

ONTARIO CONVENIENCE STORES ASSOCIATION: TOBACCO RELATED CRIME STUDY

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1. EXECUTIVE SUMMARY

The Inkster Group was engaged by the Ontario Convenience Stores Association (“OCSA”) in July 2004 to collaborate on a study, with DAMOS Inc., of the increased incidence of robberies and break-ins at convenience stores, which appear to be tobacco related (tobacco/crime study). A statistical analysis of crime in convenience stores and convenience bars in Ontario was conducted by DAMOS to assess its extent and variability during the last three years.

The role of the Inkster Group was to obtain crime statistics from various regional, municipal and provincial police services in Ontario. Furthermore, we were asked to interview law enforcement contacts regarding tobacco related crime in Ontario. Additionally, the Inkster Group was asked to compile a formal report of our findings, and incorporate those made by DAMOS.

Our findings can be summarized as follows:

- An analysis of the crime data provided by members of the OCSA revealed that the incidence of robberies and break and enters at chain convenience stores and convenience gas bars in Ontario increased by 27.7% since 2001-2002;
- Convenience stores have experienced a significant increase of 127% in break and enter incidents, while convenience gas bars have seen a significant increase of 28.7% in the incidence of robberies since 2001-2002;
- Law enforcement officials commonly believe that cigarettes are attractive to criminals due to their price, the existence of illicit markets, and the ease of disposal;
- Police officers have observed a rise in the number of robberies and break and enters at convenience stores and convenience gas bars. They believe cigarettes are amongst the top reasons why criminals target these types of establishments;
- While not confirmed empirically, it appears that there is a relationship between high cigarette prices and the incidence of criminal activity at convenience stores. This contention is supported by informed police officials;
- Police officials have expressed an interest in participating in a forum focusing on the safety and security concerns of the OCSA members. They recommend that OCSA members, tobacco industry and tobacco control representatives, as well as government officials, participate in this forum; and

- It is recommended that OCSA set up a centralized crime-reporting centre for their members, to provide systematic, consistent and comprehensive mechanisms for the collection of data.

2. INTRODUCTION

2.1 BACKGROUND INFORMATION

The Ontario Convenience Stores Association represents the economic interest of over 6000 convenience stores in the province. Its membership includes all major gas/oil companies, convenience chains and the Ontario Korean Businessmen. The OCSA represents the \$6 billion convenience store industry. It advances the public policy interests of the convenience stores, communicates these policy views to its members, the government and the public at large, and it represents the interests of the retailers, suppliers and manufacturers in the industry.

Convenience stores are located in every community in Ontario and provide service to 1.2 million customers daily. They are in operation seven days a week and are open a minimum of 15 hours a day. The convenience stores employ over 50,000 people at the store level, many of who are newly arrived immigrants or young Canadians new to the labour market.

Convenience stores are the largest seller of lottery tickets in the province of Ontario. Lottery sales are a major sales draw and have become one of their top sales categories. Tobacco sales are also a mainstay of the convenience store industry.

In light of the increased media reports of break and enters and robberies at convenience stores, and a growing concern for the safety and security of its members and customers, the OCSA engaged the services of Inkster Group to collaborate with DAMOS in a tobacco related crime study. The objective of the study was to determine if there is a correlation between increased tobacco prices and certain criminal activity, such as robberies and break and enters, at convenience stores and/or convenience gas bars. This document is a compilation of the statistical analysis of crime data related to OCSA members conducted by DAMOS and our findings. The complete DAMOS report, which is the source for all the statistical analyses contained is in this document, may be found in Appendix 1.

3. SCOPE OF REVIEW

The conclusions presented in this report are based on statistical analyses, anecdotal information gathered from law enforcement officers, and public reports. Where the statistical data provided by police sources is incomplete, we have so noted.

Tobacco related criminal activities include contraband, smuggling, counterfeiting, theft, break and enter, and robbery. The focus of this study is on the latter two offences, namely break and enter and robbery. Furthermore, only those that occurred at convenience stores or convenience gas bar venues were included in the statistical analyses conducted by DAMOS.

