

Tobacco companies shell out

\$1.15 billion in criminal and civil penalties for smuggling smokes across the border in the '90s

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The Canadian Press

OTTAWA — Two of Canada's biggest tobacco companies will pay a whopping \$1.15 billion in criminal and civil penalties after pleading guilty to charges related to cross-border smuggling of cigarettes in the early 1990s.

Under separate court settlements in Montreal and Toronto yesterday, Imperial Tobacco Canada Ltd. was fined \$200 million and Rothmans Benson & Hedges \$100 million as part of the criminal charges. The companies will shell out another \$815 million in civil damages to the federal and provincial governments during the next 15 years.

In total, Ottawa will receive \$575 million, with the provinces getting the rest of the \$1.15 billion.

The companies pleaded guilty to "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," the RCMP said.

Revenue Minister Gordon O'Connor hailed the settlement, while the RCMP said the fines are the largest ever levied in Canada.

"Today's announcement sends a clear message that governments right across Canada are united in their efforts to enforce Canada's tobacco tax laws ... and fight contraband tobacco in this country," O'Connor said.

"Together the civil and criminal payments effectively ensure that no monetary benefit was realized as a result of these activities."

Garfield Mahood of the

Non-Smokers Rights Association said while he welcomed the fines, "justice escapes us" because none of the executives who presided over the operation went to jail.

"There's no winners in this because the industry has addicted a whole bunch of young people who then became lifetime annuitants for these companies."

The companies, he added, will profit for years.

"Over time the companies will financially benefit. And literally thousands of people will die in the future as a result of this crime."

Almost immediately following the announcement, Rothmans announced it will be acquired by Philip Morris International Inc. for \$2 billion, or \$30 per share in cash.

Both companies said they

were pleased to be able to turn the page on the matter.

"We are pleased to have resolved this issue," said Imperial Tobacco president Benjamin Kemball.

In a statement, RCMP assistant commissioner Mike Cabana said the guilty pleas bring to an end more than eight years of investigation by the force and the excise sections in both Ontario and Quebec.

The charges involved the shipment of contraband tobacco in Canada to locations in the U.S. and near the Canada-U.S. border between 1989 and 1994.

From there, the tobacco was distributed to smugglers or black-market distributors who brought it back into Canada for further illegal distribution.

