



## Written Submission for the Pre-Budget Consultations in Advance of the 2019 Budget

By: The Canadian Convenience Stores Association

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## RECOMMENDATIONS

- **Recommendation 1:** Level the playing field for small business by reducing excessive credit card swipe fees and bring fairness and transparency to the payments industry in Canada.
- **Recommendation 2:** Continue with the planned reduction of the small business tax rate to 9% in 2019, and implement a further reduction to 8% by 2020 in order to help small businesses remain competitive.
- **Recommendation 3:** Add economic competitiveness and innovation considerations to the mandates of regulators at Health Canada.
- **Recommendation 4:** Delay the implementation of Bill S-5's components on plain packaging of tobacco products, to allow appropriate time for industry to take necessary compliance measures.
- **Recommendation 5:** Use the missing 'small business lens' policy to measure the impact that plain and standardized tobacco packaging will have on stores.
- **Recommendation 6:** Allocate greater resources to combat Canada's illegal tobacco industry.
- **Recommendation 7:** Rebuild stakeholder confidence in the Cost-Benefit Analysis (CBA) process that informs regulatory proposals (specifically with respect to the CBA for the Healthy Eating Strategy).
- **Recommendation 8:** Develop a grant or rebate program that would apply to in-store equipment and infrastructure, thereby enabling retail stores to sell healthier products in under-served communities and address food deserts in rural Canada.
- **Recommendation 9:** Introduce tax deductions on fresh produce donated by convenience stores to food banks that would lessen their risk of selling such perishable goods (in the same manner in which Canada's farmers receive tax incentives for donating fruits and vegetables).

## EXECUTIVE SUMMARY

The convenience store industry is at the forefront of an ever changing and highly competitive retail landscape. It is imperative that the Government of Canada adopt policies and regulations that encourage competitiveness while allowing entrepreneurs and small businesses to thrive.

The convenience store channel employs over 227,000 Canadians from retailers to distributors along the supply chain. We are present in every community from coast to coast. Our industry contributes more than \$56 billion annually to the Canadian economy and generates over \$21 billion in tax revenue for governments.

Not only is the convenience store industry one of the most heavily regulated in the country, but now we are faced with accommodating massive legislative changes on a very short timeline for both tobacco and cannabis. Uncertainty over the future of NAFTA, and the implementation of tariffs which have the potential to cause the price of many consumer goods sold in convenience stores to rise is challenging out businesses. Not only does uncertainty and over-regulation hinder growth, but it impacts small business retailers and our customers directly.

We are pleased that Budget 2019 will focus on improving competitiveness for Canadian industry so that retailers have an opportunity to grow and thrive. Our pre-budget submission for 2019 provides an overview of the CCSA, the most critical challenges facing our industry, and the CCSA's recommendations.

## ABOUT THE CANADIAN CONVENIENCE STORES ASSOCIATION (CCSA)

The CCSA was established to act as the voice of Canada's over 27,000 convenience stores and their employees. The Association achieves this goal across Canada by working with five affiliated organizations: The Western Convenience Stores Association (WCSA), Ontario Convenience Stores Association (OCSA), Quebec Convenience Stores Association (QCSA) and Atlantic Convenience Stores Association (ACSA); and the National Association of Convenience Stores Distributors Association (NACDA).

Our retailers proudly serve over 10 million people a day, and our convenience stores are truly at the heart of the Canadian economy. Our Responsible Community Retailing Initiative (RCRI) is a commitment to assist retailers and their staff in upholding the highest standards of professionalism and ethical conduct and to supporting public health and safety.

RCRI programs available to all convenience retailers operating in Canada include:

- We Expect ID age verification training created to ensure convenience retailers and their staff sell age-restricted products like lotto, tobacco, fireworks and beer and wine in accordance with applicable laws and regulations; and
- Contraband Tobacco Awareness training created to assist convenience store retailers in identifying contraband tobacco products and warning of the consequences (fines and penalties) of selling such products should they be approached to do so.

## CHALLENGES FACING OUR INDUSTRY

### EXCESSIVE CREDIT-CARD SWIPE FEES (Recommendation #1)

Credit card swipe fees in Canada remain amongst the highest in the world, creating challenges for Canada's small businesses. Fees charged to Canadian retailers range from 1.5% to 4%. Particularly for small business, these costs pose the greatest challenge to their ability to survive and compete effectively in an ever-evolving retail landscape in Canada.

The impact of these excessive fees constrain the ability of all retailers to invest in their businesses and their ability to hire new employees in the communities they serve. Also, these fees result in increased consumer prices, even for those consumers paying by cash or debit.

Reducing credit card swipe fees will benefit Canadians and communities as they will allow our small business members to increase investment in their businesses, create more jobs and stimulate growth. We looks forward to continuing to work with Finance to ensure that the government addresses this cost burden on small retailers.

- **Recommendation 1:** Level the playing field for small business by reducing excessive credit card swipe fees and bring fairness and transparency to the payments industry in Canada.

### TAX FAIRNESS FOR SMALL BUSINESSES (Recommendation #2)

Canada has historically retained one of the most burdensome business tax regimes in the OECD. In recognition of this challenge, the government announced it would commit to decreasing the effective small business tax to 10% in 2018, and 9% in 2019. This announcement brings welcome relief to our retailers, but it should mark the first step rather than the end of Canada's steps to maintain a competitive business climate.

