



2008 Contraband Tobacco Enforcement Strategy

Program-Led Review Report
January 31st, 2013



Catalogue no.: PS64-109/2013E-PDF
ISBN: 978-1-100-21912-7

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January 2013

Supt. Guy Poudrier
Director, RCMP Customs and Excise Branch

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Acronyms and abbreviations

AGLC: Alberta Gaming and Liquor Commission
APP: Analysis Unit Performance Plan
ASI: Anti-Smuggling Initiative
ATF: United States Alcohol, Tobacco, Firearms and Explosives Agency
BEST: Border Enforcement Security Task Force
C&E: Customs and Excise
CBP: U.S. Customs and Border Protection
CBSA: Canada Border Services Agency
CCPS: Cornwall Community Police Service
CCSA: Canadian Convenience Stores Association
CEB: Customs and Excise Branch
CFSEU: Combined Forces Special Enforcement Unit
CFSEU-CTI: Combined Forces Special Enforcement Unit □ Contraband Tobacco Initiative
CI: Criminal Intelligence
CISC: Criminal Intelligence Service Canada
CRA: Canada Revenue Agency
CRTF: Cornwall Regional Task Force
CTES: Contraband Tobacco Enforcement Strategy
CTI: Contraband Tobacco Initiative
CTUMS: Canadian Tobacco Use Monitoring Survey
FINTRAC: Financial Transactions and Reports Analysis Center of Canada
FTCS: Federal Tobacco Control Strategy
HC: Health Canada
IBET: Integrated Border Enforcement Team
ICE-U.S.: Immigration and Customs Enforcement
IIC: Interprovincial Investigations Council
JFO: Joint Forces Operation
L and D: Learning and Development
MOF: Ministry of Finance
MOU: Memorandum of Understanding
NPES: National Program Evaluation Services
OLN: Outdoor Life Network
OCG: Organized Crime Group
OMG: Outlaw Motorcycle Gang
OPP: Ontario Provincial Police
PPSC: Public Prosecutions Services Canada
SPVM : Service de police de la Ville de Montréal
SQ: Sûreté du Québec
TDW: Tobacco Diversion Workshop
USBP: United States Border Patrol

1.0 EXECUTIVE SUMMARY

Recognizing the need for additional enforcement measures, the Government of Canada launched the RCMP's Contraband Tobacco Enforcement Strategy (CTES) in 2008. The CTES focuses on reducing the supply and demand for contraband tobacco and the involvement of organized crime. This report documents the findings, eleven in total, of the first review of the Strategy, and covers the period from May 2008 until May 2011.

Relevance □ Continued Need for the CTES

Findings

Two findings were identified in relation to a continued need for the CTES.

First, the RCMP CTES is still relevant:

- when interviews were conducted across Canada with regular members, senior management and partner agencies, 87% of them believed that there was a continued need for the CTES;
- an analysis conducted by the RCMP's Media Monitoring unit on media coverage of the contraband tobacco situation in Canada revealed this illegal market remains challenging for law enforcement;
- in 2010, reports from the tobacco industry and non-governmental organizations concluded that there was an increased legal tobacco market partially as a result of law enforcement activities;
- finally, according to a Fraser Institute report published on December 1st, 2011, contraband tobacco has been a recurring problem in Canada and has noticeably worsened over the past decade.

Second, the CTES is aligned with federal government priorities. The Government of Canada recognized that contraband tobacco has become a massive black-market industry, and made it one of its priorities. In their 2011 party platform, the Conservatives announced they would create a 50-officer anti-contraband force.¹

Performance – Achievement of Expected Outcomes

Findings

There were seven findings identified in relation to the achievement of the CTES' expected outcomes.

First, Customs and Excise (C&E) units have developed the partnerships needed to support the CTES as required. Within each province, the RCMP has both maintained past collaborations directed at combating contraband tobacco and developed new ones to support the Strategy.

Second, C&E units are better informed since the creation of the CTES. Partnerships in various regions have significantly improved the gathering and sharing of intelligence.

Third, specific tobacco-related training should be developed. Since 2008, the RCMP has provided dedicated training to C&E investigators to ensure they effectively perform their duties. Although the tobacco content appears to be limited in formal courses offered by the RCMP, on-the-job training was identified as the most common method of acquiring skills.

Fourth, efforts have been made to increase public and law enforcement awareness through communication. According to interviews conducted with RCMP regular members, senior management and partner agencies, public awareness is challenging as many people do not believe criminal organizations are deeply rooted in the illicit tobacco industry and are making significant amounts of profits. RCMP members and their partners have made progress in this regard, however, results are difficult to achieve.

Fifth, the CTES succeeds in curtailing the illicit tobacco industry. There was a sharp increase in the amount of files opened and in the payment of fines during the implementation of the Strategy.

Sixth, though the CTES has impacted the illicit tobacco market, it is difficult to precisely qualify the degree of impact as consideration must also be given to other potential variables, such as the efforts of partner government agencies. However, despite the successes of the CTES, contraband tobacco remains a serious threat to public safety and if left unchecked, organized crime will continue to profit at the expenses of Canadians' safety and government tax revenues.

Seventh, C&E units generated thousands of charges, seized millions of cartons of contraband cigarettes as well as thousands of material items, and disrupted dozens of organized crime groups since the implementation of the Strategy.

Performance – Demonstration of Efficiency and Economy

Findings

There were two findings identified in relation to the CTES' demonstration of efficiency and economy.

First, a limited number of mechanisms were established to ensure the effective management and delivery of the CTES. From its inception, there was no additional funding provided to manage and deliver it. Though there were established processes to document the results, not all CTES initiatives and reports were appropriated with the same level of thoroughness across the country. With eight priorities and 29 initiatives, RCMP regular members interviewed felt the reporting requirements were cumbersome. They also stated that several of the initiatives, and even some of the priorities, were not within the scope of the RCMP.

Second, the CTES complements initiatives delivered by other stakeholders. RCMP regular members and management felt that, although the Strategy did not duplicate or overlap other programs or initiatives, it is complementary to projects undertaken by other stakeholders.

2.0 BACKGROUND

2.1 CTES Profile

The contraband tobacco market first became a significant issue in Canada in the late 1980s and early 1990s, when taxes on cigarettes were increased sharply in order to raise government revenue and deter individuals from taking up or continuing smoking. During that period, more and more legally manufactured Canadian cigarettes destined for the duty-free market began making their way back into the Canadian underground economy; the high retail price of legitimate cigarettes made smuggling them back across the border (primarily by means of the St. Lawrence Seaway) a lucrative illicit business. The RCMP seized record quantities of contraband tobacco and was also engaged in investigating the illegal activity at its source. These investigations eventually led to negotiated settlements involving Imperial Tobacco Canada Limited (ITCL) and Rothmans Benson & Hedges (RBH) □ a landmark agreement signed in July 2008 set a combined total of \$1.15 billion in criminal fines and civil restitution to be paid by the companies over 15 years □ and to guilty pleas in April 2010 from JTI-Macdonald Corp. (formerly RJR-Macdonald) and Northern Brands International (a subsidiary of RJ Reynolds), resulting in \$550 million in criminal fines and civil restitution, which was paid forthwith.ⁱⁱ

By the mid-1990s, this type of smuggling activity largely disappeared and there followed a period of relatively low levels of illegal activity related to contraband tobacco. However, the illicit tobacco market in Canada has rebounded in recent years, rising rapidly since 2004 to become an acute problem once again.ⁱⁱⁱ

The current environment of illicit manufacturing, distributing, and selling of contraband tobacco products, however, is markedly different from that of the 1980s and 1990s. Illegal tobacco activity in Canada today is primarily connected not to the diversion of legally manufactured products but to the illegal manufacturing, although it also includes, to a lesser degree, the illegal import of counterfeit cigarettes and other forms of illicit tobacco from overseas.^{iv}

Based on RCMP intelligence, the volume of domestic raw leaf tobacco being grown is increasing despite the absence of a legal market. A tobacco grower is permitted to overseed in order to offset the impact of drought or pest infestation and is also able to dispose of his/her annual yield without raising any suspicions.^v

Prior to 2009, limited information was available on the number of illicit manufactures. Since 2009, the documented combined number of illicit manufactures in Canada and on the United States portion of the Akwesasne Mohawk Territory has decreased from approximately 67 to approximately 58. In March 2012, RCMP intelligence confirmed there were approximately 48 illicit manufacturers located in Canada and 10 in the United States, some of which have recently chosen to comply with United States federal laws.^{vi}

The illicit tobacco market is dominated by criminal organizations motivated by the lure of significant profits and relatively low risks. Enforcement actions are therefore directed at increasing risks associated with contraband tobacco activities: dismantling illegal manufacturing facilities, disrupting supply lines, apprehending key figures, confiscating conveyances such as trucks and boats and

seizing proceeds of crime. These actions have the dual goal of impeding the illicit flow of tobacco and weakening organized crime groups involved in the production, distribution, smuggling, and trafficking of contraband tobacco.^{vii} The central role played by organized crime in the contraband tobacco trade in Canada means that this illegal activity is inextricably linked to other kinds of crime; most of the organized crime groups involved in the illicit tobacco market across the country are also active in other forms of criminality.^{viii}

RCMP investigations have revealed that the major part of illegal tobacco manufacturing in the country occurs in Central Canada. In many cases, organized crime networks operate in Aboriginal communities, often exploiting the politically sensitive relationship between those communities and various governments and enforcement agencies.^{ix} Currently, there are some indicators to suggest that the contraband tobacco market is in decline; industry has reported an increase in the sales of legitimate tobacco products, taxation revenue generated from the legitimate sales of cigarettes has also increased, and RCMP seizures of contraband tobacco have decreased. Despite these indicators, the RCMP believes the illicit tobacco market is still thriving and strong with approximately 58 illicit manufacturers in operation during 2012.

