trying to find new ways of keeping them addicted to nicotine instead of finding ways to help them stop smoking.

Have you thought about helping, working with the government to fund an anti-smoking program? Would Philip Morris support funding?

When I was growing up, as a kid, we used to see lots of advertising and government promotion about the dangers of smoking—stop smoking, and don't get addicted to cigarettes. That's gone now. The risks of nicotine and the public awareness of the risks of nicotine have subsided. Now we're seeing new devices—vaping and your heat-not-burn models—making nicotine seem okay again, when it's not.

Would you help sponsor a government program to continue to educate Canadians about the risks of nicotine and why it's important that they not get addicted to it?

**Mr. Peter Luongo:** I think there are a lot of things we could look at funding together. You could look at education. You could look at independently verified research on these new products, to address Mr. Eyolfson's concern. I think there are many things that can be done.

Today the government does collect billions of dollars in taxes from the industry that should be going to address these concerns. I think education is always a good thing for consumers.

**Mr. John Oliver:** I just want to reiterate what I said this morning. When we look at 100,000 new daily smokers a year in Canada, 82% of new smokers in Canada are 18 years or under. Our problem right now, I believe, is stopping people from starting to get addicted to nicotine, from starting to take up smoking.

I support anything in Bill S-5 that continues.... Putting stronger language on the vaping side to make sure the same restrictions on vaping advertising are in place for tobacco, and that they match, I think, is a really important thing for Bill S-5 to be doing.

I just want to move over to Mr. Johnson regarding his testimony.

**The Chair:** Be very quick.

**Mr. John Oliver:** Do you think there's a need for another public campaign on the risks of nicotine and cigarette smoking?

**Mr. Akehil Johnson:** Yes. I think it's important to understand that it's not just the tobacco; it's also the nicotine. It's the nicotine that goes to the brain and gets you addicted. It makes you feel good, and

then you want another hit and another hit and another hit. So it's important to understand. It's also important to understand, when you inform the public, that tobacco and smoking and tobacco usage are not normal. We're in the practice of tobacco industry denormalization, making something that seems normal not normal. It's not normal to use a product that, when used as intended, will cause bodily harm or cause death. It's not normal to do that. I think it's important not only for young Canadians, whether 18 and under or between 18 and 24, but also for their parents to understand that so that they can guide and best raise their children to be healthy and productive Canadians.

**The Chair:** Thanks very much.

That completes our seven-minute round. We're going to go to our five-minute round.

We're going to start with Ms. Gladu.

**Ms. Marilyn Gladu (Sarnia—Lambton, CPC):** Thank you, Mr. Chair.

Thank you, witnesses.

For my first question, I think I'll start with Satinder Chera.

You talked about how the convenience stores are not allowed to participate in the vaping industry. One of the testimonies we heard was that it's important that people be instructed on how to use the vaping devices. How will you address this if your industry is allowed to participate?

● (1640)

**Mr. Satinder Chera:** First of all, I'd like to make a point that my colleague made earlier, which is that we have proactively abided by Health Canada's regulations around ensuring that convenience stores not sell vape products with nicotine. We will be more than happy to share with the committee the materials we've distributed to our members.

We certainly stand to be partners with the government—we are today—in ensuring that young people don't get their hands on tobacco products. We have an excellent track record, as witnessed through Smoke-Free Ontario. They've done their own test, if you will, and they've concluded that convenience stores are a trusted source of providing tobacco through legal means.

When it comes to vape, certainly our recommendation is that if the government is to go down this road, convenience stores should be looked at as a partner to dispense those products. There is growing acknowledgement out there that vape may be a safe alternative, and certainly we think our channels for dispensing that product should be looked at very seriously.

**Ms. Marilyn Gladu:** Very good. Thanks.

Freeze the Industry, obviously, you're against people smoking, which is great. With the legalization of marijuana only in the smoked form happening, what do you think about that? Also, what do you think about vaping, since people are not just vaping nicotine products, but are also vaping marijuana? It's been shown that young people who vape are twice as likely to start smoking something. Could you comment on that?

**Mr. Maxime Le:** Right now the mandate of Freeze the Industry is to make sure that young people don't take up smoking. Because vaping could perhaps be a sort of gateway and because it, combined with marijuana, could contribute to increased smoking rates, we believe that it should not be allowed to happen. Of course, that's the position the industry is willing to take on. We can't comment on specific matters with regard to that, but of course we still believe that young people should not be in the business of trying to kill themselves by smoking.