Tax relief for small businesses is urgently needed. The imposition of counter-measure tariffs on a number of imported consumer goods that are commonly sold at

convenience stores across the country threaten to increase prices and diminish returns for retailers, while making products more expensive for consumers.

The planned reduction in the small business tax rate will allow small retailers to remain competitive, but deteriorating business conditions will require further action on the part of Finance Canada to ensure that our small businesses can continue to thrive.

- **Recommendation 2:** Continue with the planned reduction of the small business tax rate to 9% in 2019, and implement a further reduction to 8% by 2020 in order to help small businesses remain competitive.

### MANAGING THE COST OF COMPLIANCE (Recommendation #'s 3-7)

Compounding regulation amongst federal, provincial and municipal government and jurisdictions leads to costly and time consuming regulations on small business.

Regulation of the convenience store industry within Canada continues to expand annually which leads to declining growth and prosperity for small business owners. A study conducted by the CCSA estimated that the cost per store to comply with regulations at the federal, provincial and municipal level is over \$10,000 per year, per site.

This is a significant cost to small business owners and prevents such businesses from focusing on efforts to run their operations, hire new employees or invest in additional equipment or improvements. When the costs for small businesses are reduced, Canadians and communities win. Any further regulations placed on our small business, or on the products sold in our stores should be grounded in evidence-based decision making and only come after robust consultation with our sector.

#### *Regulation Challenges with Health Canada*

We are concerned that Health Canada has not taken into consideration the impact its regulations have on the ability of companies to compete in Canada or abroad. Given the unpredictable trading environment, it's more important than ever that the government is supportive of Canadian small businesses.

It's critical that Health Canada's initiatives do not undermine the efforts of other economic departments. We are aligned with the Canadian Chamber of Commerce's recommendations outlined in their recent report, *Death by 130,000 Cuts, Improving Canada's Regulatory Competitiveness*, on the need for government to add economic competitiveness and innovation considerations to the mandates of regulators. This should start first and foremost with applying the "small business lens" to all regulatory decisions taken by Health Canada.

- **Recommendation 3:** Add economic competitiveness and innovation considerations to the mandates of regulators at Health Canada.

The present lack of a small business lens has manifested itself in two major pieces of legislation spearheaded by Health Canada: Bill S-5 (which addresses plain and standardized packaging for tobacco products), and Bill S-228 (which addresses the marketing of food and beverage products to children).

#### *S-5, Plain Packaging & Standardized Packaging of Tobacco Products & Contraband Tobacco*

With respect to *Bill S-5* our concern is that the legislation is being rushed into implementation without adequate time to allow industry to accommodate the necessary changes. The bill, which is already poised to have a detrimental impact on the operations of convenience stores by dramatically increasing the likelihood that illegal and counterfeit products will enter the market, does not provide adequate time or support for industry to manage these transition challenges.

We request that officials at Health Canada delay full implementation of the act to allow convenience store owners to make the necessary changes to be in full compliance with the act, and that the department ensure that adequate resources are made available to prevent the entry of illicit tobacco products into the market. With the surprise addition of changes to pack sizes, we expect small, independent retailers will be hit hard with added costs.

- **Recommendation 4:** Delay the implementation of Bill S-5's components on plain packaging of tobacco products, to allow appropriate time for industry to take necessary compliance measures.
- **Recommendation 5:** Use the missing 'small business lens' policy to measure the impact that plain and standardized tobacco packaging will have on stores.
- **Recommendation 6:** Allocate greater resources to combat Canada's illegal tobacco industry.

#### *Bill S-228 (Marketing to Kids) & Components of the Healthy Eating Strategy*

We share concerns held by groups including Food and Consumer Products Canada around the quality of analysis examining the costs and benefits of proposed regulations, including Health Canada's Plain Language Labelling regulations and Healthy Eating Strategy. A comprehensive and balanced analysis is critical to understanding the impacts of new regulations on Canadians and the economy, and avoiding unintended consequences.

CCSA supports recommendations made by other consumer groups to establish an independent review panel to support Treasury Board officials in evidence evaluation. We support the idea of a forum for stakeholders – which should always include retailers - to make formal appeals to central agencies when they believe departments are not accurate in their analysis or are otherwise not fulfilling their regulatory obligations. We also support the recommendation to develop a more comprehensive cost benefit analysis for the entire Healthy Eating Strategy – including Front of Package labelling, Canada’s Food Guide, Marketing to Kids and sodium reduction - that is balanced and evidence based.

- **Recommendation 7:** Rebuild stakeholder confidence in the Cost-Benefit Analysis (CBA) process that informs regulatory proposals (specifically with respect to the CBA for the Healthy Eating Strategy).

#### HEALTHY C-STORE INITIATIVES (Recommendation #'s 8 & 9)

Our industry has also noticed these consumer trends towards healthy and innovative products and our product offerings continue to reflect consumer preferences.

Often, convenience stores are the only source of fresh fruit and vegetables in rural and remote communities and in economically depressed urban areas. We believe there is an important role that our stores may play in providing fresh, healthy products to communities that otherwise may not have access. There is a unique opportunity to reduce the presence of food deserts across Canada by working with our retailers.

- **Recommendation 8:** Develop a grant or rebate program that would apply to in-store equipment and infrastructure, thereby enabling retail stores to sell healthier products in under-served communities and address food deserts in rural Canada.
- **Recommendation 9:** Introduce tax deductions on fresh produce donated by convenience stores to food banks that would lessen their risk of selling such perishable goods (in the same manner in which Canada’s farmers receive tax incentives for donating fruits and vegetables).