During the course of our enquiries we interviewed or consulted the following individuals:

Detective Sergeant J. Beavin	Major Crime Unit, Toronto Police Service (TPS)
Constable G. Cobey	Intelligence Coordinator, RCMP, Customs & Excise Unit (C&E)
Detective Inspector J. Francois	RCMP, C&E
Constable C. Kucharsky	RCMP, 'O' Division HQ
Intelligence Analyst	Criminal Intelligence Service Ontario (CISO)
Detective J. Zammit	Crime Stoppers, TPS

4. COLLECTION AND ANALYSIS OF INFORMATION

4.1 STATISTICAL DATA - OCSA

DAMOS obtained crime information from thirteen OCSA members. Of these, six chains had information from the period of June 2001 to July 2004, and were included in further analyses. These six chains represent a total of 1620 outlets, comprising convenience stores (CS, 46%) and convenience/gas bars (GB, 53%). Only the information from Ontario was included for analysis and led to the findings presented in this report.

For the purposes of analysis, DAMOS grouped the information according to the following time periods: June 2001 to May 2002, June 2002 to May 2003, and June 2003 to May 2004, inclusive. This was performed in order to assess any changes in crime incidence between 2001-2002 and 2003-2004. Due to incomplete information on theft, the analysis concentrated on the incidence of robbery and break and enter (B&E) crime events.

DAMOS made the following assumptions during the analysis of the data:

- All reported events were counted, even if they were only reported as attempted crimes;
- The number of stores in the chains were deemed constant during the period of the study;
- The reporting practices of the chains included in the analysis were presumed to be similar. Although this assumption is difficult to verify, only limited information was included in the analysis: the number of events, the total financial loss, and the indication of whether or not tobacco was involved; and
- One of the largest chains reported aggregated information for part of the time period of the study, and detailed information for another time period. In this case, an estimate of the variability was made and then used to assess the statistical significance of the changes associated with the losses.

4.2 STATISTICAL DATA – POLICE

Crime statistics were obtained from eight police services in Ontario, for the time period of January 2001 to December 2003. Unfortunately, there is minimal consistency in the collection of crime statistics between the various police services. For example, Toronto Police Service and Peel Regional Police report B&E crimes at business premises; Hamilton segregates them further for those at variety stores and gas stations; but York Regional Police does not break them down at all. Furthermore, as the statistics are compiled by calendar year, only

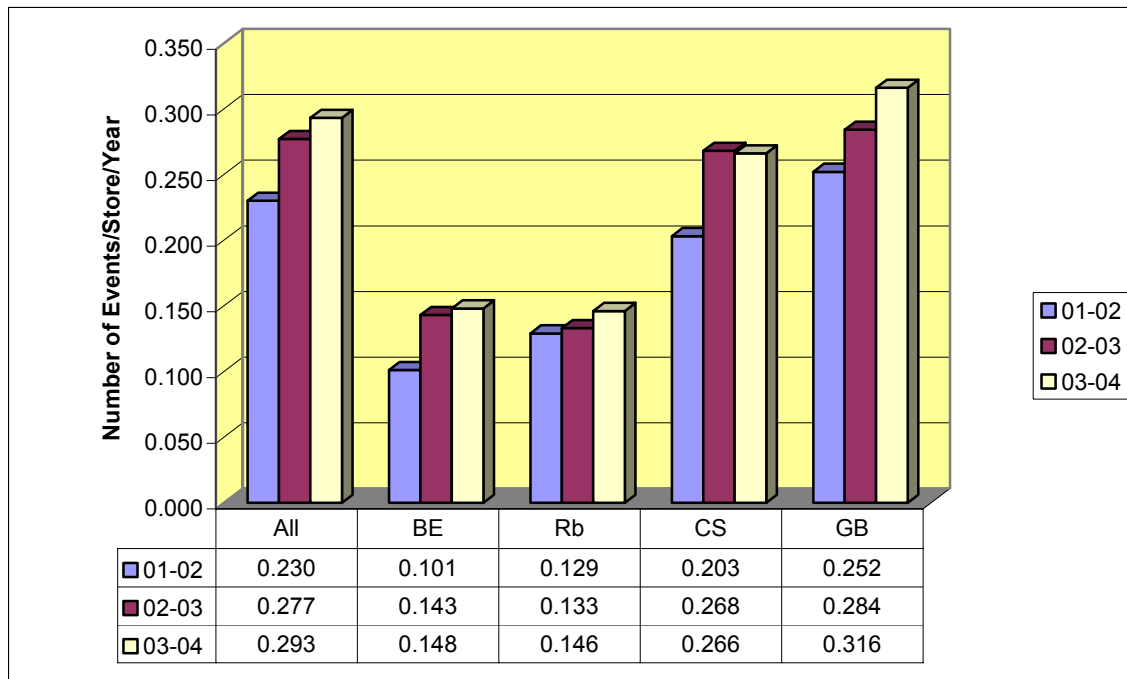
Durham Regional Police was able to provide statistics for 2004. The statistics for B&E and robbery crimes may be found in Appendix 2.

