

*Routine Proceedings**[Translation]*

We have taken steps today to immediately lower the federal excise tax by \$5 a carton. We have also informed the provinces that we will match dollar for dollar any reduction they make above \$5. The total federal reduction will not exceed \$10 per carton.

The provinces will be able to choose their own rate of participation. Of course, the largest reduction in taxes will occur in provinces where the problem is most severe.

The cost to the federal government is significant. Smuggling has steadily eroded federal revenues each year for the last three years. The best estimate of the Department of Finance is that today's tax cuts will reduce revenues in fiscal year 1994-95 by approximately \$300 million.

But this action, combined with the enforcement measures planned, will stop this tax revenue erosion and stabilize the contribution which tobacco taxation makes to the federal treasury, and eventually to restore an effective taxation level to help discourage smoking. In the short term we will no doubt lose revenue.

• (1020)

[English]

The cost of inaction will be much higher. Federal and provincial governments will continue to lose huge and growing amounts of revenue. We will have lost more than the money I indicated we are losing anyway and, of course, organized crime will flourish.

We do not want tobacco manufacturers to receive any benefit from the difficult decision we have made today. The fact is that the Canadian manufacturers have benefited directly from this illegal trade. They have known perfectly well that their tobacco exports to the United States have been re-entering Canada illegally. I believe they have not acted responsibly.

It is going to end now with taxation and regulatory measures. The government is imposing immediately an export tax of \$8 per carton on Canadian tobacco exports. This export tax reflects the fact that 80 per cent of cigarettes being sold on the black market are Canadian cigarettes that were manufactured for export. The new export tax will work to reduce the profitability of tobacco smuggling.

We are imposing, effective immediately, a substantial increase in corporate taxes on Canadian tobacco manufacturers. We are imposing a three-year health promotion surtax on tobacco manufacturing profits. The surtax will increase the federal tax rate on manufacturing and processing tobacco products from 21 per cent to 30 per cent. Companies will pay 40 per cent more federal tax on manufacturing profits than they have in the past and the federal government will receive up to \$200 million in extra revenue over the three years.

[Translation]

The money generated by this surtax will fund the largest anti-smoking campaign this country has ever seen.

The government will also require manufacturers to clearly mark their cigarettes to distinguish those for domestic use from those for export use. This will greatly help our enforcement efforts because smuggled cigarettes will be easily recognizable.

It is quite simple: if people smoke legal cigarettes in Canada, every one around them will be able to tell they are smoking legal cigarettes. I think that, once the distinction between legal and illegal cigarettes has become obvious, many people will prefer to be seen smoking legal cigarettes rather than illegal ones, and smuggling will decrease accordingly.

Through legislation, regulation and education, the government will take action to discourage Canadians, especially children, from taking up smoking or continuing to use tobacco products.

For years the government's policy of forcing up the price of tobacco through taxes resulted—it did—in a steady decline in the number of Canadians who smoke. It was particularly effective at keeping young people from starting.

But the fact is that today cheap, contraband cigarettes are readily available to Canadians everywhere. Under such circumstances, controls on the distribution, sale and consumption of cigarettes are useless.

• (1025)

The government recognizes that lower taxes and therefore lower prices for legally purchased cigarettes may prompt some people, particularly young Canadians, to smoke more.

[English]

That is why the government will take strong action to discourage smoking, including legislated and regulatory changes to ban the manufacture of kiddie packs targeted at young buyers, raise the legal age for purchasing cigarettes, increase fines for the sale of cigarettes to minors, drastically restrict the locations for vending machines, and make health warnings on tobacco packaging more effective.

We will also examine the feasibility of requiring plain packaging of cigarettes and will also ask the House of Commons Standing Committee on Health to make recommendations in this area.

[Translation]

We are also launching immediately a comprehensive public education campaign including a national media campaign to make young people aware of the harmful effects of smoking; new efforts to reach families, new parents and others who serve as role models for children; support of school education programs; increased efforts to reach young women who are starting