

**Fourth Session – Forty-First Legislature**  
**of the**  
**Legislative Assembly of Manitoba**  
**Standing Committee**  
**on**  
**Social and Economic Development**

*Chairperson*  
*Mr. Dennis Smook*  
*Constituency of La Verendrye*

**Vol. LXXII No. 2 - 6 p.m., Thursday, May 23, 2019**

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Forty-First Legislature**

<b>Member</b>	<b>Constituency</b>	<b>Political Affiliation</b>
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SCHULER, Ron, Hon.	St. Paul	PC
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SMITH, Bernadette	Point Douglas	NDP
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**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON SOCIAL AND ECONOMIC DEVELOPMENT**

**Thursday, May 23, 2019**

**TIME – 6 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Dennis Smook  
(La Verendrye)**

**VICE-CHAIRPERSON – Mr. Doyle Piwniuk  
(Arthur-Virden)**

**ATTENDANCE – 11 QUORUM – 6**

*Members of the Committee present:*

*Hon. Messrs. Fielding, Schuler, Wharton*

*Messrs. Lamont, Marcelino, Piwniuk, Reyes,  
Smith, Mrs. Smith, Messrs. Smook, Swan.*

**PUBLIC PRESENTERS:**

*Ms. Sarah Hawkins, Canadian Cancer Society*

**MATTERS UNDER CONSIDERATION:**

*Bill 31–The Tobacco Tax Amendment Act*

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**Mr. Chairperson:** Good evening. Will the Standing Committee on Social and Economic Development please come to order.

Before the committee can proceed with business—with the business before it, it must elect a new Vice-Chairperson.

Are there any nominations?

**Mr. Andrew Smith (Southdale):** I nominate Mr. Piwniuk.

**Mr. Chairperson:** Mr. Piwniuk has been nominated.

Are there any other nominations?

Hearing no other nominations, Mr. Piwniuk is elected Vice-Chairperson.

This meeting has been called to consider Bill 31, The Tobacco Tax Amendment Act.

We have one presenter registered to speak tonight, as noted in the list of presenters before you.

Before we proceed with presentations, we do have a number of other items and points of information to consider. First of all, if there is anyone else in the audience who would like to make

a presentation this evening, please register with the staff at the entrance to the room—entrance of the room. Also, for the information of all presenters, while written versions of presentations are not required, if you are going to accompany your presentation with written materials, we ask that you provide 20 copies. If you need help with photocopying, please speak with our staff.

As well, in attendance with—in accordance with our rules, a time limit of 10 minutes has been allotted for presentations, with another five minutes allowed for questions from committee members. If a presenter is not in attendance when their name is called, they will be dropped to the bottom of the list. If the presenter is not in attendance when their name is called a second time, they will be removed from the presenters' list.

Prior to proceeding with public presentations, I would like to advise members of the public regarding the process for speaking in committee. The proceedings of our meetings are recorded in order to provide a verbatim transcript. Each time someone wishes to speak, whether it be an MLA or a presenter, I first have to say the person's name. This is the signal for Hansard—for the Hansard recorder to turn the mics on and off.

**Bill 31–The Tobacco Tax Amendment Act**

**Mr. Chairperson:** Thank you for your patience. We will now proceed with public presentations.

I will now call on Sarah Hawkins, Canadian Cancer Society.

Ms. Hawkins, do you have any written material for the—

**Ms. Sarah Hawkins (Canadian Cancer Society):** I do. It's being handed out as we speak.

**Mr. Chairperson:** Okay. Please proceed with your presentation, Ms. Hawkins.

**Ms. Hawkins:** Thank you very much.

As you mentioned, my name is Sarah Hawkins. I'm sure we've met most of you, I think, a couple of times. You've probably heard me speak. I am a health policy analyst with the Canadian Cancer

Society—very, very grateful to have the opportunity to chat today.

The Canadian Cancer Society supports Bill 31, and we've been a strong advocate for it given that tobacco use is directly responsible for nearly 30 per cent of all cancer deaths in Manitoba.

We want to thank all our elected representatives this evening for championing and supporting this bill to bring it to where it is here today, and we ask for all party support to move it forward.

It is vitally important that we do not backslide on tobacco reduction by making tobacco products more affordable. Tobacco affordability has a powerful impact on smoking rates, especially for youth, and while we have made progress on our youth smoking rates over the years, it is still a very concerning issue.

