

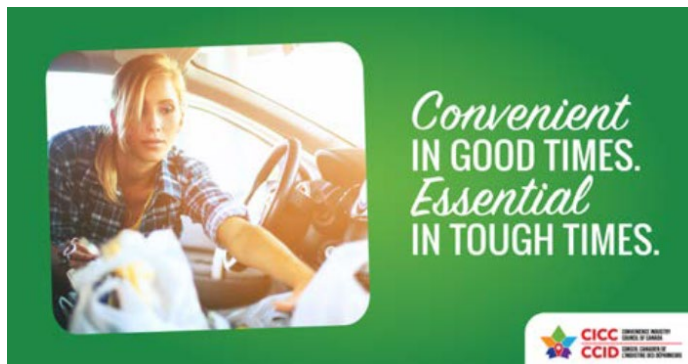
# Impact of COVID-19 on Canada's Convenience Stores

Submission to INDU Committee - May 2020

## CANADA'S CONVENIENCE STORES

The Convenience Industry Council of Canada is a national association that brings together more than 25,000 convenience retailers across the country, as well as the manufacturers, wholesalers, and distributors that comprise the convenience supply chain. Our mission is to advance the interests of the convenience industry through effective advocacy and education. We are proud to represent an industry that generates more than \$55 billion in revenue, collects more than \$22 billion in taxes, employs more than 220,000 Canadians, and serves more than 10 million Canadians every day.

## CONVENIENCE STORES DURING THE COVID-19 CRISIS

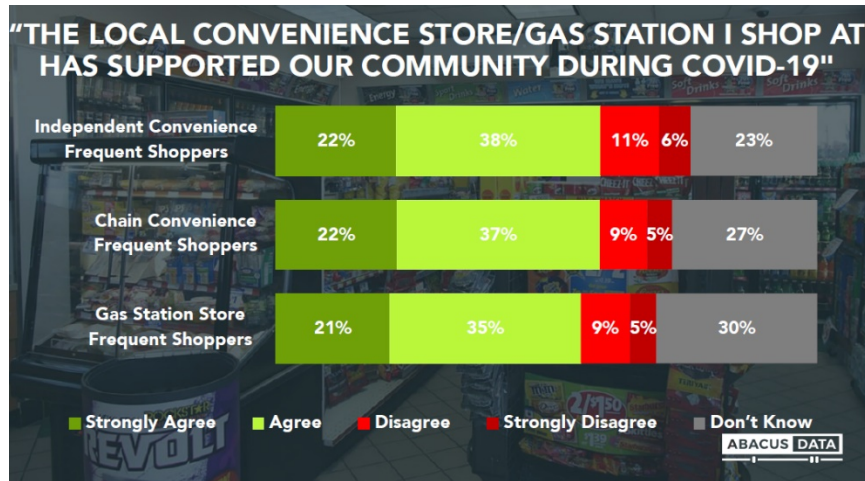


### Providing the Essentials for Canadians

At the outset of the COVID crisis in Canada, federal and provincial governments across the country recognized the important role our sector plays in providing the daily necessities Canadians need and deemed gas stations and convenience retail as an essential service. Over the last two months, our sector has adapted to meet

the standards and safety measures that have been put in place by federal and provincial governments, and that our customers have come to expect. During that time, our dedicated employees have ensured that convenience stores have remained open, clean, and safe. They have ensured that our shelves are well stocked, and that we can continue to provide the necessities for our customers. During this time, our sector has become increasingly important to those front-line workers in health care and other essential services who have been working around the clock and who may not have convenient access to other retail options before or after their shifts.

Not only are convenience stores providing essential products to both essential front-line workers – and all Canadians – but, local and accessible gas has remained available for our customers during the pandemic because we have been there to serve them. In addition, some convenience stores, particularly in rural and remote communities, are often the only source of fresh food and other daily necessities.