The problem is further complicated by the international aspects of the illicit tobacco trade. For example, some of the illegal manufacturers that supply the Canadian market are on the U.S. side of the Akwesasne Mohawk Territory, which spans the border between Quebec, Ontario and New York State. Thus, the CTES must reach beyond Canada's borders.^x

Recognizing the need for additional enforcement measures, the Government of Canada launched the RCMP's CTES in May 2008, with the aim of reducing both the availability of and the demand for contraband tobacco nationwide while supporting government health objectives.

REVIEW DESIGN

3.1 Purpose and Scope

In 2008, the RCMP developed the CTES to guide RCMP operations, and to generate partner support and involvement in broader initiatives to curb the illicit tobacco market. With this in mind, the strategic outcome for the CTES is:

To nationally reduce the supply and demand for contraband tobacco.

The Strategy set out eight priorities which included 29 initiatives. The eight priorities identified in the CTES are:

- Disruption of organized crime and the supply chain;
- Coordination, cooperation and partnership development;
- Outreach;
- Effective use and allocation of resources;
- Impact through education and awareness;
- Contribution to the development of legislative and regulatory tools;

- Research;
- Employee selection and development.

The approach developed for the CTES is in line with three of the five National Strategic Priorities of the RCMP:

- Serious and organized crime: RCMP's enforcement actions aim at disrupting organized crime networks that dominate both the manufacturing and distribution of illicit tobacco products throughout Canada, as well as tackling cross-border tobacco smuggling
- Economic Integrity: in addition to threatening public safety, the illicit tobacco market also undermines legitimate commerce and government revenues. The sale of contraband tobacco contributes to a major underground economy worth hundreds of millions of dollars. The illicit tobacco and manufacturing operations also evade all federal and provincial duties and taxes. While extremely difficult to methodically estimate, losses to the federal and provincial governments could reach the hundreds of millions of dollars annually because of the contraband tobacco market. By targeting criminal organizations involved in the illicit tobacco trade, the RCMP is also contributing to maintaining the economic integrity of the country
- Aboriginal Communities: By targeting the organized crime networks which are exploiting First Nations territories, the RCMP is contributing to safer and healthier Aboriginal communities.^{xi}

Given the tobacco environment at the time, the creation of the CTES considered many possible avenues to address the growing levels of contraband tobacco seizures in Canada. It was determined it would be important to monitor efforts undertaken as part of the Strategy. As the environment evolved, successes were achieved, and new challenges emerged. Such efforts would assist in making a lasting impact on the contraband tobacco market. The RCMP was also committed to exploring and contributing, where possible, to a variety of policy efforts outside operational enforcement activities, supported by educational, economic and social objectives that would help hinder the contraband tobacco market.^{xii}

The RCMP recognized that adjustments to the CTES may be required from time to time to reflect the effectiveness of actions taken. To that end, it was decided a comprehensive review of the Strategy would be undertaken every three years to ensure priorities are aligned with the current contraband tobacco environment, in addition to the annually published progress reports on the CTES. This report documents the results of the first review of the CTES.

3.2 Methodology

The review, which examined how the CTES operates, was based on multiple sources of information, including document and literature reviews, a statistical review, data analysis, interviews and site visits.

Literature Review: Relevant documentation produced between 2008 and the present was collected. Documents included, but were not limited to, quarterly progress reports, operational plans, intelligence reports, and other pertinent information.

Statistical Review: Statistics were collected from the RCMP and other government databases in order to determine the efficiency and effectiveness of the CTES. This information was used to support the findings of the review where required.

Key Interviews: Interviews were conducted by members of the RCMP Customs and Excise Branch (CEB) with the assistance of the RCMP National Program Evaluation Services (NPES). Key interviews proved a significant source of information and helped gain an understanding of the relevance and success of the Strategy. Teams conducted 342 interviews with regular members, senior management and partner agencies using a series of targeted questions.

Table 1 □ Interviews conducted (refer to Annex “C” for a detailed list of interviewed partners)

Division	Members	Management	Partners	Total
“B”	10	4	3	17
“H”	9	4	9	23
“L”	3	2	1	5
“J”	16	2	3	21
“C”	38	4	18	60
“A”	10	1	6	17
“O”	45	10	41	96
“D”	9	2	2	13
“F”	7	4	16	27
“K”	15	5	9	29
“E”	16	7	6	29
“HQ”	0	2	3	5
Total	178	47	117	342

3.3 Methodology Limitations

With respect to the strategic outcomes of the CTES, which is to nationally reduce the supply and demand for contraband tobacco, the review found that although there were indicators to assess the impact of the CTES, there were no scientifically developed formulae to measure and categorize them in order to determine which would be specifically attributed to the RCMP.

Also, because of several unknown factors, such as the production capacity and output of illicit tobacco products manufacturers, it is difficult to measure the impact that C&E units are having in reducing the availability of these products in Canada. Only a limited number of measurements and indicators could be used in trying to determine if the RCMP’s efforts were having an impact on the illicit tobacco market. These include:

- % of increase or decrease in seizures
- % of increase or decrease in legitimate sales of tobacco products
- increase or decrease in legitimate tax revenues
- number of identified organized crime groups and of organized crime groups disrupted
- change in contraband price

- change in modus operandi
- number of illicit manufacturers
- increase or decrease of the smoking rate in Canada
- number of outreach initiatives

Another limitation was that the review could not determine the costs associated to the CTES within the total budget allocated to the C&E program.

The logic model found in Appendix A was used as a guide to complete a thorough review of the CTES.

4.0 RELEVANCE

4.1 Continued Need for the CTES

Is there a demonstrable and continued need for the CTES?

1. The CTES is still relevant.

It is very apparent from this review that the need for a Strategy remains. The contraband tobacco market remains stable as does the amount of smoke shacks and illicit tobacco manufacturers. Several sources corroborate this finding, as detailed below.

First, when interviews were conducted across Canada with regular members, senior management and partner agencies, 87% of them believed the CTES was still relevant. However, interviewees expressed that some areas of the Strategy, which was implemented in 2008, did not represent the strategic objectives and investigational realities within each region of the RCMP. For example, one senior manager from the RCMP explained that “The CTES is an effective guide to help focus our efforts and has to be implemented as it fits the objectives and needs of each region. It is certainly not to be seen as one centric approach to the issue.” As such, many interviewees commented that the CTES was more focussed at the illicit tobacco markets of the Central Region than the remainder of the country.

Second, the review team asked the RCMP Media Monitoring unit to conduct an analysis of the extent of media coverage surrounding contraband tobacco in Canada, from May 2008 to May 2011. The analysis revealed that the contraband tobacco situation, from a media perspective, remained a problem for law enforcement throughout this period. In addition, it was noted that the media reported the same major obstacles and criminal activity associated with contraband tobacco that were present in 2008 still prevailed in 2011.^{xiii}

Third, several reports from the tobacco industry and non-governmental organizations are pointing out the positive effect enforcement had in curbing the illicit trade. For example, the Non-Smokers' Rights Association and the Smoking and Health Action Foundation reports that, based on the opinion of two tobacco companies (Philip Morris International and British American Tobacco), there was an increased tobacco market up to 20%, partially due to “significant reduction in illicit product as a result of the authorities' enforcement activities”.^{xiv} Similarly, Tobaccoinfo.ca attributes the “reduction in illicit product as a result of the authorities' enforcement activities”.^{xv} Other articles

report an increase in legal shipment volumes and in tax revenues without making any link with law enforcement activities.^{xvi}

Fourth, according to the Fraser Institute report titled *Combatting the Contraband Tobacco Trade in Canada*, published on December 1st, 2011, which looked at the illicit tobacco trade in recent years, contraband tobacco has been a recurring problem in the country, and one that has noticeably worsened over the past decade. It has been estimated that contraband tobacco makes up roughly 30% of the total Canadian tobacco market. Key factors fueling the contraband trade include relatively high and rising tobacco excise taxes, the inability of law enforcement to impede tobacco smuggling, Aboriginal autonomy in taxation and on-reserve law enforcement, and the erroneous perception that lawful and contraband tobacco are close substitutes.^{xvii}

Finally, RCMP Criminal Intelligence and investigations clearly show the ongoing involvement of organized crime groups in the contraband tobacco market and at all stages of this illicit industry. The high profits and low risks related to tobacco trafficking will continue to entice organized crime and their activities are expected to prevail. The illicit tobacco market in terms of supplies is expected to remain robust despite the fact that manufacturing operations have slightly decreased.^{xviii} This is confirmed in Appendix B which highlights the number of illicit manufacturers and smoke shacks from 2006 to 2012.