**Ms. Marilyn Gladu:** Dr. Davidson, you mentioned something about the importance of excise pricing and public education with respect to the implementation in Australia. Could you elaborate?

**Prof. Sinclair Davidson:** When looking at smoking prevalence, two things stand out. First of all, in developed countries, smoking prevalence has been falling for decades. What really stands out is that price increases through excise taxation and public education about the harms of smoking have probably had the single largest public health impact in Australia—and probably in Canada, and all over the developed world as well. My argument is that, if the Canadian government genuinely wants to do something about smoking prevalence, they should focus their efforts on excise taxation, public education, information, and also substitutes to smoking.

A lot of the debate that I've been hearing this morning seems to have this idea that there's good nicotine and bad nicotine, and that bad nicotine comes from the tobacco industry. However, there are substitute gums and vapours provided by the pharmaceutical industry that are tax-advantaged in most countries, and with this talk about banning vaping.... All these products deliver nicotine and should be treated equally, taxed equally, and put onto a level playing field.

With the excise increases in Australia, there have been two rounds of 50% increases phased in over four years since 2013. We're still in the second round right now, and there's also automatic indexation to weekly earnings. Every six months, the excise on tobacco gets increased by whatever the index amount is on weekly earnings. It used to be the CPI, but it was felt that the CPI was not keeping track of purchasing power.

**The Chair:** Thanks very much.

Now we'll go to Ms. Sidhu.

• (1645)

**Ms. Sonia Sidhu (Brampton South, Lib.):** Thank you, Chair.

Thank you to all the witnesses.

The removal of the brand elements led you to be less interested in tobacco. It was even found that removal of the brand elements was more likely to result in people having a negative expectation of the taste of tobacco. Certainly if this practice reduces the appeal of

smoking to youth, we can reduce the number of young Canadians who take up smoking.

Could you comment on this finding, Freeze the Industry? How can we reduce smoking and increase smoking cessation rates among youth?

**Mr. Akehil Johnson:** I think it's important to understand that we are not against smokers; we're against the industry. We want youth and young adults to be informed of how the industry targets them. We want them to be informed to understand what the product does when used, and we want them to have the tools and resources to be able to resist this manipulative marketing.

I think it's important, first, to limit the industry ability in total to advertise and target youth and young adults. That's step one. Step two is to really have youth and young adults understand what a cigarette is or what tobacco products are and what happens when they use them, but also allow them to understand that they have great freedom right now. They don't have to worry about emphysema, heart failure, or any of these diseases that unfortunately afflict other people, and we want to help them understand how the use of tobacco causes that. They should also understand that there's no such thing as good nicotine and bad nicotine. Nicotine is nicotine. It's a drug, and it's an addictive drug. When you use it, you get happy in the head, and then again, and again, and again. As people have seen, when you get addicted to a drug, life doesn't tend to go up; it tends to go down.

**Ms. Sonia Sidhu:** You said that McMaster University became smoke free.

**Mr. Akehil Johnson:** Yes.

**Ms. Sonia Sidhu:** What kind of public education campaign did you have?

**Mr. Akehil Johnson:** McMaster's tobacco-free policy means that there are no tobacco products sold on campus and tobacco can't be used on campus. What McMaster is undertaking is that between now and March it's a soft launch, meaning that if people are found to be using tobacco products on campus they will be asked to leave campus and use it elsewhere. After that, there will be a hard implementation.

In addition to that, they will also let the McMaster community know that indigenous use of tobacco for sacred purposes will be allowed, because we don't want to hinder that culture. Furthermore, McMaster is also working with its local neighbourhood to ensure that the people who would usually smoke on campus don't end up going to smoke in these neighbourhoods to cause more smoking in those neighbourhoods that are so beautiful.

Lastly, the McMaster community has committed a considerable amount of resources to help its staff, students, faculty members, and any person who may want to quit smoking to access those resources, and they're working hand in hand with Hamilton Public Health to really make that happen.

**Ms. Sonia Sidhu:** Mr. Le.

**Mr. Maxime Le:** Can I add something? During the summer at Freeze the Industry we held a “plain party”, an educational night for our local communities. We went to an ice cream shop, stood outside, and basically educated the people who walked by, especially the youth, about the benefits of plain and standardized packaging. We showed them how appealing and attractive different types of cigarette packages can be.

For example, you've seen this one here. It was at the last committee meeting. This is the Vogue Slim pack. It leads young women who are vulnerable to social pressure about fitting in, to a need to look like the X, Y, or Z stereotype or whatnot, to think that if they took this sort of cigarette with this sort of branding and packaging, they would then look like the ideal person they wanted to be. In reality, it might just make them end up looking worse.