A recent omnibus poll from Abacus Data shows that the vast majority of our customers recognize and support the efforts our stores have made to adapt to the COVID crisis. We have the support of our customers because our retailers and their staff work hard to operate in this new environment, which demands social distancing

practices, and increased sanitization and cleanliness procedures. Our customers rely on our ability to keep our shelves stocked with the essential products they need. Our customers also continue to support our sector because of the convenient location and hours of service our sector provides, and to avoid the lengthy lineups and waiting times seen at conventional grocery stores and other big box retailers.

## STORES FACING AN UNCERTAIN FUTURE

### Revenue Decrease

While we have been able to stay open, the outlook for our sector is uncertain. The majority of Canadian convenience stores during the pandemic have seen a significant decrease in both car and foot traffic. This has varied by province, by rural and urban locations as well as how dependent the convenience store is on commuter drive traffic. For example, our members whose convenience stores are located in a gas station have been very hard hit. This is not surprising given the massive reduction in car traffic. For these convenience gas stations, their non-fuel sales are dependent on their fuel sales. Our members have reported a 40% to 60% drop in fuel sales. The higher numbers are felt in provinces like Quebec where the government had even greater stay in place restrictions.

Stand-alone convenience stores who are not as reliant on consumers who are driving have been better able to weather the storm. While their customer traffic is down, on average about 25%, this decline in number of customers is somewhat offset by larger transactions. In the Abacus survey mentioned above, more than half of respondents said they have not visited an independent or chain convenience store since the COVID-crisis emerged, when we typically serve more than 10 million customers every day.

The entire supply chain from manufacturers to distributors to retailers have moved as swiftly as possible to respond to changing customer demand. For example, manufacturers have pivoted to

offering bigger sizes of drinks and snacks for the families at home as opposed to single-serve items. Foodservice items and self-serve drinks have taken a huge hit, and the reality is that our retailers don't know when this business will return.

### Higher Costs to Support Compliance

With significantly less foot traffic and reduced revenues coupled with the compliance costs that have come into force as a direct result of COVID-19 measures, it has been difficult for convenience store owners financially. Reconfiguring stores to allow for social-distancing practices, safety equipment for workers including the installation of plexi-glass at the cash are all new costs for our businesses with already slim margins.

## **CREATE AN ENVIRONMENT TO SUPPORT SMALL BUSINESSES**

Although we may be getting closer to the end of the first wave of the COVID 19 outbreak, we need to prepare for the significant changes in the way small businesses will need to operate in the future. To prepare for these changes, we need government action to ensure we can continue to survive beyond COVID. We are not asking for a handout today - but we need to make sure our businesses can compete tomorrow. Some of the areas where the government can act to support our business include:

### Cap Credit Card Swipe Fees

The CICC has long advocated for a reduction in credit card swipe fees, and we were pleased to offer our support of the promise made in Election 2019 to reduce those fees, as they represent a significant cost for our retailers. For example, our industry collects and remits more than \$22 billion in combined federal and provincial taxes each year. Prior to the outbreak of COVID, approximately 30% of our transactions were paid by credit card. In 2018, this resulted in our members paying more than \$217 million in credit card processing fees on GST alone. This amounts to more than \$3,700 per store in credit card fees to collect taxes for the federal government.



During the pandemic, we have seen the percentage of customers using some form of contactless payments go up fairly significantly as they are reluctant to use cash. For the time being, while our sales at the pump are greatly reduced, we have not seen overall increases in processing fees. However, when fuel and convenience sales start to recover, we expect to see an increased

number of consumers using contactless payments, resulting in thousands of dollars in additional fees paid to credit card processing companies by small business owners across the country.

While credit card processing and swipe fees in Canada remain amongst the highest in the world, the impact of these fees in a post-COVID world will have significant impacts on our sector and will pose significant constraints on the ability of our retailers to invest in their businesses, hire new employees, or save for their future. We urge the government to deliver on the promises made in Election 2019 to reduce excessive credit card swipe fees and reduce the cost of doing business for small business owners and operators.