2. The CTES is in tune with federal government priorities.

In May 2010, Public Safety Minister Vic Toews announced the following initiatives to further combat contraband tobacco:

- the Royal Canadian Mounted Police will establish a Combined Forces Special Enforcement unit (CFSEU) Contraband Tobacco Team;
- the Canada Border Services Agency (CBSA) will establish a Detector Dog Service in Montreal and Vancouver, regions with the highest amount of contraband activity, including illegal tobacco; and,
- the Canada Revenue Agency (CRA) will develop a multi-media ad campaign to raise awareness among Canadians of the negative impacts of purchasing contraband cigarettes.

“Our government is taking further action to disrupt contraband tobacco which undermines the safety and security of our communities”, said Minister Toews. “The import, manufacturing and sale of illegal cigarettes have a significant impact on our economy, and fuel organized crime in our country.”^{xix} The CTES contributes directly to Public Safety’s safe and secure Canada.

The Conservative 2011 Platform states that “Contraband tobacco has become a massive black-market industry. It results in huge losses in revenue. More important, it makes it much cheaper – and therefore much easier – for children and teenagers to start smoking. And, by encouraging smoking, it leads to higher health care costs and higher rates of smoking-related illness and death. To help reduce the problem of trafficking in contraband tobacco, we will establish mandatory jail time for repeat offenders. We will also establish a new RCMP Anti-Contraband Force of 50 officers”.^{xx}

It is clear that the CTES is aligned with the above federal government priorities.

5.0 PERFORMANCE

5.1 Achievement of Expected Outcomes

How successful is C&E (in the context of the CTES) in developing and maintaining the partnerships required to support the Strategy?

3. C&E units have developed the partnerships needed to support the CTES as required.

Over the course of the CTES, members of the RCMP across Canada have worked with various government and non-government partners. Representatives from partner agencies that were interviewed are listed in Appendix C. During the interviews, 74% of them indicated they are receiving the appropriate amount of service delivery from RCMP C&E units in order to support their organization's goals, while 18% responded they were not because of other RCMP divisional priorities.

Most of the interactions of the RCMP C&E units with other external departments and agencies involved information sharing and cooperation on contraband tobacco investigations. To support the CTES, the RCMP in Newfoundland and Labrador has, in numerous ways, embraced the practice of information and intelligence sharing. Two members of the RCMP St. John's C&E unit are seconded to the Royal Newfoundland Constabulary (RNC); these members work jointly with the RNC in order to enhance information sharing and improve the identification of illicit tobacco targets. In May 2010, Alberta RCMP C&E investigators attended the Cross-Border Montana / Alberta Tobacco Workshop in Coutts, Alberta; representatives from CBSA, CRA, Alberta Gaming and Liquor Commission (AGLC), U.S. Immigration and Customs Enforcement (ICE) and U.S. Customs Border Patrol (CBP) participated in this annual initiative designed to discuss tobacco diversion trends and best practices.^{xxi}

The benefits of team work include the sharing of resources and the laying of charges under the federal *Excise Act, 2001* and the various provincial tobacco tax legislations during joint investigations. This is the common practice at the Central St. Lawrence Valley Detachment located in Valleyfield, Quebec and at the Cornwall Regional Task Force (CRTF) located in Cornwall, Ontario. Since the inception of the CTES and with support from the province of Quebec's Programme ACCES Tabac, several officers from the Sûreté du Québec (SQ) have been co-located at the RCMP Central St. Lawrence Valley RCMP Detachment where they work hand in hand with RCMP officers targeting those involved in the contraband tobacco market. And since January 2010, in order to support the Strategy, the CRTF was re-established. The CRTF was active in the early 1990s during the rampant tobacco smuggling that was occurring in the Cornwall area. It was disbanded in the late 1990s when this criminal activity was curtailed. Currently, the CRTF is made up of members from five law enforcement agencies: the RCMP, Ontario Provincial Police (OPP), Cornwall Community Police Service (CCPS), CBSA and the Ontario Ministry of Finance (MOF). These partnerships fully support the Strategy.

In March 2010, the federal government provided \$7.41M over three years to develop a dedicated organized crime investigative team in the Cornwall region. CEB recommended the team be established in this high-risk tobacco smuggling region to support the CTES. Referred to as the CFSEU-CTI, the team's primary mandate, through the combination of federal, provincial and municipal law-enforcement resources, under the leadership of the RCMP and within one unit, is to target organized crime organizations involved in the cross-border smuggling, purchase and sale of contraband tobacco. The team's investigations range from mid to long-term as they focus on varying levels of organized crime groups and must be supported by a vast array of complex investigative methods and techniques requiring a significant time commitment.

The new funding has enhanced the capacity to hamper the flow of contraband tobacco. Between October and December 2010, two investigative projects conducted by the team yielded the seizure of 6,179 re-sealable bags of contraband cigarettes (each containing 200 cigarettes), other illicit commodities including oxycontin and marihuana, one sawed-off shotgun and the arrest of 9 individuals; the total fines faced by the accused range from \$210,000 to \$315,000. In 2010, the CTI also assisted the CRTF with the seizure of 6,000 re-sealable bags of contraband cigarettes, 7,300 pounds of fine cut tobacco, 104,000 pounds of raw leaf tobacco, and other commodities including drugs. Twelve individuals were arrested, with total fines ranging from \$593,000 to \$888,000.^{xxii}

The CFSEU-CTI investigative team consists of 13 officers from the RCMP, OPP and CCPS. It is established as a "team within a team" and is co-located with the Cornwall Combined Forces Special Enforcement Unit (CFSEU). Through leveraging the existing CFSEU management, office infrastructure and intelligence components already in place, the time required to attain full situational awareness and operational readiness has been greatly reduced.

The RCMP also used other forums to discuss, among other things, the CTES. For example, CEB has been an active co-host of the Joint U.S. /Canada Tobacco Diversion Workshop (TDW) held annually. This event brings together members of Canadian and American law enforcement and regulatory agencies who have a vested interest in the illicit tobacco market, whether it pertains to smuggling, counterfeiting, theft or other illegal activities. The workshop addresses the growing illicit tobacco market and its cross-border flow through an integrated policing and intelligence sharing approach. The RCMP also participates in the Interprovincial Investigations Council (IIC) Tobacco Workshop which is held annually. The workshop serves as a forum to advance cooperation and the exchange of information and resources in the fight against interprovincial smuggling of tobacco products. It also provides the opportunity to identify emerging trends in law enforcement. Finally, the RCMP takes part in the Government Task Force on Illicit Tobacco Products. In May 2008, when the Government of Canada launched the CTES, it also announced the creation of a new government Task Force led by Public Safety Canada. Aligned with the implementation of the Strategy, the mandate of the Task Force is to provide the Minister of Public Safety with concrete measures, including policies, programs, regulatory and/or legislative options, that will help disrupt and reduce the trade in contraband tobacco.

Has intelligence gathering/sharing improved?

4. C&E units are better informed since the creation of the CTES.

C&E units' members are better informed today than before the creation of the CTES due to enhanced partnerships. A variety of initiatives including partnerships and internal mechanisms are being applied to gather and share intelligence. When asked if they felt informed to conduct their daily duties, 85% of regular members interviewed agreed.

The value added by the various partnerships has facilitated the gathering and sharing of intelligence. There are several Joint Forces Operations (JFO) focusing on the contraband tobacco problem. In the Central St. Lawrence Valley Detachment located in Valleyfield, Quebec, the RCMP has a JFO with the Sûreté du Québec as part of their Programme ACCES Tabac. The Cornwall CFSEU-CTI located in Cornwall, Ontario is a JFO with officers from the RCMP, OPP and CCPS. Finally, the CRTF is a JFO consisting of members of the RCMP, OPP, CBSA, CCPS and the MOF.