5. FINDINGS

5.1 INCIDENCE OF EVENTS

Figure 1 illustrates the overall incidence of crime and provides a break down of B&Es and robberies (R) at convenience stores (CS) and convenience gas bars (GB).

Figure 1. Incidence of Crime Events

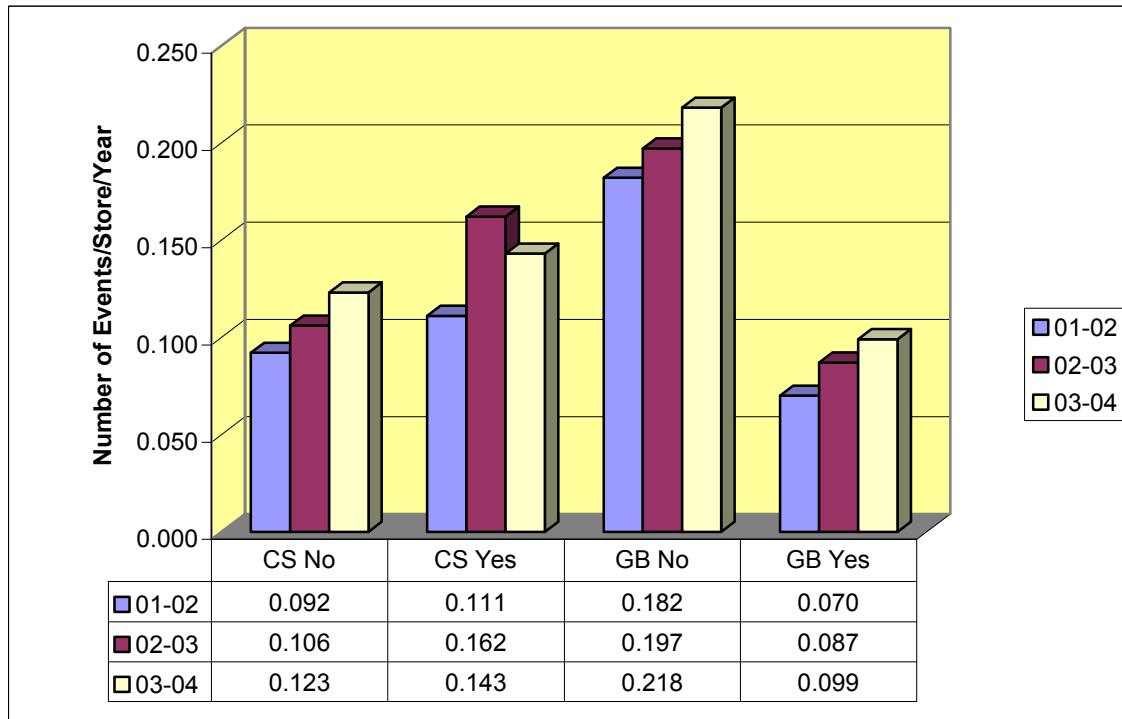


As a result of their analysis, DAMOS was able to conclude there was a significant increase of 27.7% in the overall incidence of crime at convenience stores and convenience gas bars, from the period June 2001 to May 2002.

They found an overall incident increase of 30.9% at convenience stores, and 25.5% in convenience gas bars. However, the current incidence of crime is higher in convenience gas bars (approximately one in three convenience gas bars experienced a robbery or a B&E event in 2003-2004), than in convenience stores (approximately one in four convenience stores experienced a crime event in the same time period).

Figure 2 illustrates the incidence of crime events when cigarettes were involved. In convenience stores, approximately 53% of the events reported in 2003-2004 involved cigarettes, versus 31% in convenience gas bars.