The point is that when we showed these young people what the new sort of package would look like, hopefully, they said they didn't want to hold it, they didn't want to be seen holding it, and they didn't want to smoke it. They wanted nothing to do with it.

**Ms. Sonia Sidhu:** My next question is for Benson & Hedges.

Your company sells the Superslim cigarettes, which are very attractive and fashionable to women. Don't you think this type of cigarette is more attractive to youth?

• (1650)

**Mr. Peter Luongo:** I don't think this type of packaging is the reason that people smoke. I think making the decision to smoke is a much bigger decision than which brand you smoke.

At the same time, the reason I did not speak about plain packaging in my remarks is that, frankly, while there are negative impacts in terms of contraband, it's not going to have the impact on public health that you think it will. Just look at Superslim cigarettes. They're not a large portion of the market. Even if they disappeared tomorrow, it's not going to get you to 5% by '35.

Japan is the best example, because we've had heat-not-burn products there the longest. Cigarette consumption went down by 10% last year in Japan. I will bet anyone on the committee a hundred dollars that the year after plain packaging comes into play in Canada, cigarette consumption will not go down by 10%. It's a question of what are the most effective strategies. I think there are things that are being done on the margin, which we can debate, but I don't think they're going to get you to the goal you want, which is really to reduce the diseases associated with smoking.

**The Chair:** Thanks very much.

Ms. Kusie.

**Mrs. Stephanie Kusie:** Thank you, Chair.

Mr. Chera, would you say it is difficult to differentiate between plain packaging and contraband packaging? If so, can you please describe some of the similarities between the two types of packaging?

**Mr. Satinder Chera:** When you look at the two brands, what ends up happening is that for both the illegal and the legal ones, you'd have the same characteristics—the same colour size and the same font size. That absolutely would make it difficult for law enforcement to decipher whether the product were legal or illegal.

We already know that there is a thriving contraband market in Canada. In Ontario in some communities, it's up nearly 60% to 70%. Our view is that with plain packaging you're essentially giving a blueprint to criminals to continue to grow the contraband market.

**Mrs. Stephanie Kusie:** Would you say the same for consumers in addition to law enforcers, that it would be difficult for them to differentiate between the two?

**Mr. Satinder Chera:** Yes, and this is one of the reasons we say that when you take away brand identifiers, then the only real difference is price. There is virtually no way a law-abiding community store can compete with the black market; 70% of legal tobacco products is taxable, and on top of that you have overhead, wages, and so forth. The illegal market doesn't have to worry about paying taxes.

**Mrs. Stephanie Kusie:** Mr. Chera, do you know how much tax revenue is lost annually due to the revenue missed on contraband cigarettes?

**Mr. Satinder Chera:** One report that I think the Macdonald-Laurier Institute put out had a figure of about \$3 billion.

**Mrs. Stephanie Kusie:** Yes, that makes sense to me. With 29 billion cigarettes sold in 2014, and estimating that that's only 70% of the market, an additional 30% of the market would be \$12 billion. At 16.475¢ per cigarette I think that's a lot of money we could have saved with the small business tax changes, wouldn't you say?

Thank you very much for those estimates.

Mr. Luongo, why would you say that the proposed taxes on marijuana are considerably lower than those currently on cigarettes?

**Mr. Peter Luongo:** Honestly, I wish I knew. We don't have an official position on it. Our perspective is that taxation should be based on risk, not just the history of why we are where we are today. I think whichever product you're looking at, you should look at taxation based on the risk to the consumer. That's both on nicotine and tobacco products, looking at e-cigarettes versus cigarettes, but it's also across the whole spectrum of consumer products.

**Ms. Anne Kothawala:** Could I pick up on that?

• (1655)

**Mrs. Stephanie Kusie:** Yes please do, Ms. Kothawala.

**Ms. Anne Kothawala:** I think it's an important question because it's precisely what you have from the Prime Minister on down. Several ministers have said that the whole rationale behind ensuring that there's not a huge tax on cannabis when it becomes legal is to avoid growth of the black market. We are asking ourselves why the same logic is not being applied to tobacco.



**Mrs. Stephanie Kusie:** I think it's pretty rich for our committee to potentially accuse one of our guests and invitees here today of lying and killing off people when I'm certain we could say the same about alcohol, opioids, or coffee eventually, for that matter.