In Newfoundland and Prince Edward Island, there are two RCMP positions in each province funded by the provincial government. These positions, created in 2008 and 2009, complement the C&E units and support the Strategy in addressing the contraband tobacco problem resulting in more seizures. This also allows for continuity and transition to and from partner agencies.

Finally, the RCMP has currently five regional tobacco analysts and two national tobacco analysts funded by the FTCS, led by Health Canada, who reinforce our ability to assess the illicit tobacco market. These analysts work with federal partners to identify criminal activities and to coordinate information on national and international contraband tobacco issues. They also provide management and investigators with both a strategic understanding of the illicit trade and technical information to support the field.

Are members' specialized skills enhanced?

5. Specific tobacco-related training should be developed.

Since 2008, the RCMP has provided dedicated training to C&E investigators to ensure they effectively perform their duties.

The C&E program has a basic C&E on-line course and an advanced C&E course. Between May 2008 and May 2011, 493 RCMP regular members successfully completed the self-directed on-line course and 299 members did not pass and/or complete the course^{xxiii}. During the same period, 67 regular members passed the C&E advanced Customs and Excise course. It should be noted that any RCMP member can take the C&E on-line course and that there were 469 staffed positions in the C&E program as of July 1st, 2011.^{xxiv} Regular members interviewed described the basic C&E course as being too long and lacking information specific to contraband tobacco. They further indicated that a tobacco-specific educational product would be useful in their daily duties.

When asked if they received the appropriate training within the context of contraband tobacco, 64% of RCMP regular members interviewed indicated they did and 55% of them were satisfied with the training they received. It should also be noted that on-the-job training was identified by 23% of regular members interviewed as a form of training aimed at acquiring skills to perform their duties within C&E units. Furthermore, in order to ensure the best possible training is available with regard to contraband, CEB and the RCMP Learning and Development (L and D) Directorate are working to redesign both the basic and advanced courses.^{xxv}

Other training provided to members included participating in multi-agency workshops on the topic of illicit tobacco products. The RCMP in Alberta, in partnership with the AGLC, has developed a front-line investigator educational DVD which was shared with all C&E units in the province.^{xxvi}

Some RCMP C&E units located across Canada are working to enhance the skills of their employees. Units in several provinces have reviewed investigators current skill-sets and competencies and, as a result, initiated officer performance improvement plans to target specific abilities, address individual weaknesses and plan future development. Furthermore, investigators across Canada have successfully undertaken and completed a variety of workshops and courses to enhance their skills. For example, in Alberta, some C&E investigators have been trained in preparing affidavits for search warrants, as well as in conducting investigative interviews. In Prince Edward Island, some C&E investigators have received training in surveillance, source development and management, and small craft operation. Some C&E investigators in Nova Scotia have been trained in preparing affidavits for *Criminal Code* Part VI (wiretap) judicial authorizations, surveillance, investigating proceeds of goods obtained by crime offences, as well as undercover officer and cover team techniques.^{xxvii} Although outside the scope of this review, a new Border Integrity course has been developed to address some of the key skills required for contraband tobacco investigators.

Both the CRTF and the Central St. Lawrence Valley RCMP detachment have implemented high intensity surge enforcement operations to provide development and leadership opportunities not only to their own investigators, but also to other C&E investigators from across the country. This initiative provided all participating investigators with a hands-on familiarization of the working methodology and of how JFO's work well together within the heart of Canada's illicit tobacco trade.^{xxviii} A total of 45 RCMP regular members from outside of these units participated in the operations between November 2008 and February 2011.^{xxix}

As a result of the CTES, London C&E investigators, with the assistance of Ontario MOF inspectors, visited a tobacco farm in the Tillsonburg, Ontario area to increase their understanding and awareness of tobacco industry production and practices, as well as enhance their investigational capabilities.^{xxx}

Finally, the RCMP National Coordinator for the CTES hosts monthly national teleconferences, attended by all Division Coordinators, to review contraband tobacco patterns and best practices. This forum allows the sharing of trends and information between divisions and has lead to links in investigations from one province to another.^{xxxi}

Has public and law enforcement awareness improved through communication?

6. Efforts have been made to increase public and law enforcement awareness through communication.

When asked, 54% of RCMP regular members and 55% of partner agencies interviewed indicated there was an increase in public and law enforcement awareness of the contraband tobacco issue. Many interviewees believed there was a sharp rise in law enforcement awareness thanks to the continued cooperation between the RCMP and its partners. Other interviewees commented on the

challenges they face in getting the message out because the public still does not perceive the possession of contraband tobacco products as a crime.

In RCMP divisions where there are C&E units, there is a CTES Coordinator who ensures that quarterly reports are submitted to CEB to take their efforts into account in the annual progress reports. The reports showcase the RCMP's efforts in the fight against the illicit tobacco trade in the hopes of increasing public awareness of the multi-faceted aspects of the contraband tobacco market.

In order to reduce consumer demand for contraband tobacco, it is essential to raise awareness of the black market and the consequences of purchasing and possessing such illicit products. To this end, the RCMP has been working with Crime Stoppers in Nova Scotia, Prince Edward Island and Alberta. A collaborative effort is also under way with radio and television networks to develop a public service announcement on the illicit tobacco trade.^{xxxiii} Regular members interviewed in Nova Scotia also praised the Crime Stoppers commercials on local television and the increase in tips that are called in as a result.

The media is recognizing that law enforcement is doing the best that it can to combat the illicit tobacco industry. In November 2009, a team from the *Toronto Star* reported on the efforts made by the Cornwall, Ontario RCMP and its partners to battle contraband tobacco.^{xxxiii} In an article published on February 15th, 2012 in the *Cornwall Standard Freeholder*, National Coalition Against Contraband Tobacco spokesperson Gary Grant stated "There are huge numbers of seizures, the RCMP do a great job seizing millions of cigarettes and money". The fight against contraband tobacco in Canada has even been depicted on television. The *Courage in Red* television series, which aired on the Outdoor Life Network (OLN) in December 2009, included a 30-minute episode regarding contraband tobacco investigations in the Cornwall area.^{xxxiv} In January 2011, CTV's program *W5* featured a documentary effectively conveying the illicit tobacco smuggling situation around Cornwall, Ontario.^{xxxv} In November 2011, Quebec news program *JE* from the TVA network followed members from the Central St. Lawrence Valley detachment for several days and highlighted the hard work of law enforcement in the area to combat the illicit tobacco market.^{xxxvi}

Investigators with the Cornwall CFSEU-CTI have organized and chaired town hall meetings with community stakeholders regarding the local contraband tobacco trade and the links between illicit tobacco smuggling and organized crime. In the spring of 2011, investigators from the CFSEU-CTI and the CRTF participated in a consultative meeting, hosted by the OPP, with shoreline residents on the St. Lawrence Seaway about contraband tobacco issues in the community.^{xxxvii}

To what extent is the strategy effectively curtailing the illicit tobacco industry?

7. The CTES has impacted the illicit tobacco industry.

When asked if the CTES has been effectively addressing the illicit tobacco industry, 53% of the partner agencies and 62% of RCMP senior management interviewed agreed or strongly agreed. Prior to the implementation of the Strategy, between April 1st, 2006 and March 31st, 2008, there were a total

of 749 tobacco files opened by PPSC federal prosecutors under the *Excise Act, 2001*. Only 52 of them produced the payment of fines for a total of \$94,513.35.^{xxxviii} During the CTES, from May 2008 until May 2011, there were a total of 2,219 tobacco files generated by PPSC federal prosecutors under the *Excise Act, 2001*, and 150 of them produced the payment of fines for a total of \$278,639.53.^{xxxix} There was a sharp increase in the amount of files opened and fine payments during the three-year period of the CTES.

The following table shows RCMP seizures of contraband cigarettes have increased in all regions since the CTES was implemented.

Table 2 □ RCMP Cigarette Seizures in Cartons, 2004-2011^{xl}

	National	Central	Atlantic	Pacific	Northwest
2004	120,000	116,000	1,700	1,000	1,300
2005	390,000	357,000	28,100	1,600	2,700
2006	472,000	415,000	54,000	2,100	700
2007	626,000	502,000	85,700	13,800	24,100
2008	966,000	811,000	130,700	9,200	14,400
2009	975,000	876,000	66,000	8,300	26,500
2010	782,000	634,000	34,800	100,700	13,400
2011	598,000	417,000	42,100	55,200	83,500

To what extent has the CTES reduced the supply and demand for contraband tobacco in Canada?

8. Data suggests that the CTES was effective in disrupting the illicit tobacco market, despite difficulties in measuring the impact.