Figure 2. Incidence of Crime Events by Store Type and Cigarette Involvement



With the exception of Hamilton Regional Police, the police services statistics do not differentiate between the types of establishment. For example, a business dwelling could be a retail shop, a warehouse, or a corporate business. In addition, the police services generally do not capture tobacco related information in their statistics. Due to the differing methods utilized by the police for capturing and compiling crime statistics, they could not be included for analysis in this study. Personal knowledge from informed police officials was obtained through interviews and is included in section 5.4 below.

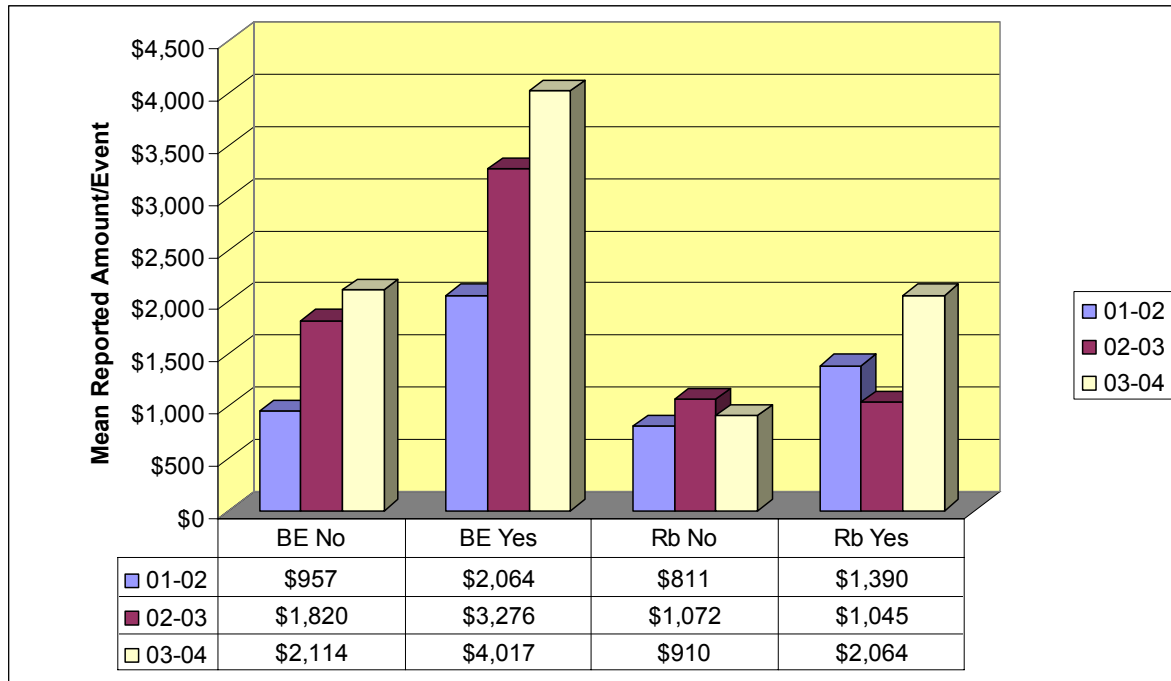
5.2 AVERAGE LOSS PER EVENT

The average financial loss reported by convenience stores and convenience gas bars was analyzed and tabulated in various ways. The main findings were as follows:

- There was a significant increase of 80.9% in the overall average reported loss from the period of 2001- 2002 to 2003-2003;

- During the period mentioned above, the losses at convenience stores increased by 96.6%, and by 66.4% at convenience gas bars;
- The average loss due to B&Es increased by 164% at convenience stores, and by 64.7% at convenience gas bars;
- The average loss due to robberies increased by 73.2% at convenience gas bars, and by 2.3% at convenience stores; and
- The average loss incurred was greater when cigarettes were a target (\$3,207 ± \$8,831) than when they were not (\$1,448 ± \$4,590), as shown in Figure 3.