Following up on that question, Mr. Luongo, do you see contraband tobacco actors moving into the marijuana industry as well? Do you think that as a potential risk in the future?

**Mr. Peter Luongo:** I'm not the expert on their business strategy, but it seems pretty logical.

**Mrs. Stephanie Kusie:** I would say so.

Mr. Chera, could you comment on that, the potential of contraband tobacco actors eventually moving into the marijuana industry as well?

**Mr. Satinder Chera:** I think if the government pursues its approach to ensure that pricing isn't way out of whack with the underground economy, then perhaps they'll avoid that problem. That's essentially the point my colleague made. If they apply that logic to cannabis, then why not apply it to tobacco where we already know we have a thriving contraband market that the RCMP has already talked about, illegal factories in Canada that are pumping the illegal packages? Why not apply that logic to both products going forward?

**Mrs. Stephanie Kusie:** It would seem to me that it would be reasonable for the government to apply the same standards to both industries.

Finally, Mr. Chera, can you explain where profits from contraband cigarettes go, as far as you know?

**Mr. Satinder Chera:** They go into the pockets of criminals.

**Mrs. Stephanie Kusie:** The pockets of criminals. You would say things such as organized crime, human trafficking, terrorism, perhaps even relating to the first World Trade Center bombing?

**The Chair:** The time is up.

**Mrs. Stephanie Kusie:** Thank you very much, Mr. Chair.

**Mr. Satinder Chera:** I would respond that in our presentation we had a quote from the RCMP that specifically talked about the connection between criminal elements and contraband.

**Mrs. Stephanie Kusie:** Thank you.

**The Chair:** Thanks very much.

Mr. Ayoub.

[Translation]

**Mr. Ramez Ayoub (Thérèse-De Blainville, Lib.):** Thank you, Mr. Chair.

Let me summarize Bill S-5.

The Tobacco Act will become the Tobacco and Vaping Products Act. It will include provisions to protect young people from nicotine addiction and tobacco use. It will also give adults access to alternatives to vaping products that could be less harmful. I repeat, an alternative to tobacco use that could be less harmful. Moreover, it will protect the health and safety of Canadians in a variety of ways.

On one side of the table, they are saying they are concerned about the health of Canadians and young people; on the other side, they are

talking business. I am concerned. The industry is talking out of both sides of its mouth. They say they are going to top the tobacco industry, but there is obviously a huge credibility problem there.

I need proof for you to convince me, Mr. Luongo, that you want to stop the tobacco industry. I would like to know how much money you are investing in closing your business. I do not think you are making any such investments right now. You should really be investing in addiction treatment or clinics. We are talking about nicotine today, but we could be talking about drug addiction in general.

For your part, our friends from the client service industry, especially convenience stores, you are caught in the middle. You do an excellent job of checking identification for resale, but at the same time you do not want to tell us what financial pressure the industry is placing on your association. I find that troubling because it calls into question your credibility. You should work on that to win my trust. For us as MPs and politicians, credibility and the code of ethics are what matter the most. We are judged and have no leeway, whereas you have a lot.

I would like to return to our young volunteers who have few resources, but who are concerned about public health, as the government is.

What do you like about Bill S-5? What changes would you like to see to improve the health of Canadians, especially youth, and to prevent them from starting to smoke in the future and thereby damage their health?

• (1700)

**Ms. Anabel Bergeron:** The Freeze the Industry movement supports Bill S-5 because it would provide for standardized, plain packaging. Packaging is often designed to be stylish. Young adults must be aware of the secondary effects and the consequences of smoking. We have to remember that this age group is very vulnerable to stress and peer pressure. Young people are more vulnerable and more likely to start smoking. In our opinion, if health-related advertising were more influential and the seductive aspect of packaging were eliminated, making it standardized and plain, that would prevent people from starting to smoke.

**Mr. Maxime Le:** In the same vein, I would like to elaborate on what my colleague said. Making health-related messages more prominent on cigarette packaging increases the likelihood that young people who are already addicted to nicotine will seek out the appropriate assistance to try to kick their habit.

The changes we would like to see include standardized, plain packaging, which would prevent youth-oriented marketing and branding strategies and would improve the health of young Canadians.

[English]

**Ms. Anne Kothawala:** Can I jump in? Was it only a question for them, or did you want to hear what we have to say?

**Mr. Ramez Ayoub:** Absolutely.

**Ms. Anne Kothawala:** I ask because you're suggesting that we only care about the business interest, and that's it.

Well, we actually care about the health and safety of young people particularly, which is why we have a very solid track record, and you rightly point that out. I think the fundamental issue here is that we have not seen one piece of research other than what people think about the attractiveness of the packaging. I really fail to see how a 75% health warning package that is kept behind a flap in a convenience store is something that is driving young people to take up smoking. That's the first issue.