Our smoking rates for youth and young adults is consistently higher than the Canadian average, and in some cases alarmingly so. For example, Manitoba students in grades 10 through 12 recently reported smoking within the past 30 days, at a rate 56 per cent higher than the national average. We have too many youth smoking. And we have too many Manitobans dying from tobacco use every year, so we are very grateful for your willingness to prioritize this bill and ensure it passes without delay.

I'm not going to belabour the issue, but since we are here discussing the topic of tobacco taxation, I want to touch briefly on two additional reasons why I think that you should pass this bill and why I think that you should be open to more tax measures and related fees in the near future. And these two reasons are: industry hypocrisy, when it comes to preventing contraband; and the growing problem of tobacco and the budget.

Now, the industry doesn't like tax increases and fights them often to the point—to point out concerns about high prices pushing users into the illicit tobacco market. And it is true; this can happen, and we need to have strong anti-contraband measures in place to help prevent it. But, over the past six years or so, while the industry has been lobbying hard against tax increases and complaining about contraband, they have also been simultaneously increasing their prices at a rate that might surprise you.

Since 2013, the average wholesale unit price for cigarettes charged by the industry has almost doubled. And their pricing is increasing at a faster rate than the federal excess tax rate.

With the increases over the last few years, we've calculated that throughout Canada, they're now generating about \$2 billion more per year; and the chart that you have in front of you kind of details some of those numbers. Their behaviour would indicate that if we don't adjust tax rates to meet inflation, they are more than happy to make up the difference and then some, to add to their profits.

So, in light of these facts, I want to ask you, is this the behaviour of an industry that is genuinely concerned about losing market share to tobacco from the contraband market? Keeping tobacco taxes low is not an effective strategy to fight contraband tobacco if the tobacco industry plans on increasing prices the way that they have. If this government really wants to fight contraband, we recommend ensuring you get your fair share of tobacco sales revenue, so that you have the funding and resources to empower your great contraband enforcement staff.

And that brings me to my second point, which is regarding tobacco and the budget. As health stakeholders, we advocate for tobacco tax increases for their value to reduce tobacco consumption. But we also acknowledge that they are also really important tools to generate revenue to cover the costs of tobacco use. This past year, tobacco tax revenue was just over \$228 million—a reduction from the past year—and in fact, across the country, tobacco tax revenue was down about 6 per cent. And now the most recent study on tobacco health costs pegs direct health-care costs alone at close to \$240 million annually in Manitoba. Now, that data is already a little bit dated and we expect, if anything, those costs have increased, but, even at that rate, you're already looking at about a \$12-million—sorry—12—yes, \$12-million deficit.

You have an aging baby-boomer generation with a history of higher tobacco use, driving health-care costs up. And you have a lower tobacco-use rate today, driving tobacco tax revenue down. And for the foreseeable future, there's not really a lot that you can do about those trends. You could never raise tobacco taxes enough to overcome this widening gap and we wouldn't recommend that you do so. But you could and you should, at least, be willing to index the tobacco tax rate to inflation. This would be prudent to maintain a solid revenue base and to continue to discourage tobacco use.

And, as you deal with the tightening fiscal reality that tobacco use has caused, we implore you: please do not neglect to continue to invest in tobacco

reduction. Manitobans need continued support when quitting and we need to do a better job at engaging youth to prevent tobacco uptake. And we feel that it's high time for the government to start looking at other revenue sources to begin to cover the costs associated with tobacco reduction.

And for that, we point our fingers directly at the tobacco industry itself, because for an industry that provides little added benefit to society, they provide—they profit enormously off of a whole lot of hurt and we cut them a lot of slack. Somehow, they have managed to evade many of the fees common in similar industries like liquor and cannabis. This needs to end because it's time for them to start contributing in earnest to cleaning up the damage that their product causes. The Canadian Cancer Society and our partners are calling for a social responsibility fee on tobacco manufacturers selling products in Manitoba to cover the costs of tobacco-reduction programming and to boost contraband enforcement.

There is so much more work that needs to be done in tobacco control in this province and Bill 31 is one step in the right direction. Or, at the very least, it ensures we aren't moving in the wrong direction. And we are very, very grateful for this bill and for what it says about this government and its ability to take tobacco reduction seriously. We hope you will support the passing of this bill, and again, we are very, very grateful for this bill, and for what it says about this government and its ability to take tobacco reduction seriously.