Figure 3. Average Loss per Event by Crime Type and Cigarette Involvement



5.3 TOTAL LOSS

The following are the findings of the analysis of the total reported financial losses from the 1620 outlets included in the study:

- For the period of 2001-2003, there was an overall increase of 131% in the total reported losses. There was a 157% increase of reported losses at convenience stores, and a 109% increase at convenience gas bars;

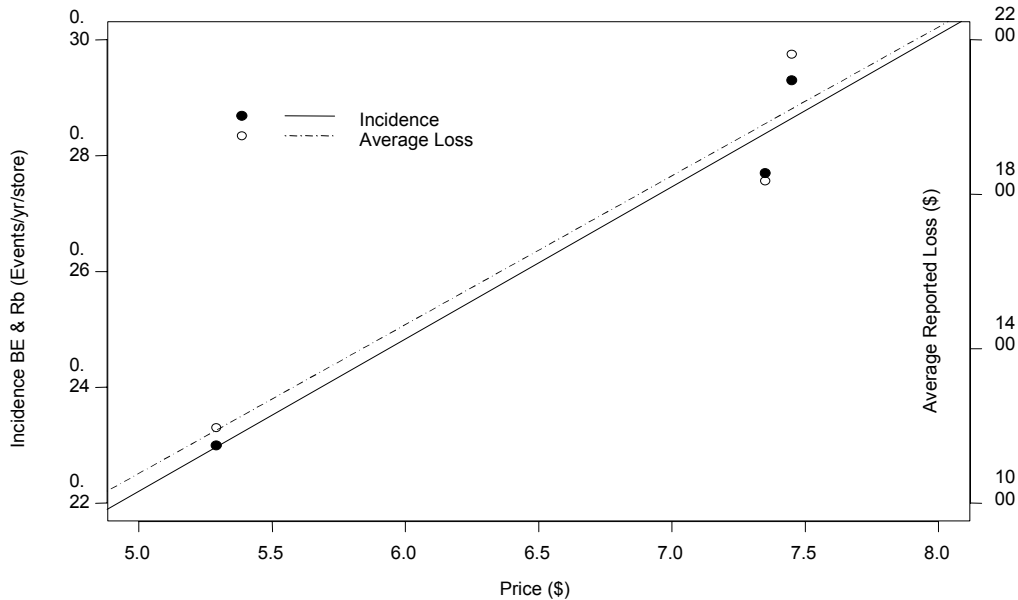
- There was an overall increase of 211% due to B&E events. However, the increase at convenience stores was 500%, and 103% at convenience gas bars;
- An overall increase of 43.9% in total losses due to robbery events; and
- When cigarettes were a target, the overall total loss increased by 152%, compared to the 105% increase when they were not.

5.4 ASSOCIATION BETWEEN CRIME AND CIGARETTE PRICES

The OCSA wished to ascertain whether or not there was a correlation between the incidences of tobacco related criminal activity observed in the last few years and the price of cigarettes. One simple observation indicates that cigarette prices have increased in Ontario since 2001-2002 and during this period there has been a significant increase in the incidence and reported losses of crime in CS and GB, as shown in the previous sections.

Figure 4 illustrates the relation between cigarette prices and the incidence and reported losses associated with the B&E and robberies during the three years of available data. As can be seen, higher level of crime is associated with higher cigarette prices (the correlation between the price of cigarettes and the incidence of B&E and robberies is 99.1% and the correlation between the price of cigarettes and the average reported losses is 97.4%). This would suggest a possible relationship between cigarette prices and the level of tobacco related crime in convenience stores. However, more than three years of data, and data during periods of no price increases, would be required to prove this statement.

Figure 4. Crime Incidence and Reported Loss vs. Cigarette Price



Since 2001, federal and provincial cigarette taxes have increased significantly. For example, from June 30, 2001 to June 30, 2004, the average tax on a package of cigarettes (25 per package) increased from \$3.51 to \$5.84, a rise of more than 60 percent. In Ontario, over the same period, provincial tobacco taxes grew by more than 325 percent. While it cannot be stated conclusively, this information and anecdotal evidence we have been able to gather indicate the increase in tobacco related crime appears to correspond with the increase in tobacco taxation.