Secondly, we are not here today to say, "We only care about the business interests of the convenience store industry. We just want to sell more cigarettes." That's not what we've said. We have said that based on everything we have seen about plain packaging, there is no research to support the view that plain packaging will actually achieve the government's objective, which is to reduce smoking.

**The Chair:** The time is up. Thanks very much.

Mr. Davies.

**Mr. Don Davies:** I'll pick up on that last point. I beg to differ, Ms. Kothawala. There's compelling evidence, including extensive studies supporting implementation of plain packaging. An updated March 2014 evidentiary overview reviewed 75 empirical studies. That was prepared by University of Waterloo Professor David Hammond for the Irish government.

In the United Kingdom, the Chantler review and the University of Stirling review provided extensive evidence to the same effect. A special issue of the journal *Tobacco Control* was published in April 2015, with a series of studies on the Australian experience providing yet further evidence. I'm going to quote. This is maybe for you and for Mr. Davidson. I did some research while I was listening. It says, and this is from Australia:

The Department commenced a Post-Implementation Review...of tobacco plain packaging in December 2014 in accordance with the Australian Government's best practice regulation process. The purpose of a PIR is to assess whether a regulation remains appropriate, and how effective and efficient the regulation has been in meeting its objectives.

The PIR was published on the Office of Best Practice Regulation website on 26 February 2016. The PIR concludes that the tobacco plain packaging measure has begun to achieve its public health objectives of reducing smoking and exposure to tobacco smoke in Australia and it is expected to continue to do so into the future.

The body of studies considered for the PIR show that the tobacco plain packaging measure is having an impact by reducing the appeal of tobacco products, increasing the effectiveness of health warnings, and reducing the ability of the pack to mislead. The studies also provide early evidence of positive changes to actual smoking and quitting behaviours.

The available studies are diverse, peer reviewed and published in leading medical journals.

I could go on. Do you still say, Ms. Kothawala, that there's no empirical evidence to show that plain packaging is effective?

• (1705)

**Ms. Anne Kothawala:** Anything that we have seen has talked about how it has not led to a decrease in smoking, but to an increase

in contraband. Those are the two fundamental issues that we're looking at and we're asking if in fact plain packaging achieves the objectives.

**Prof. Sinclair Davidson:** Can I respond?

**Mr. Don Davies:** Mr. Davidson, give me one second and I'll come right back to you.

Mr. Chera, you said you had an estimate of the amount of tax dollars that were saved. Do you have any idea how much money the consumption of tobacco costs the Canadian health care system?

**Mr. Satinder Chera:** No.

**Mr. Don Davies:** That number you don't know. Some 50% of tobacco consumers in this country will die of a tobacco-related illness. We heard that earlier. You have no idea how much that costs our public taxpayer?

**Mr. Satinder Chera:** I don't know about that.

**Mr. Don Davies:** Mr. Davidson, you wanted to respond to what I quoted from the Australian review.

**Prof. Sinclair Davidson:** Yes. First of all, on the study in the tobacco control issue of 2016, my colleague and I did an extensive analysis of those papers, and the Cancer Council Victoria, which undertook the original research, responded with a press release saying that the survey was "quite explicitly not designed to assess quitting success or change in smoking prevalence but rather focussed on the immediate impact of the legislation...". So all of those studies on tobacco control don't do what you just quoted them to have done, and the authors of the studies actually said that.

Turning to the PIR—which is a very, very impressive econometric technique that was undertaken—it found that there is a 0.55% decline in smoking prevalence as a result of the plain packaging policy. What the PIR did not report was that the sample error in their study was bigger than the policy effect size they found.

The other thing that is not clear from the study is that the smoker they built their model on was an unmarried Australian-born 14- to 17-year-old male with a tertiary qualification, employed full-time, but with an income of less than \$6,000, and living in Victoria. Now, no such person exists, so it is unsurprising, when you model whether a person who does not exist gave up smoking, and your effect is smaller than the sample error in your data, that you would want to keep that a bit quiet.

The other thing is that the pseudo-R squareds were less than 10%, so while the analysis was very clever, it excluded price. It's entirely, utterly unconvincing.