### *Delay Non-Urgent Regulations & Continue to Apply a Small Business Lens*

Our industry would like to work directly with the Treasury Board to delay any non-urgent regulations on the small business sector, as requested by the Canadian Chamber of Commerce and supported by more than 70 national industry associations, including the CICC.

Our industry, like many others across the country, is facing regulations published in Canada Gazette I, or in Canada Gazette II. The overwhelming majority of these regulatory hurdles can be delayed until after the current crisis has passed, allowing government, and business owners to focus their limited energy on more pressing priorities.

As our stores remain focused on serving the public, keeping store shelves stocked and increasing sanitization procedures during the COVID-19 pandemic, participating in ongoing consultations or implementing non-COVID related regulations is neither feasible nor in the public interest.

The CICC would urge the President of the Treasury Board to pause the further implementation of all non-essential regulatory changes until business and government are better situated to deal with them.

### *Embrace C-Stores as a Destination for A Wide Variety of Innovative Products*

Adaptation for our stores post-COVID must involve offering a wider variety of products to our customers. As Canadians are being told to limit their trips out to buy provisions, diversifying what is available in our stores and offering new, interesting products will reduce the number of trips customers are required to make, and allow our sector to compete with grocery and other retailers.

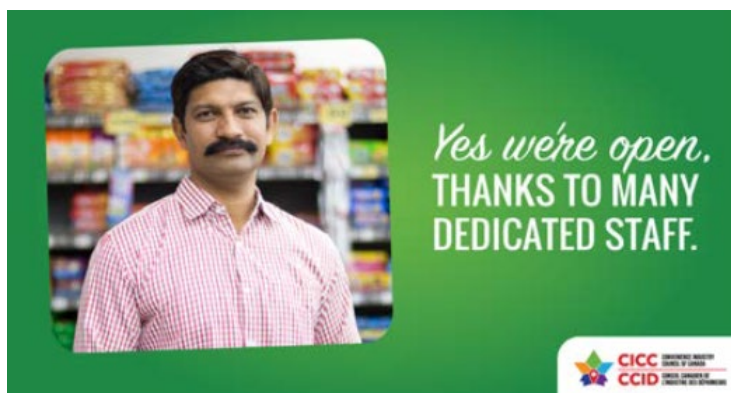
As new and innovative products and beverages become available, we would encourage Health





Canada and other regulators to ensure approval processes run in a timely fashion. In the past, product approvals for items like caffeinated beverages and energy drinks have been slow; an effort should be made to embrace innovative products as long as they are compliant with health regulations.

While the legislative authority for determining what can be sold at retail rests primarily with the provinces, the federal government should welcome the presence of new products in our stores. For example, convenience stores in the United States, which have legalized cannabis products, allow CBD-infused beverage products to be sold at convenience stores. The federal government should welcome similar efforts from Canadian stores in the future.



### *Eliminate Barriers to Recruiting and Retaining Workers*

The convenience sector in Canada employs more than 221,000 people, more than half of whom are full-time employees. Working as a convenience store clerk is often a first job for many Canadians, or an early shot at entrepreneurship for

newcomers to Canada. We know that the experience of working in our stores builds transferable skills for future jobs. While these jobs are rewarding and necessary to keep the people and goods moving, they require long hours and, at least to start, are typically minimum-wage positions.

To that end, we would like to work with the government to ensure open opportunities to work in Canada's convenience stores are made known to Canadians looking for work. As more Canadians are likely to get in their cars and travel domestically this summer, we anticipate a need to hire more workers in our stores and want to ensure government programs are not a barrier to this recruitment.

In the same vein, we are concerned by the actions of some provincial governments such as New Brunswick to restrict Temporary Foreign Workers from entry into the province. The TFWP provides businesses, including convenience stores, with a vital supply of labour, which is particularly necessary in the front-end of the convenience industry.