When asked if the CTES has impacted the demand for contraband products, 56% of all partner agencies interviewed disagreed or strongly disagreed. When asked if the Strategy has reduced the availability of contraband tobacco products, only 40% of all partner agencies agreed or strongly agreed. Hence, although data shows an impact, the perception of partner agencies illustrates the difficulty of assessing the illicit tobacco market.

Legitimate sales of cigarettes in Canada between 1980 and 2007 decreased by approximately 36 billion units. Between 2008 and 2010, legitimate cigarettes sold increased by approximately 4 billion units.^{xli} The following table shows the decrease in legitimate sales of cigarettes from 2005 to 2007, before the inception of the CTES. From 2008 to 2010, during the implementation of the Strategy, an increase is noted each year in the legitimate sales of cigarettes. Although the CTES was in effect during this period, it is impossible to determine if it was the reason for the rise in legitimate sales due to its effect on the contraband tobacco trade, but it is likely to have had an impact.

Table 3 – Cigarette Sales in Canada, 2005-2010

Cigarette Sales in Canada, 2005-2010	
Year	Units of Cigarettes
2005	32,970,621,643
2006	30,217,191,194
2007	28,704,713,382
2008	27,559,382,153
2009	28,627,507,225
2010	31,653,615,884

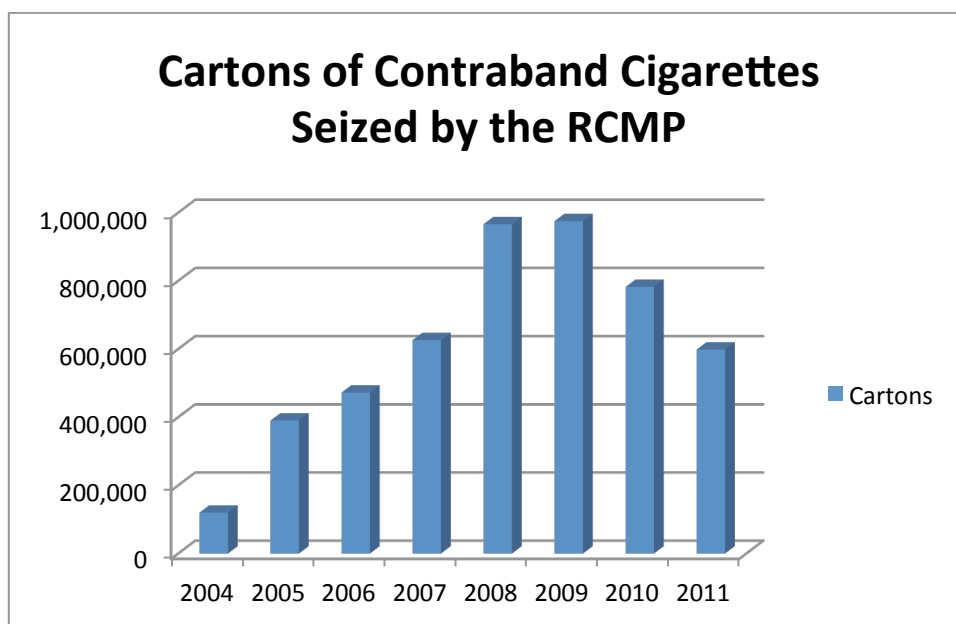
From 1999 to 2010, the Canadian Tobacco Use Monitoring Survey (CTUMS) reported a decline in the overall current smoking rate amongst Canadians aged 15 years and older, from 25% in 1999 to 17% in 2010. While the overall population increased by 14%, the rate of current and former smokers did not change.^{xlii}

Table 4 below shows that each year, between 2005 and 2009, there were increases in the RCMP seizures of cartons of cigarettes compared to the previous year: 225% in 2005; 21% in 2006; 33% in 2007; 54% in 2008; 1% in 2009.^{xliii}

In 2010 and 2011, seizures of cartons of cigarettes by the RCMP decreased. In 2010, there was a drop of approximately 20% compared to 2009. In 2011, there was a reduction of approximately 24% compared to 2010. Overall, there has been a 39% fall in RCMP seizures of cartons of cigarettes since 2009. However, RCMP intelligence reports from across the country have indicated that the illicit cigarette supplies were readily available during this time period. Taking seizure data and intelligence reports into account, there may be other mitigating factors for the 2010 decrease in seizures of cartons/unmarked bags of contraband, which include but are not limited to:

- A decrease in law enforcement resources during major events such as the 2010 Olympics in British Columbia, and the G8 and G20 Summits in Ontario, as well as other law enforcement operational priorities.
- The success of investigational projects which have led to the arrest of major players in the contraband tobacco market without, however, necessarily involving large tobacco seizures.
- Enforcement actions such as high intensity surge enforcement operations and long-term investigations involving sophisticated technology which had an impact on the illicit tobacco market.
- Heightened public awareness of the severity of contraband tobacco trafficking and its link to organized crime networks.
- Increased organized crime group involvement, leading to more sophisticated methods of evading police detection.^{xliv}

Table 4 – Contraband cigarettes seized by the RCMP, 2005-2011^{xlv}



Prices of contraband tobacco products vary in each province across Canada. An illegal tobacco manufacturing and distributing operation evading all federal and provincial duties and taxes can sell its cartons for as little as \$6 each, whereas legitimate tobacco cartons are sold \$75-\$90 each. During the implementation of the CTES, there has been no considerable change in the prices of contraband cigarettes except when the Cornwall Port of Entry closed temporarily between June 1st and July 13th, 2009. During the closure, and for a few months afterwards, the prices jumped.^{xlvi}

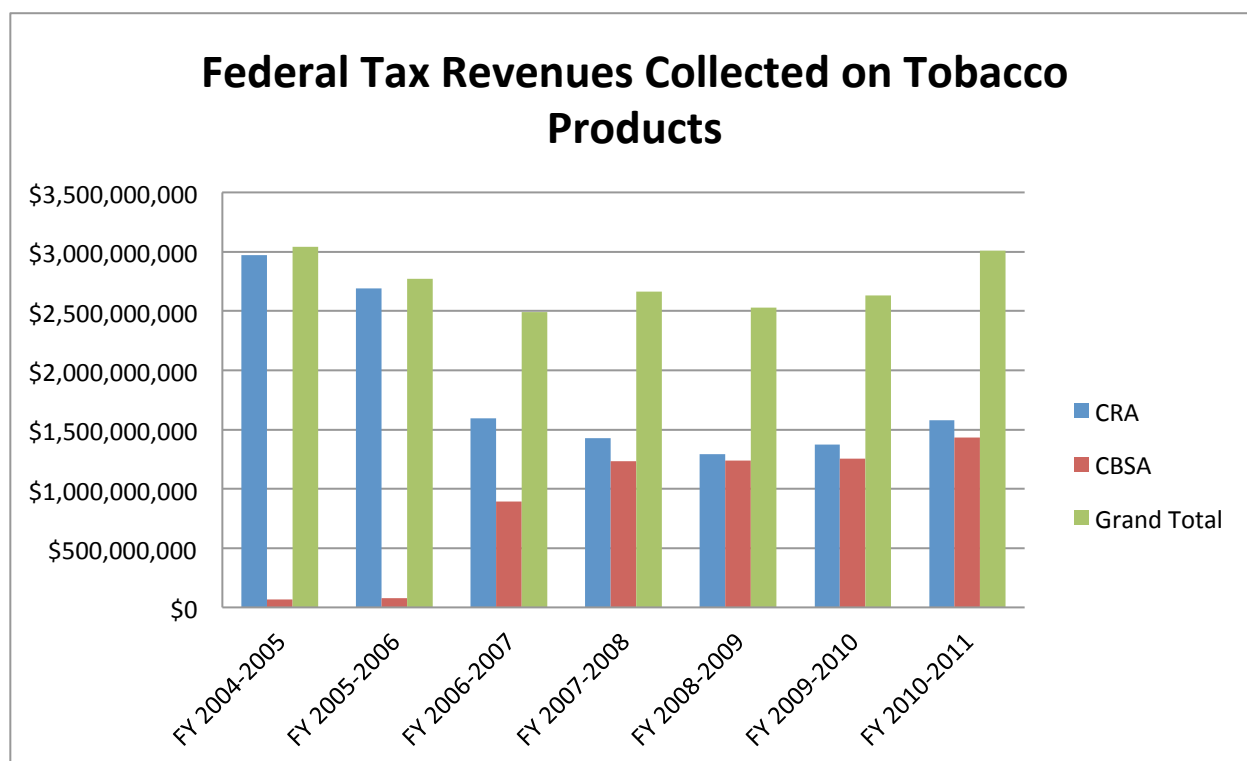
Appendix B provides details of the number of illegal manufacturers and smoke shacks during the period from 2006 to 2012. The approximate number of illegal manufacturers located in Canada slightly decreased during the implementation of the CTES. In 2006, no reports mentioned that any illegal manufacturers were located in Canada. In 2007, there were approximately 10 illegal manufacturers found in Canada and this number increased in 2012 to approximately 48 illegal manufacturers.^{xlvi} This sharp rise clearly shows there is still a strong need to accommodate the demand for illicit tobacco products.