**The Chair:** Thanks very much, Dr. Davidson.

That completes our normal round, but by popular demand we're going to go into overtime again, as we did this morning. We're going to have one round of questions of four minutes each. I would ask you to keep them to four minutes. It will be the same order as this morning, but we're going to start with Mr. McKinnon, for four minutes.

**Mr. Ron McKinnon (Coquitlam—Port Coquitlam, Lib.):** Thank you, Chair.

My question is for Mr. Luongo.

You said that your corporation shares the goal of reducing cigarette use in Canada and that your ultimate objective is to stop selling cigarettes. You anticipated the obvious question there—why don't you stop?—by saying that people would just switch to a competitor.

My question is, why do you care? If this is a market you're willing to get out of, why do you care if you're losing market share to somebody else? Why don't you take the corporate resources that you're currently investing in the manufacture, sale, and whatnot of cigarettes and put them towards a product you feel is a safer product, such as IQOS?

• (1710)

**Mr. Peter Luongo:** That's exactly what we're doing. We are shifting our resources. We're massively shifting all of our activities over to these new products, but it takes a lot of money. It took a ton of money for these products to be developed, to do the research and development on them, and we had the discussion in terms of the scientific evidence on these products earlier. All of that takes hundreds of millions of dollars a year at the PMI level to do.

If we stopped selling, we would actually lose all of the resources and all of our people, because we wouldn't be able to afford them without selling cigarettes. We need to make this transition. We need to do it as quickly as possible, but it's not something that can happen overnight, and it's a place where policy plays a role. That's why we're looking for your help.

**Mr. Ron McKinnon:** I guess what I'm hearing from your answer, then, is that the reason you don't stop now is not that your competition will take over the market but that you're using that market to fund your transition. Would that be fair?

**Mr. Peter Luongo:** It's a combination. It would have no positive impact on public health if we were to just stop selling unilaterally. People would go to our competitors, or they would go to the black market. At the same time, we wouldn't have the infrastructure and the resources in order to commercialize these products.

**Mr. Ron McKinnon:** I guess it does go to credibility to say that you believe you should stop selling cigarettes but you're going to keep doing it because you need to. I think it undermines credibility, but I'll leave that for now.

One of the concerns that one of our earlier panellists had was that the regulatory framework around vaping that we're putting into Bill S-5 will basically mean that the tobacco industry will invade that market and take it over.

Do you see vaping as a growth market for you?

**Mr. Peter Luongo:** I think vaping is a market we would certainly look at competing in if it were legalized. I don't think it's a question of its being a growth market per se. I believe that the more people we can switch from cigarettes to an alternative product, the better, whether it's heated tobacco, vaping, or whatever. There's no reason why we wouldn't compete in that industry once it's legalized.

**Mr. Ron McKinnon:** With respect to plain packaging, you say it doesn't work, yet you're investing money in packaging for IQOS. If packaging has no effect, why would you be investing all this money in packaging and developing a new brand? I'm sure there's a great amount of money involved in developing the packaging—what it looks like and the impression it makes on the marketplace. If plain packaging has no effect on the market, why would you be spending money on non-plain packaging?

**Mr. Peter Luongo:** With combustible cigarettes, it has to do with what was discussed earlier about brand preference. Once people decide to smoke, you want them choose your brand rather than your competitor's. You want the products to be differentiated from a consumer standpoint so that people know a legal product from an illegal one.

As for IQOS specifically, the packaging there is relatively simple. There is a colour on the top, but the rest of the pack is essentially black and white. We were much more focused on explaining what this product is and what it is not than we were on calling attention to things that might have been done in the past.

• (1715)

**The Chair:** Thanks very much.

Now we'll go to Ms. Gladu.

**Ms. Marilyn Gladu:** Thank you, Chair, and I'm going to split my time with Ms. Finley.

Professor Davidson, I'm trying to get to the heart of the issue. We've heard testimony that plain packaging works and other testimony that it doesn't—there are reports on all sides. We did see data from Australia, which is where plain packaging was tried the longest. We know that France, Japan, and the U.K. haven't been in the business long enough to have many years of data. In Australia, we've seen data going back to 2002. I'm interested in the timeline of when graphic warnings were put in place, whether or not packages were stored behind the counter so customers couldn't see them, and exactly when plain packaging was implemented in Australia.

**Prof. Sinclair Davidson:** Plain packaging was implemented in December, 2010. There was a phase-in period in September. If I recall correctly, it was about a three-month phase-in period.

The national household drug strategy survey is conducted every three years. The data came out in 2013, and then most recently for 2016. There was a big drop between 2010 and 2013, which in public debates was very much associated with the introduction of plain packaging. There was a one-month overlap between those periods.

