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## Two tobacco companies fined \$1.1-billion for smuggling

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MONTREAL -- Canada's two major tobacco manufacturers, Imperial Tobacco Canada and Rothmans Benson & Hedges, have pleaded guilty to aiding and abetting in the smuggling of cigarettes and loose tobacco in the 1980s and 1990s and have agreed to pay fines and penalties totaling over \$1.1-billion.

"It is important to note that these represent the largest criminal fines and civil settlements in Canadian history," said National Revenue Minister Gordon O'Connor at news conference near Quebec City. "Today's announcement sends a clear message that governments right across Canada are united in their effort to enforce Canada's tobacco tax laws. It also demonstrates the government's continued commitment and ongoing effort to fight contraband tobacco in this country."

At a news conference in Ottawa on Thursday, RCMP Assistant Commissioner Mike Cabana said investigators reviewed and analyzed more than 763,000 documents over the eight-year investigation.

"(This) is a case of legitimate business exploiting circumstances and geography," said Mike Cabana of the Royal Canadian Mounted Police. "The message sent today is that no company is above the law."

Both tobacco companies admitted in court to a single charge of "aiding persons to sell and be in possession of tobacco manufactured in Canada that was not packed and was not stamped in conformity with the Excise Act and its amendments and ministerial regulations."

Imperial has agreed to pay \$200-million in fines and to plead guilty to one count of violating the Excise Act. Rothmans has agreed to pay \$100-million by Oct. 29 and also has pleaded guilty to one count of the Excise Act.

In addition, Imperial and Rothmans will each pay \$50-million to establish a new government Contraband Tobacco Enforcement Strategy. The payments are due by Dec. 15.

As a settlement of its civil liability, Imperial will pay the federal government and the 10 provinces a percentage of its annual net sales revenue over the next 15 years up to a maximum of \$350-million, said Catherine Doyle, a spokeswoman for Imperial.

"We're pretty pleased and satisfied that this case is closed," she said. "It's been ongoing for a long time and the

resolution gives us the ability to move forward."

Rothmans will pay \$200-million over the next 10 years at a rate of \$20 million per year with the first payment to be made Dec. 31, 2009. It will pay another \$200-million over 10 years with a first payment of \$50-million to be made this year.

The federal government and the provinces have claimed that Canada's major tobacco companies were directly involved in supplying cigarettes to smugglers in the late 1980s and the first half of the 1990s, defrauding the nation of billions of dollars in unpaid tobacco taxes.

"The tobacco crisis of the early 1990s is well known in Canada, and we are pleased today to close this chapter of our history," Mr. O'Connor said. "Governments acknowledge that by settling today, we have ensured the co-operation of these companies to fight the availability of contraband tobacco for many years to come."

Imperial Tobacco Canada Chief Executive Benjamin Kemball said the firm was pleased to have resolved the case.

"Today's events give our business the stability it needs to move forward to address, with clarity and focus, the issues, opportunities and challenges it faces today and will face in the future," he said in a statement.

Police said that while smuggling continues it has changed.

"(These cases) do not reflect the present day tobacco smuggling environment in this country, which is dominated by foreign manufacturers smuggling their illicit products into Canada, largely under the control of organized criminal groups," Cabana told reporters.

Meanwhile, Toronto-based Rothmans Inc. has agreed to be taken over by Philip Morris International Inc. in a friendly deal valued at \$2-billion.