During the same period, there was a slight decrease in the number of smoke shacks located in Canada. In 2006, there were approximately 305 smoke shacks compared to 295 in 2012.^{xlvi} The smoke shacks found on First Nation territories significantly facilitate the purchase of illegal cigarettes.

Table 5 below details the amount of federal tax revenues collected on tobacco products by CRA and CBSA from fiscal year 2004-2005 to fiscal year 2010-2011. Revenues collected have varied over the years. Prior to the implementation of the CTES, tax receipts slightly decreased, indicating that consumers purchased less legal cigarettes. It is however impossible to determine if those same consumers were purchasing illegal cigarettes. From May 2008 until May 2011, there has been a 19% rise in federal tobacco excise revenues. Based on Public Accounts information, federal tobacco excise revenues have increased in the last two fiscal years; notably, revenues increased by approximately 14.5% during the most recent fiscal year.^{xlvi} This shift to the legal market can be

reasonably attributed to enhanced enforcement efforts and the CTES, as suggested in the various reports from the tobacco industry and non-governmental organizations discussed earlier.

Table 5 – Federal Tax Revenues collected on tobacco products, 2005-2011¹



Have OCGs involved in illicit tobacco activities been disrupted?

9. C&E units generated thousands of charges, seized millions of cartons of contraband cigarettes as well as thousands of material items and weakened dozens of organized crime groups since the implementation of the CTES.

From the launch of the Strategy in May 2008 until May 2011, the RCMP has disrupted 56 OCGs, laid over 4,281 charges under the *Excise Act, 2001*, and seized approximately 3,239,000 cartons/unmarked bags of contraband cigarettes, 1,601 vehicles, 71 vessels and 7 other properties.^{li}

During the first year of the CTES, 25 organized crime groups of various levels of sophistication involved in contraband tobacco were weakened as a result of RCMP investigations across the country.^{lii} During the second year of existence of the Strategy, 18 organized crime groups were disrupted.^{liii} During the third year, 13 organized crime groups were impeded.^{liv}

Tables in Appendix D show the total number of files generated by each RCMP C&E unit between May 2008 and May 2011. The tables further break down how many of those files were tobacco-

related and how many of them resulted in charges. Out of 14,016 files generated, 4,961 files were tobacco-related, of which 1,211 resulted in charges.^{lv}

The other tables in Appendix D show the amount of RCMP tobacco-related *Excise Act, 2001* files and charges that were generated by PPSC Federal Crown and Federal Crown agents before and after the CTES was implemented. It shows that tobacco-related charges have increased substantially during the first three fiscal years of the Strategy compared to the four fiscal years before it came to be.

5.2 Demonstration of Efficiency and Economy

How effective is the management and delivery of the CTES?

10. A limited number of mechanisms were established to ensure the effective management and delivery of the CTES.

Given that the level of contraband tobacco had again returned at the forefront in 2008, the CTES was developed to respond to the growing threat of contraband tobacco to Canada and its communities with an array of measures.

To facilitate the implementation of the CTES at the divisional level, members from CEB met with each division containing a C&E unit. Discussions included how to implement the CTES to meet the units' local needs. Each division identified a Coordinator for the Strategy. Their duties included submitting quarterly reports to the National Coordinator who analysed the data and reported on the progress of the CTES annually.

When interviewees were asked about the compliance and governance of the CTES, they revealed there were some gaps that hindered a successful implementation of the CTES. Without additional funding or resources to compliment the CTES implementation and monitor its progress, Divisional Coordinators were appointed with the expectation to complete additional duties while maintaining their current workload. During the interviews with regular members, many indicated that, with 29 initiatives to report on, the reporting requirements are cumbersome. The Division Coordinators have the hard task of gathering the required information from all C&E units within their divisions and putting it all together in a quarterly report. Further, the lack of buy-in they reported from some managers and colleagues made their work more difficult.

Another tool that is used by C&E units as an activity plan to deal with the issue of the illicit tobacco market is the RCMP Annual Performance Plan System (APPS). The APPS is an electronic planning and performance management tool most commonly utilized by the RCMP at the detachment and unit levels. This standardized reporting system encourages horizontal and vertical alignment with National, Divisional and District plans and priorities. The system allows the RCMP to tailor its services to partners' priorities, often in support of specific areas such as crime reduction, community policing and integrated policing. The APPS is also used to populate measures in a number of RCMP scoring tools and assists various levels of the RCMP with the development and management of their risk register. Only 10 out of 64 C&E units and CEB clearly indicated in their performance plans that contraband tobacco was a priority when in fact the units' mandate was to focus on the illicit tobacco market among other areas within the C&E mandate.^{lvi}

Members interviewed expressed the initiatives need to be narrowed down within the priorities as many appear to be broad in definition. Members have also said that some of the initiatives, and even some of the priorities, were not within the scope of the RCMP; for example, conducting research, identified by regular members as the least important priority, and contributing to the development of legislative and regulatory tools. Another priority pinpointed as being least important was to impact crime through education and awareness as the public feels illicit tobacco is a petty crime and there is no delivery strategy in place. Many also commented on the fact that the workload of investigations prevents them from focusing on this priority. Finally, the priority to contribute to the development of legislative and regulatory tools was also identified as least important as the units focus on enforcement. Members indicated that some of the priorities apply only to RCMP Headquarters and not to the units who are reporting on the CTES. As for the 29 initiatives, some of the Division CTES Coordinators expressed that their units are only contributing to half of the initiatives, with one division only supporting three of them.

Does the CTES duplicate/overlap other programs/initiatives delivered by other stakeholders?

11. The CTES complements initiatives delivered by other stakeholders.

Of those who responded “yes” or “no” during interviews, 67% of RCMP regular members and 58% of RCMP senior managers felt the CTES did not duplicate or overlap other programs or initiatives delivered by other stakeholders. They expressed the Strategy is complementary to initiatives delivered by other stakeholders at various levels of government. An example where this occurs is in provinces where charges are laid under the provincial *Tobacco Tax Act* and the federal *Excise Act, 2001* for the same investigation. For tobacco investigations where charges are warranted, at the CRTF in Cornwall, Ontario and the Central St. Lawrence Valley Detachment in Valleyfield, Quebec, members of RCMP, Ontario MOF and the Sûreté du Québec (SQ) lay the appropriate charges under the acts within their jurisdiction.

The RCMP also feeds into other initiatives and federal programs that have a vested interest in the illicit tobacco market. Regular briefs and reports on the illicit tobacco situation were provided to Finance Canada and Health Canada through the RCMP’s participation in the multi-agency Federal Tobacco Control Strategy (FTCS). The Health Canada-led FTCS was introduced as a ten-year strategy (2001-2011) intended to reduce tobacco-related diseases and deaths in Canada. The FTCS was designed to be a comprehensive, integrated and sustained tobacco control program based on international best practices, with a focus on building upon previous federal initiatives to reduce tobacco demand.

Information and presentations were provided to other key partners and key ministerial entities upon request, such as the Government of Canada Task Force on Illicit Tobacco and the IIC Tobacco Conference. The aim of this conference is to develop, increase and maintain cooperation among all those who are involved in combating the contraband tobacco market by providing current information and contacts in other jurisdictions. RCMP tobacco analysts also participate in the Integrated Border Enforcement Teams (IBET) analysts and intelligence officers’ workshop. IBET is responsible for monitoring criminal activities between the ports of entry along the Canada-United States border, including the smuggling of illicit tobacco. The tobacco analysts provide insight into

the trends, strategy and regional overview of contraband tobacco smuggling. Finally, in the province of Quebec, the RCMP tobacco analyst is an active participant in the Integrated Coordination of Intelligence Group on Contraband, which operates under the province of Quebec's Programme ACCES Tabac. It regroups a total of three strategic analysts from the RCMP, SQ and the Service de police de la Ville de Montréal (SPVM). At a tactical level, this group shares the intelligence available within each organization and conducts a strategic overview on criminal activities linked to contraband tobacco. Always searching for new trends, the analysts develop strategies that can be used by the participating police agencies.^{lvii}