Certainly the 2016 decline in smoking prevalence fell, moving from 12.8% to 12.2%, which is not statistically significant. Given population growth, the number of smokers in Australia had actually increased.

In terms of policies that have been introduced, graphic health warnings were introduced in Australia in 2006. As a public health exercise and a public information exercise, it was quite valuable. Packets are stored behind the counter and in a case. You can't see them ever. They must be transported from the storeroom to the counter in a bag, so you also can't see them being transported through the store. That was introduced in 2011, if I recall correctly.

There was a 25% increase in the excise on tobacco in 2010. That probably drove the change that we saw between 2010 and 2013. Certainly the decline in prevalence, which is a long-running thing from the early 1990s, stalled. At the same time, if you look at the U. K. over the same time period, vaping became quite popular there, and the prevalence of tobacco cigarettes declined quite precipitously.

There are all sorts of things going on here. Certainly, my critique of the evidence, the data from the national drug strategy survey, and the data from the Australian Criminal Intelligence Commission survey kind of indicates that plain packaging in and of itself is not having the desired effect. The plain packaging concept itself, the idea of enhancing the noticeability of the graphic warnings, in my opinion, has failed.

**Ms. Marilyn Gladu:** Ms. Finley.

**Hon. Diane Finley:** Doctor, do you have any studies demonstrating the price elasticity of cigarette sales?

**Prof. Sinclair Davidson:** I haven't done those studies myself, no.

What has happened in Australia is that the market share of cheap cigarettes—what we call “cheapies”—has quite dramatically surged. The data that I have shows that the share of the market for cheapies increased 135%. Smokers are now going into a store and saying, “Give me your cheapest cigarette”. That's what they're buying.

The medical evidence shows that smokers can't really tell the difference between one brand of cigarettes and another brand. When I tell that to smokers, they deny it vehemently. They say they can, but it seems there's no real evidence for that.

People are substituting legal cigarettes for illegal cigarettes and expensive cigarettes for cheaper cigarettes. That's probably a combination of the removal of branding and, of course, the increase in the size of the illegal market.

• (1720)

**The Chair:** Thanks very much.

Now we go to Mr. Davies.

**Mr. Don Davies:** First of all, I want to thank all of the witnesses. I know that, for the tobacco industry and its allies, the health

committee is not the easiest place to testify. I want to thank you for being here.

I find myself wondering if we're dancing around trying to prove that water is wet. I'm sitting here holding up a small package with a thin, little cigarette that has a little purple dot on it, and I'm listening to people tell me that they don't think that marketing or how a product looks makes it more attractive to a consumer. I think that's ludicrous. There's not a single Canadian who would believe that. Millions, maybe billions of dollars, is spent every year on sophisticated marketing to make a product more attractive to a person. What this legislation is really about is taking that away from a product that is an addictive carcinogen.

I don't think I need any studies to know that, if we made these cigarette packages less attractive, if we make the health warnings more prominent, if we remove lifestyle advertising that suggests to any user that smoking cigarettes is sophisticated and cool, that it will help with weight loss or make you in any way attractive, it will have a dampening effect on tobacco use over the long-term.

Does anybody here disagree with what I just said?

**Prof. Sinclair Davidson:** If I could add to that, though, there was a very unfortunate by-product of some of the graphic health warnings here in Australia. Some of the warnings were along the lines of “Smoking makes your baby smaller”. There was a sociologist at the Australian National University who discovered that a lot of young pregnant women started smoking for the sole purpose of actually having a smaller baby in order to avoid pain in childbirth.

We also need to think carefully about the unintended consequences of what seems on paper to be a good idea.

**Mr. Don Davies:** Yes.

By the way, Dr. Davidson, I'm sorry but I do have to ask this, because you're a professor: have you ever received any funding from the tobacco industry or any related tobacco affiliate for any of your research at any time?

**Prof. Sinclair Davidson:** No, I have not.

My university has a ban on tobacco funding, and for decades we have had a ban on smoking on our campus. I think it was in the 1990s that we actually banned smoking in buildings and in vehicles, long before it became fashionable.

**Mr. Don Davies:** Thank you, Dr. Davidson. That's all I need from you at present.

I want to ask my last question of Freeze the Industry.

This is all about young people here. Why don't I leave the last word to you? What do you want this committee and Parliament to know about what you want to see with the packaging of tobacco products?