\* (18:10)

We hope you will support the passing of this bill and again, we are very grateful for the opportunity to speak this evening, and look forward to working with you further on this issue in moving forward.

**Mr. Chairperson:** We thank you for your presentation, Ms. Hawkins.

Questions from members of the committee?

**Hon. Scott Fielding (Minister of Finance):** Sure. Sarah, well—Sarah, first of all, thank you for coming out and making your presentation, and your passion for this.

We had a chance to meet—I guess it was very late in our budget process, before the budget was dropped. I think it might have been a week prior to it. And so we thought it was important to take all the message that you had and, you know, as a

government, we pride ourselves on listening. When there's a good idea, then, you know, we think we should listen, and the facts you brought to the table, we thought, made a lot of sense. And we know when the federal GST was lowered, both times, they had a similar approach.

So I just want to thank you for your presentation and, you know, thank you for your ideas. And we're glad we're able to interact it and it looks like there'll be support from all the parties, which is a very good sign when parties can work together to get important legislation done.

So I just want to thank you for coming and sharing your thoughts and your passion about this subject.

**Ms. Hawkins:** Thank you for that.

**Mr. Andrew Swan (Minto):** Ms. Hawkins, thank you for coming and presenting tonight, and thanks to the Canadian Cancer Society and also your partners, Heart and Stroke, MANTRA and the Lung Association, for your advocacy, not just now but in the past well.

On behalf of our previous NDP government, in particular, the ministers of Health and Healthy Living, we thank your organization and others for having a very strong, consistent position. I'm glad we're able to work together.

I did take the liberty of reading some of your email in for the record the other day, detailing some of the statistics of some of the progress we're able to make, and what was really striking is when you said that in eight years, the number of Manitobans smoking decreased by about 31,000. So we do thank you for that.

We're glad you've persisted. The letter was well done, and I'm glad that this government is listening to you, and didn't—is now listening to what the opposition parties said pretty much the moment we read your letter.

Your letter suggests that the government should raise about \$5.5 million from this adjustment. The government thinks it's less: maybe around \$3 million.

Whatever that number should be, do you have any ideas, with the Minister of Finance sitting here, of what you think government should do with that amount of money, whether it's \$3 million or \$5 and a half million?

**Ms. Hawkins:** Definitely. I know that there was reference to the idea that they do want to invest it in health care, which is great. There is a need to invest it directly into tobacco reduction to provide better cessation resources, to continue to fund cessation and to continue to fund education for youth, particularly very important.

The strides that we made in tobacco in years past came a lot easier than they are going to in the future. The people that are currently still addicted tobacco products, they face multiple roadblocks towards better health, and if we want to make sure that we are taking care of all Manitobans, we need to put that extra effort in to make sure that we are able to reach them and give them support that they need.

**Mr. Dougald Lamont (Leader of the Second Opposition):** I just—when we met before—and thank you for bringing this issue to our attention—but when we met with you and the Lung Association and others, one of the things you talked about was that there are other addictive substances, that there other nicotine—that perhaps taxes or a fee should be applied to other nicotine products, not just tobacco.

Can you just talk about that for a moment or explain that?

**Ms. Hawkins:** Other products—I mean, we did talk a little bit about vape products. I'm sure that's what you're thinking about, and, yes, we definitely have that on our radar. Where we've talked a little bit about the potential for taxation on vaping products, I don't know if that's going to come into our formal requests immediately.

I do know that there's a new Canadian study coming out in the next two weeks or so, and it's going to be published, and the results, once we are allowed to speak to them, we will be speaking to them and you'll hear about it more.

**Mr. Chairperson:** Are there any other members who have questions for Ms. Hawkins?

If not, we thank you very much for your presentation, Ms. Hawkins.

That concludes the list of presenters I have before me. Are there any other persons in attendance who wish to make a presentation?

Seeing none, that concludes public presentations.

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**Mr. Chairperson:** During the consideration of a bill, the preamble, the enacting clause and the title

are postponed until all other clauses have been considered in their proper order.

We will now proceed with clause by clause of Bill 31.

Does the minister responsible for Bill 31 have an opening statement?

**Mr. Fielding:** I've got a very brief opening statement. I just want to again thank Sarah for your presentation and the groups that were here.

This legislation will really ensure that the total retail price of tobacco will remain at the same level once the provincial sales tax is decreased to 7 per cent on July 1st. As a result of the PST reduction, we are making this amendment to maintain the current selling price of tobacco, and any additional revenues associated with adjustment will be directed towards investments in health care as previously indicated.