5.5 INFORMATION FROM INTERVIEWS

Officers from various police services and law enforcement agencies were interviewed to obtain information on tobacco related criminal activities, based on their personal knowledge. The following observations were provided during the interviews:

- There has been an increase of robberies and B&Es related to cigarettes, especially in the last year;
- The frequency is such that the police have been able to accrue an extensive collection of recent videos, illustrating the modus operandi of the perpetrators;

- The perpetrators are well organized, often comprising groups of 3-5 individuals, in possession of large garbage bags or similar containers, who load up on cigarettes and then walk away;
- Cigarettes are attractive to criminals because of their price—they are very expensive, and people are willing to buy them on the black market;
- If cigarettes are not the prime reason for robberies and B&Es at convenience stores and gas stations, then they are very close to the top;
- Service stations are targeted often, especially after 2300 hours, because they are one of the only places open all night;
- Convenience stores are attractive because they have cigarettes readily available, near the front of the store, and they can be easily removed;
- Robberies naturally involve some sort of weapon. Often there is the suggestion of a weapon being present, but it is not seen. In those where the weapons are visible, they tend to be knives or guns;
- The few anonymous tips received on cigarette smuggling, have pertained to illegal bulk purchases made on Native reserves and then sold to independent variety stores;
- Primarily, the illicit markets exist to avoid high levels of federal and provincial taxation;
- Contraband tobacco activity occurs across Canada to varying degrees;
- Currently, the smuggled tobacco is mostly illicit Native manufactured products, discount U.S. brands, or other foreign counterfeit products from South America, Asia, and the Middle East;
- Tobacco contraband on Native reserves will continue to be a problem, until there is political will to back the strategies of law enforcement;
- As the price for a carton of tobacco becomes aligned between the various provinces, the incentive for inter-provincial tobacco smuggling is reduced;
- Counterfeit cigarettes, particularly the Phillip Morris 'Marlboro' brand, have been encountered in Canada, believed to be smuggled from China¹;
- The Toronto Police Service Major Crime Unit has investigated various cigarette hijackings and believes a portion of tobacco related crime is perpetrated by members of organized crime;
- One of the difficulties is the variance in the definition of organized crime. The populace tends to think of organized crime in its traditional sense only: a clearly defined hierarchical criminal structure, with known players in defined

¹ CISC 2003 Annual Report.

roles. However, law enforcement agencies are attempting to expand the definition to include the ever increasing group of criminals who act in concert to commit a criminal offence; and

- Organized crime groups do not restrict themselves to one commodity, so they will not forego a lucrative criminal enterprise if it will result in high monetary yields with low punitive risks. For example, an organized crime group that engages in illegal drug trafficking might also hijack tobacco transport trucks and sell cigarettes on the black market because it is a fast easy way of making cash. Also, if caught by police authorities, the penalties would not be as high as those for smuggling heroin.

6. CONCLUSION and RECOMMENDATIONS

The statistical data analyzed by DAMOS indicates that the incidence of robbery and B&E crimes against convenience stores and convenience gas bars in Ontario has increased by 27% since the period 2001-2002. There has also been an 80% increase in reported losses due to robberies and B&Es during the same time period. Furthermore, convenience stores have experienced a more significant increase in B&Es (127%), while convenience gas bars have been subject to higher incidences of robberies (27%).

The anecdotal information received during the interviews with law enforcement officers support a general belief that the price of cigarettes renders it a special commodity, attractive to criminals. In addition to its price, it is an item that people are willing to purchase in the black market, it is usually readily available at convenience stores and convenience gas bars, and it is easy to carry. As a result, access to cigarettes is amongst the top reasons why criminals commit robberies and B&Es against convenience stores and convenience gas bars.

Several recommendations were proposed by the police to help alleviate some of the safety and security issues concerning staff that work at these locations. They are outlined in Appendix 3.

The Toronto Police Service Major Crime Unit and the Royal Canadian Mounted Police Customs and Excise Program have expressed an interest in participating in a forum to focus on the safety and security issues facing convenience store owners. They have recommended the formation of a focus group comprising police, OCSA, tobacco industry representatives, regulatory officers, and tobacco control representatives.

DAMOS has suggested that a centralized crime-reporting centre for OCSA members be established, to provide a systematic and comprehensive mechanism for the collection of data.

7. RESTRICTIONS

This report is intended solely to assist the OCSA in this specific matter and is not intended for general use, circulation or publication outside of the OCSA. Accordingly, this report is not to be published, circulated, referred to, quoted from, reproduced or used for any other purpose without prior written permission in each specific instance. We will not assume any responsibility or liability for any costs, damages, losses, liabilities or expenses incurred by anyone as a result of unauthorized circulation, publication, reproduction, reference to, quotes from, use of or reliance upon this report.

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