## PROVIDE RELIEF TO ALLEVIATE FINANCIAL REPERCUSSIONS OF REGULATED GASOLINE PRICES



Tweet



Convenience Industry Council of Can...  
@ConvenienceCan

Atlantic Convenience gas stations are losing an average of \$14 on every fill up, due to falling gas prices and a 50% decline in sales. We can't keep the pumps open if we're losing money. Government needs to help keep this essential service going! [#criticalservice](#)



Convenience stores with gasoline outlets have experienced significant financial hardship due to regulated selling prices of gasoline being significantly below the cost of inventory on-hand. The situation in Atlantic Canada is particularly acute, as this has been compounded by a material decline in “pump traffic” due to COVID-19 related work-from-home and shelter-at-home health directives.

This impact is being felt by all gasoline and convenience retailers across Atlantic provinces and is having detrimental impacts on business operations and potential business continuity.

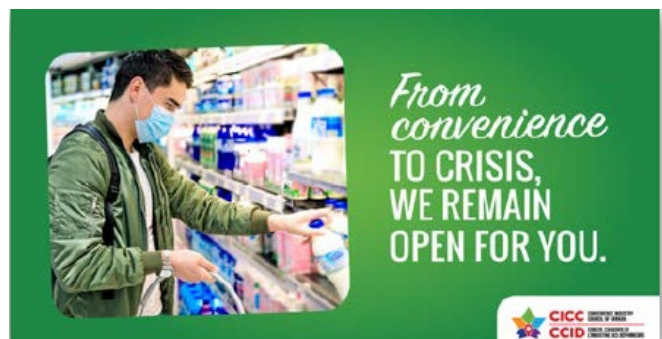
CICC has advocated to the provinces for a temporary reduction in the provinces' respective road taxes to provide relief to retailers. It has also requested a temporary increase in the regulated gasoline price to the respective utility boards

in the Atlantic Canada provinces.

Without immediate intervention, convenience and gasoline retailers, particularly in rural areas, face financial hardship that is not recoverable. We are asking the federal government to work with provincial leadership in Atlantic Canada to address this challenge.

## A REMINDER: SHOW SUPPORT FOR OUR WORKERS DURING NATIONAL CONVENIENCE WEEK

National Convenience Week is the premier outreach event for the convenience industry in Canada. Last year, more than 2,400 retail locations participated in our first National Convenience Week. More than 240 politicians and community leaders attended events at their local convenience store and helped raise more than \$180,000 for The Children's Wish Foundation, well above our goal of \$100,000.



These events not only give politicians and other local leaders the opportunity to gain a deeper understanding of our sector but also give back to their community and help fundraise for charitable causes like The Children's Wish Foundation.

If the situation permits, we want this year's National Convenience Week to be even better and we request that all members of this committee support National Convenience Week by attending a local event, by gaining a deeper understanding of our sector by working a short shift in one of our stores, or by showing support for a good cause through your social media channels. It is times like these that reinforce the importance of supporting your community.

This year's National Convenience Week is scheduled for August 31<sup>st</sup> to September 4<sup>th</sup> and, as the situation regarding ongoing COVID restrictions becomes clearer, we will finalize our plans for this year's events. We will be in touch with each member of this committee to ask for your support as we move closer to National Convenience Week 2020.

## **CONCLUSION**

Convenience stores continue to play an essential role in serving Canadians and in keeping people and goods moving throughout the COVID crisis. At the same time, we've not been immune from the economic impacts of the pandemic, with a significant reduction in foot traffic and revenue. Capping credit card fees, pausing the implementation of non-COVID related regulations, further reductions in regulatory red tape for small businesses, and ensuring a stable supply of workers with an attachment to the workforce are all measures this government can take to ensure our industry can keep meeting the needs Canadians in a post-COVID environment.

Thank you for the opportunity to present our submission to the committee. We would welcome the opportunity to present our submission directly with the Standing Committee on Industry, Science and Technology to discuss these and other issues facing our sector as you continue to study the impacts of COVID-19 and the supports that industries like ours will need to succeed in the coming months and years.