The proposed changes mean the tax on each cigarette would be 30 cents, up from 29.5, and fine-cut tobacco would be 45.5 cents per gram, up from 45 cents, and raw-leaf tobacco products would be 27.5 cents per gram, up from 27 cents.

So we are pleased to follow through with the advice that was brought forward over the last number of weeks. The proposed amendments to The Tobacco Tax Act will come into effect, as mentioned, July 1st if the bill receives royal assent, which we're hoping will happen before the date that we're supposed to rise on June 3rd or November 15th, of course, if royal assent on this happens after July 1st.

So, once again, very much appreciate the presenters, and we think it's good public policy and we're encouraged to work with the opposition to ensure this happens in a timely fashion.

**Mr. Chairperson:** We thank the minister for his statement.

Does the critic from the official opposition have an opening statement?

**Mr. Swan:** Right, well, I'm—take away any question; our NDP opposition caucus supports this bill, and we're certainly agreeable with it receiving royal assent before the House rises at the start of June to make sure that it's in effect for July 1st.

I do want to thank the consortium of organizations that raised this issue: the Canadian Cancer Society; MANTRA, which is the Manitoba Tobacco Reduction Alliance, Inc.; the Lung Association and

Heart and Stroke which, as I said in my question to Ms. Hawkins, have a long and impressive history of being very strong advocates and being very, very effective at, first of all, raising issues with Manitobans in general, but also having the ear of government.

The Minister of Finance (Mr. Fielding) has put on the record that they met with him before the budget came down. Let me just say that I'm very glad that these organizations chose to write to all members of this Legislature because, if that hadn't happened, I don't think that this bill would be where it is now.

When I raised the question in question period after we had had a day or two to consider the very strong letter, unfortunately the government's response was the usual negativity in refusing to allow that there could be other good ideas out there.

I'm particularly pleased that Ms. Hawkins' comments have really proven false the Premier's (Mr. Pallister) unfortunate comments on that day when he believed that somehow higher taxes on cigarettes would lead to increased smoking, and put on the record that, in his view, smoking had increased in recent years. In fact, youth smoking decreased, and not only by a significant 35 per cent, but faster than the average throughout the country. That was, in part, due to the excellent advocacy of these organizations.

That being said, I'm pleased that the Minister of Finance was perhaps able to do something historic and convince the Premier of the error of his ways, and I'm pleased the Minister of Finance was able to introduce this bill in the Legislature, and certainly we are agreeable to having it pass.

We will continue to press the government to make sure that they are investing in ways to stop Manitobans from beginning smoking, helping them to stop smoking and, for those who unfortunately do not get the message, will be pressing to make sure there continue to be adequate resources for people who do suffer the health impacts that we know smoking can cause.

So, for all those reasons, we are happy to see this bill go ahead when it returns for third reading. I may speak to it for a few minutes. We may have a few other members who want to speak for a few minutes,

but it is our goal to move it on, and I guess what these organizations need to know is that when they want to press this government, to make sure you let all members of the Legislature know and that, together, we can make sure that the right things happen.

Thank you.

**Mr. Chairperson:** We thank the member for his statement.

Does the critic from the second opposition party have an opening statement?

**Mr. Lamont:** Just to say we also support this amendment, and I do want to thank the cancer society and everybody else who led the charge on making this happen.

\* (18:20)

I am a former smoker. I still remember the day I quit: August 5th, 1997. And at the time, I remember writing an indignant letter to the then-minister of—I believe was the minister—federal Minister of Health, Allan Rock, because it cost much, much more for Nicorettes than it did for cigarettes.

So I do hope that the government will consider prevention programs in order to prevent people from ever starting smoking, but also do what we can to see—to make it easier and provide—and make it economical for people to quit smoking, because it really is an insidious habit that is very difficult to break.

But the Liberal caucus is more than happy to support this, and thank you again to Ms. Hawkins for presenting.

**Mr. Chairperson:** We thank the member for his statement. We shall now move on to clause by clause.

Clause 1—pass; clause 2—pass; clause 3—pass; enacting clause—pass; title—pass. Bill be reported.

The hour being 6:22, what is the will of the committee?

**Some Honourable Members:** Committee rise.

**Mr. Chairperson:** Committee rise.

**COMMITTEE ROSE AT:** 6:22 p.m.

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