**Mr. Maxime Le:** We know that branding and marketing directly influence youth. If the industry does not think that packaging influences anything, we're not sure why they are so vehemently determined to keep the 25% of marketing leeway they currently have.

What we would want to see is indeed that they introduce plain and standardized packaging to make those health messages readily available, and just to know that some people may argue that even though the packages may be hidden behind power walls in convenience stores or whatnot, they are still exposed in our society and people can still look at them anywhere they go. They're littered in the streets; they're poking out of people's pockets; they're flashed around during smoke breaks.

We want to reiterate that we urge this committee and the government to introduce and legislate plain and standardized packaging, but to do it correctly and make sure that all the loopholes for any marketing or leeway that the industry could have are closed and secured forever.

**Mr. Don Davies:** Thank you.

**The Chair:** Thank you very much.

Now we'll go to Ms. Sidhu for the last questions.

**Ms. Sonia Sidhu:** Thank you, Mr. Chair.

My question is for Dr. Davidson. I want to ask about the relationship between the Institute of Public Affairs, which you have been connected with as a senior research fellow, and the tobacco industry. Has the IPA received funding from the tobacco industry?

**Prof. Sinclair Davidson:** I read on my tobacco control page that the IPA took funding from the tobacco industry, with evidence relating back to 1993. It turns out that in 1993 I wasn't even in Australia, so I don't know how this would affect me.

The other thing to bear in mind is that tobacco advertising in Australia wasn't illegal in 1993, so I wouldn't be surprised if the IPA took money from the tobacco industry in 1993. I wouldn't be surprised if major newspaper groups took funding from the tobacco industry in 1993. As a matter of fact, I hope you are shocked to hear that the Australian Labor Party was soliciting donations from the tobacco industry as recently as 2011, so they may very well have taken money from the tobacco industry in the distant past, but to be quite honest, so was everybody. It was a legal industry that was advertising, that was promoting its products. It's hard to get excited about this.

• (1725)

**Ms. Sonia Sidhu:** My second question is about your recent trip to Canada, where you opposed plain packaging. Is it the case that the Canadian Convenience Stores Association sponsors your travel?

**Prof. Sinclair Davidson:** Yes.

**Ms. Sonia Sidhu:** Thank you.

I'll pass the questioning over to John.

**Mr. John Oliver:** Great. I didn't realize we were sharing. Thank you.

Dr. Davidson, we did see some quite strong evidence of a reduction in youth smoking in Australia with the introduction of plain packaging. Were there also public campaigns to go with the changes in tobacco advertising? Do you remember back to that period?

**Prof. Sinclair Davidson:** I don't think there's been specific advertising targeting youth smoking in Australia. I don't recall. The state governments run anti-tobacco advertising on national television and they generally speaking focus on all the smokers and on health effects. If you have a look at the rationalization economics model of smoking, if you want to stop kids from smoking you work through a price mechanism, and as I said, there have been massive increases in excise pricing in Australia over the last eight years. If you want to stop older people from smoking, you emphasize the health aspect of it.

I don't recall there being a specific campaign targeted at youth, but certainly that happens through the schools. The primary and secondary education systems, for example, have a very strong anti-smoking flavour to them in their public health classes.

I've been very surprised to hear that Canadian youth don't know that smoking is bad for them, because Australian youth certainly get that message very clearly from the education system.

**Mr. John Oliver:** Thank you for that.

This is to any of the witnesses. The Canadian Cancer Society suggested four changes to Bill S-5 dealing with how vaping products are being advertised. They suggested that vaping products be limited to advertising or brand preference only; that vaping-product lifestyle advertising in bars and in publications be banned, as it is with tobacco; that restrictions on the location of permitted incentive promotions be restricted; and that restrictions on the locations of vaping product advertising be greatly strengthened to really match the provisions in the Tobacco Act.

Does anybody have any comments on those? Do any of you have any strong feelings about the vaping industry and the advertising of its products and whether Bill S-5 should go further than it does now?

Akehil, Maxime, or Anabel.

**Mr. Akehil Johnson:** I believe Freeze the Industry would support the recommendations made by the Canadian Cancer Society. We would support anything that we can do to further get the point across that this is dangerous and that friendly shouldn't be deadly.

**Mr. John Oliver:** Okay, thanks.

**The Chair:** The time is up.

I want to thank all of our guests for the different perspectives they brought to the committee. We're not anywhere near through this process, but we really appreciate all of the different perspectives and the way you've delivered your information and help to us.

And thank you, Dr. Davidson, the invisible witness, for being with us.

With that, I adjourn the meeting.





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