



**Federal Pre-Budget Submission
The Standing Committee on Finance**

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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 but allow 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 collects over \$21 billion in taxes on behalf of governments.

The c-store industry remains one of the most heavily regulated in this country. Not only does that hinder growth, but it impacts small business retailers and our customers directly. We are pleased that Budget 2018 will focus on improving productivity and competitiveness for Canadian industry so retailers have an opportunity to grow and thrive.

Our pre-budget submission for 2018 provides an overview of some of the challenges facing our industry and the CCSA's recommendations:

Excessive Credit Card Fees

- **Recommendation:** Reduce excessive credit card swipe fees and bring fairness and transparency to the payments industry in Canada which will improve competition and thereby the price of goods and services.

Over-Regulation of Our Industry

- **Recommendation:** Reconsider the implementation of Bill S-5's components on plain packaging of tobacco products, which will result in an increase of illegal tobacco in Canada.
- **Recommendation:** Allocate greater resources to combat Canada's illegal tobacco industry, which is poised to grow further if plain-packaging is introduced.
- **Recommendation:** Should the government proceed with Plain Packaging, provide a minimum year-long implementation period for S-5 for retailers to respond to the operational impact of Plain Packaging and the appropriate amount of time to address current \$3 billion contraband tobacco market in Canada.
- **Recommendation:** Maintain the existing taxation rate on tobacco products to prevent driving sales to the black market (a consideration that was also made by elected officials surrounding marijuana legalization).
- **Recommendation:** Consult with retailers on the impact Bill S-228 will have on convenience stores, their employees and customers.

Healthy C-Store Initiatives

- **Recommendation:** 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; and
- **Recommendation:** 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).
- **Recommendation:** Develop in-store marketing materials with Health Canada to educate and inform consumers about healthier food options and offerings within the c-store channel.

ABOUT THE CANADIAN CONVENIENCE STORES ASSOCIATION (CCSA)

The CCSA was established to act as the voice of Canada's over 26,000 convenience stores and their employees. The Association achieves this goal across Canada by working with five affiliated organizations: Western Convenience Stores Association (WCSA), Ontario Convenience Stores Association (OCSA), Quebec Convenience Stores Association (QCSA) and Atlantic Convenience Stores Association (ACSA); along with 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

Credit card swipe fees in Canada remain amongst the highest in the world, creating challenges for Canada's small businesses. Credit card swipe 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. Finance Canada has committed to study credit fee rates this year and the CCSA looks forward to contributing to those discussions and seeing positive measures by the government to address this cost burden on small retailers.

RECOMMENDATION TO FINANCE CANADA:

- **Recommendation:** Reduce excessive credit card swipe fees and bring fairness and transparency to the payments industry in Canada which will improve competition, and thereby reduce the price of goods and services.

OVER-REGULATION OF OUR INDUSTRY

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

Health Canada

Within Health Canada's mandate, there are a variety of regulatory and legislative measures that have been tabled that will have a direct impact on the c-store industry. In particular, Bill S-5 which seeks to implement plain-packaging on all tobacco products in Canada and Bill S-228, which seeks to restrict food and beverage marketing and advertising to youth.

The CCSA stands firmly with any and all government regulations that seek to improve the lives and overall health of Canadians, so long as these regulations are evidence-based and do not have unintended consequences.

The CCSA requests that the government implement proven solutions, not those driven by ideology that will harm industry and pose challenges to growth without achieving any real objectives in harm-reduction.

Bill S-5 and Plain Packaging of Tobacco Products

With respect to Bill S-5, our concern is that the likelihood for illegal and counterfeit products to enter the market will increase due to plain packaging of the product.

Canada already has a robust and proven tobacco control regime at the retail level. All tobacco products sold in Canada must be kept behind display flaps so they cannot be viewed by customers, most importantly, children. It is illegal for these products to be advertised or marketed in our stores. Graphic warning labels cover 75% of existing packaging space and our customers are asked for proof of age upon purchase.

Retailers are concerned that plain packaging will allow for easy replication by counterfeiters. Illegal tobacco is already 20% of the Canadian market - over 33% in Ontario - and the problem is nowhere near a solution. Without an outward symbol or visual identifier, it is difficult for retailers to distinguish legal from illegal products.

As displayed in the chart below, based upon research the CCSA has conducted, contraband tobacco rates remain alarmingly high across the country:

Province	Contraband Rate (2016)	Province	Contraband Rate (2016)
British Columbia	15% (Average)	Quebec	16% (Average)
Alberta	9.8% (Average)	Nova Scotia	21.8% (Mean)
Saskatchewan	6.3% (Average)	New Brunswick	23.8% (Mean)
Manitoba	12.7% (Average)	Newfoundland and Labrador (St. John's)	11.4% (Mean)
Ontario	22% (Average)	PEI	No Data

After Australia implemented plain packaging of tobacco, there was a spike in contraband activity which is now linked to criminal organizations. Our retail counterparts witnessed this first hand, almost immediately. Canada has a long history of illicit tobacco, which will continue to thrive if this regulation is implemented.

There are currently no resources within S-5 to address the illicit tobacco market nor any acknowledgement that plain packaging could impact this criminal trade. We feel this is a missed opportunity that needs to be re-assessed.

RECOMMENDATIONS ON S-5:

- **Recommendation:** Reconsider the implementation of Bill S-5's components on plain packaging of tobacco products, which will result in an increase of illegal tobacco in Canada.
- **Recommendation:** Allocate greater resources to combat Canada's illegal tobacco industry, which is poised to grow further if plain-packaging is introduced.
- **Recommendation:** Should the government proceed with Plain Packaging, provide a minimum year-long implementation period for S-5 for retailers to respond to the operational impact of Plain Packaging and the appropriate amount of time to address current \$3 billion contraband tobacco market in Canada.
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Bill S-228 and Regulating Marketing of Food and Beverage Products to Youth

Our members are concerned about the proposed restrictions to the marketing and advertising of food and beverage products towards youth. Parents and their children are a significant part of our customer base and we are unclear as to the intention of this bill and how it will be implemented at the retail level.

The proposed changes, as they currently stand, would directly impact in-store communications, marketing and merchandising. This will present an undue burden on small business owners who have purposely designed their stores so they are safe, family-friendly environments, not to mention the impact on employees who fall within the currently proposed restriction limit.

We urge officials at Health Canada to meaningfully engage with members of our industry and those within the retail community. They must take into account the challenges that these well intended legislative measures could have on small businesses. They should also take into consideration the efficacy of such strategies vs ensuring customers are well-informed about the products they are choosing to purchase.

RECOMMENDATIONS ON S-228:

- **Recommendation:** Consult with retailers on the impact Bill S-228 will have on convenience stores, their employees and customers.

HEALTHY C-STORE INITIATIVES

The issue of Bill S-228 is part of a broader healthy living strategy from the Government of Canada. Our industry has also noticed retail trends towards healthy and innovative products and our merchandise continue to reflect consumer preferences.

More often than not, 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.

RECOMMENDATIONS ON HEALTHY C-STORES:

- 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; and
- 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).
- Develop in-store marketing materials with Health Canada to educate and inform consumers about healthier food options and offerings within the c-store channel.