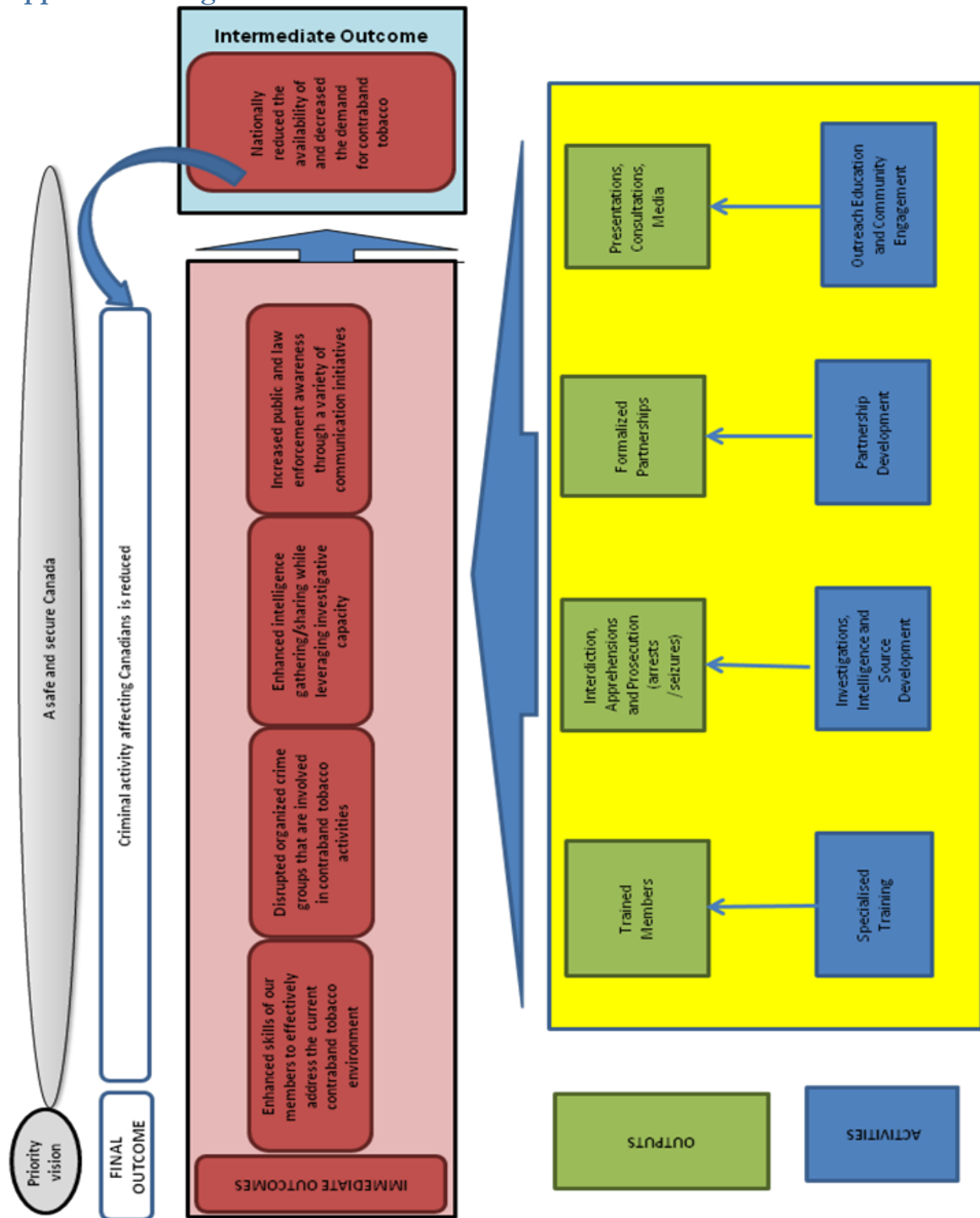
6.0 CONCLUSION

There is a continued need for an RCMP strategy to combat the illicit tobacco trade. Despite the successes of the CTES, there is little doubt that illicit tobacco market remains a serious threat; hence the RCMP must ensure it has the tools and resources to curtail this illegal activity. The RCMP alone cannot stop the illicit tobacco market. Working with partners is of great value to support all priorities within the CTES. Public awareness is very challenging because illicit or inexpensive tobacco products are readily available and enticing to some Canadians. In addition, the public does not consider illicit tobacco possession as a crime but rather as a product that is heavily taxed. Sophisticated OCGs from various levels are deeply enshrined in the illicit tobacco trade and continue to make huge financial gains. The federal government has recognized the threat faced by our communities by providing additional funding to create the three-year (April 2010-March 2013) RCMP-led CFSEU-CTI based in Cornwall, Ontario, that focuses on disrupting and dismantling criminal organizations involved in the illicit tobacco market.

Although there was an increase in files generated resulting in the seizures of millions of cartons of cigarettes and the disruption of dozens of organized crime groups, there are still a limited amount of mechanisms in place to ensure the CTES is effective and managed efficiently. Reporting on 29 initiatives contained within eight priorities, some of which are not within the scope of the RCMP, is a challenge for C&E units. The Strategy does complement initiatives delivered by other stakeholders who face the same challenges as the RCMP in reducing the supply and demand for contraband tobacco.

This review will be used by CEB to reflect on how best to improve the strategy and how to make it more efficient.

Appendix A: Logic Model



Appendix B: Approximate number of illegal manufacturers and smoke shacks, from 2006 to 2012

Approximate Number of Illegal Manufacturers and Smoke Shacks in 2006^{lviii}

First Nation Reserve	# of illegal manufacturers on Reserve	# of smoke shacks
Kahnawake	12-15 located in New York State	125
Six Nations		100
Akwesasne US		0
Kanasetake		28
Tyendinaga		40
Kitigan Zibi		12
Curve Lake		10

Approximate Number of Illegal Manufacturers and Smoke Shacks in 2007^{lix}

First Nation Reserve	# of illegal manufacturers on Reserve	# of smoke shacks
Kahnawake	12-15 located in New York State 10 located in the province of Quebec	131
Six Nations		190
Akwesasne US		0
Tyendinaga		32

Approximate Number of Illegal Manufacturers and Smoke Shacks in 2008^{lx}

First Nation Reserve	# of illegal manufacturers on Reserve	# of smoke shacks
Kahnawake	12-15 in New York State Multiple in the province of Quebec 10 located in the province of Ontario	Over 100
Six Nations		133 (including legitimate convenience stores)
Akwesasne US		0
Tyendinaga		32

Approximate Number of Illegal Manufacturers and Smoke Shacks in 2009^{lxi}

First Nation Reserve	# of illegal manufacturers on Reserve	# of smoke shacks
Kahnawake	10 in New York State	Over 100
Six Nations	38 in the province of Quebec	Not provided
Akwesasne US	19 in the province of Ontario	0
Akwesasne Ontario		0
Tyendinaga		Not provided
Oneida Mohawk Territory		Not provided
Kanesatake Mohawk Territory		Not provided

Approximate Number of Illegal Manufacturers in 2010^{lxii}

55 illegal manufacturers on Reserve in Central Canada

10 manufacturers on Reserve in New York State

Approximate Number of Illegal Manufacturers in 2011^{lxiii}

First Nation Reserve	# of illegal manufacturers on Reserve	# of smoke shacks
Kahnawake	15 in New York State	123
Six Nations	25 in the province of Quebec	94
Akwesasne US	15-21 in the province of Ontario	0
Kanesetake		39
Tyendinaga		29

Approximate Number of Illegal Manufacturers and Smoke Shacks in 2012^{lxiv}

First Nation Reserve	# of illegal manufacturers on Reserve	# of smoke shacks
Kahnawake	10 in New York State	125
Six Nations	27 in the province of Quebec	100
Akwesasne US	15-21 in the province of Ontario	0
Kanesetake		40
Tyendinaga		30

Appendix C: Partners

Government Partners:

Akwesasne Mohawk Police Service
Alberta Gaming and Liquor Commission, Investigations and Tobacco Unit
Canada Border Services Agency □ Criminal Investigations
Canada Border Services Agency □ Intelligence
Canada Border Services Agency □ Laboratory and Scientific Services Directorate
Canada Revenue Agency
Canada Revenue Agency □ Special Enforcement Program
Cornwall Community Police Service
Department of Finance Canada
Government of British Columbia □ Ministry of Finance
Government of Newfoundland and Labrador □ Department of Finance
Government of Newfoundland and Labrador □ Department of Finance, Tax Administration Branch
Government of Saskatchewan – Finance, Investigations and Enforcement
Government of Saskatchewan – Finance, Revenue Operations Branch
Government of Saskatchewan □ Transport Compliance Branch
Health Canada □ Compliance and Enforcement Program
Health Canada □ Tobacco Control Program
Homeland Security Investigations
Kahnawake Mohawk Peacekeepers
Kingston, Frontenac and Lennox & Addington (KFL&A) Public Health □ Tobacco Enforcement
Service de police de la Ville de Québec
Manitoba Finance □ Integrated Tobacco Intelligence
Manitoba Finance □ Taxation Division
New Brunswick – Finance, Revenue and Taxation Division
Niagara Region Public Health □ Tobacco Control
Nova Scotia Department of Finance □ Compliance and Investigations
Nova Scotia Department of Finance □ Tobacco and Fuel Audit and Enforcement
Nova Scotia Public Prosecution Service □ Special Prosecution Section
Nova Scotia Tax Commission
Ontario Ministry of Finance
Ottawa Police Service
Ontario Provincial Police
Prince Edward Island Department of Finance, Energy and Municipal Affairs □ Corporate and Tax Administrative Services
Public Prosecution Service of Canada □ Federal Crown Standing Agents
Public Prosecution Service of Canada □ Regulatory and Economic Prosecutions Branch
Public Safety Canada □ Serious and Organized Crime Division
Quebec Ministry of Justice
Quebec Revenue Agency
Regional Municipality of York □ Tobacco Enforcement
Seized Property Management Directorate
Service de police de la Ville de Montréal
Service de police de Wendake
Sûreté du Québec
United States Border Patrol
United States Bureau of Alcohol, Tobacco, Firearms and Explosives

Non-Government Partners:

Canadian Cancer Society
Canadian Convenience Stores Association
Grand River Enterprises
Japan Tobacco International
Lanwest Mfg Technologies Inc.
Ontario Campaign for Action on Tobacco
Non-Smokers' Rights Association
Rothmans, Benson and Hedges
The Ontario Flue-Cured Tobacco Growers' Marketing Board

Appendix D: RCMP tobacco-related files and charges generated

RCMP division's C&E units between May 2008 and May 2011^{lxv}

Division	Total Files	Tobacco-Related Files	Files with Tobacco-Related Charges
A	283	106	22
B	836	562	26
C	6,159	1,339	315
D	139	61	7
E	600	30	5
F	434	45	7
H	436	238	80
J	553	233	85
K	458	168	17
L	160	84	14
O	3,958	2,095	633
Total	14,016	4,961	1,211

The number of tobacco-related *Excise Act, 2001* files and charges generated by PPSC Federal Crown and Federal Crown Agents before the CTES was implemented^{lxvi}

Fiscal Year	Files Generated	Charges Laid
2004-2005	238	277
2005-2006	415	679
2006-2007	457	677
2007-2008	1,041	1,157
Total	1,694	2,790

The number of tobacco-related *Excise Act, 2001* files and charges generated by PPSC Federal Crown and Federal Crown Agents after the CTES was implemented^{lxvii}

Fiscal Year	Files Generated	Charges Laid
2008-2009	1,507	1,578
2009-2010	1,412	1,477
2010-2011	1,227	1,176
Total	4,146	4,231

ⁱ “Here for Canada: Stephen Harper’s Low Tax Plan for Jobs and Economic Growth” Federal Election 2011

ⁱⁱ *Ibid.*

ⁱⁱⁱ *Ibid.*

^{iv} *Ibid.*

^v RCMP Criminal Intelligence report, November 2011

^{vi} RCMP Criminal Intelligence reports. The statistics quoted in this report are based upon information reported and available at the time it was written.

^{vii} RCMP Contraband Tobacco Enforcement Strategy Progress Report for the period May 2009-April 2010.

^{viii} *Ibid.*

^{ix} *Ibid.*

^x *Ibid.*

^{xi} RCMP’s website

^{xii} RCMP’s 2008 Contraband Tobacco Enforcement Strategy

^{xiii} National Media Analysis 2008 Contraband Tobacco Enforcement Strategy, May 1, 2008-May 31, 2011 prepared by RCMP Media Monitoring located at RCMP National Headquarters

^{xiv} Smoking and Health Action Foundation/Non-Smokers’ Rights Association, Eye on the tobacco industry, July-September 2010

^{xv} Tobaccoinfo.ca, Many smokers have returned to the Taxed cigarette market, 2010

^{xvi} Physicians for a Smoke Free Canada, Estimating the volume of contraband sales of tobacco in Canada: 2006-2010; Smoking and Health Action Foundation / Non-Smokers’ Rights Association, Backgrounder on the Canadian Tobacco Industry and Its Market (2012); Business Wire, Philip Morris International, Philip Morris International Inc. (PMI) Reports 2012 Third-Quarter Results, Narrows 2012 Reported Diluted EPS Guidance to a Range of \$5.12 to \$5.18

^{xvii} Fraser Institute report “Combatting the Contraband Tobacco Trade in Canada” published December 1, 2011 by Nachum Gabler

^{xviii} Federal Tobacco Control Strategy Criminal Intelligence Brief September-December 2011 prepared by RCMP Criminal Intelligence

^{xix} Public Safety Canada News Release, May 28th, 2010

^{xx} “Here for Canada: Stephen Harper’s Low Tax Plan for Jobs and Economic Growth”, Federal Election 2011

^{xxi} Contraband Tobacco Enforcement Strategy Progress Report, Year Three

^{xxii} RCMP CEB report dated November 2011

xxiii 36.4% of all candidates did not complete the course and 2.7% did not pass.

xxiv Statistics provided by the RCMP Learning and Development Branch for the period of May 1st, 2008 until May 31st, 2011

xxv Contraband Tobacco Enforcement Strategy Progress Report, Year Three

xxvi Contraband Tobacco Enforcement Strategy Progress Report, August 2011

xxvii Contraband Tobacco Enforcement Strategy Progress Report, Year Three, from the progress reports provided from each Division CTES Coordinator

xxviii *Ibid.*

xxix Statistics provided by Central St. Lawrence Valley Detachment

xxx Contraband Tobacco Enforcement Strategy Progress Report, Year Three

xxxi *Ibid.*

xxxii Contraband Tobacco Enforcement Strategy Progress Report for the period May 2008-May 2009

xxxiii Toronto Star article with video titled “RCMP plays cat-and-mouse with cigarette smugglers”, November 14th, 2009

xxxiv Contraband Tobacco Enforcement Strategy, August 2011

xxxv Contraband Tobacco Enforcement Strategy Progress Report, Year Three

xxxvi TVA program JE report on contraband tobacco, November 4th, 2011

xxxvii *Ibid.*

xxxviii Public Prosecution Service Canada

xxxix *Ibid.*

xl RCMP Criminals Intelligence reports

xli Health Canada Wholesale Sales Data on website at: http://www.hc-sc.gc.ca/hc-ps/tobac-tabac/research-recherche/indust/_sales-ventes/canada-eng.php

xl ii Canadian Tobacco Use Monitoring Survey (CTUMS) 2010- Health Canada website: http://www.hc-sc.gc.ca/hc-ps/tobac-tabac/research-recherche/stat/ctums-esutc_2010_graph-eng.php

xl iii RCMP Criminals Intelligence reports

xl iv Contraband Tobacco Enforcement Strategy Progress Report, Year Three

xl v RCMP Criminals Intelligence reports

xl vi *Ibid.*

^{xlvii} *Ibid.*

^{xlviii} *Ibid.*

^{xlix} The Public Accounts figures for tobacco taxes can be found through the CRA and CBSA revenue pages (page 150 and 455, respectively, in the following link: <http://www.tpsgc-pwgsc.gc.ca/recgen/pdf/50-eng.pdf>)

^l *Ibid.*

^{li} The cigarette seizure statistics come from the RCMP. The charges statistics come from Public Prosecution Services Canada. The statistics for seized vehicles, vessels and other properties come from Seized Property Management Directorate

^{lii} Contraband Tobacco Enforcement Strategy Progress Report, Year One

^{liii} Contraband Tobacco Enforcement Strategy Progress Report, Year Two

^{liv} Contraband Tobacco Enforcement Strategy Progress Report, Year Three

^{lv} RCMP PROS and BC PRIME search on files generated

^{lvi} RCMP Annual Performance Plan System (APPS) for Contraband Tobacco

^{lvii} Bilan Annuel 2010 par le Bureau intégré de coordination du renseignement en matière de contrebande

^{lviii} RCMP Criminals Intelligence reports

^{lix} *Ibid.*

^{lx} *Ibid.*

^{lxi} *Ibid.*

^{lxii} *Ibid.*

^{lxiii} *Ibid.*

^{lxiv} *Ibid.*

^{lxv} RCMP PROS and BC PRIME search on files generated

^{lxvi} Public Prosecution Services of Canada 2012-03-26. Note that Federal Crown Agents (private-sector lawyers) who conduct prosecutions on behalf of the Federal Crown, as the Public Prosecution Service of Canada (PPSC) relies on both staff counsel and Agents

^{lxvii} *Ibid.*

Catalogue no.: PS64-109/2013E-PDF
ISBN: 978-1-100-21912-7

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January 2013