

Measures to help Convenience Retailers be more productive and competitive

Presentation to House of Commons Standing Committee on Finance
Satinder Chera, President of the CCSA
October 19, 2017
Windsor, Ontario

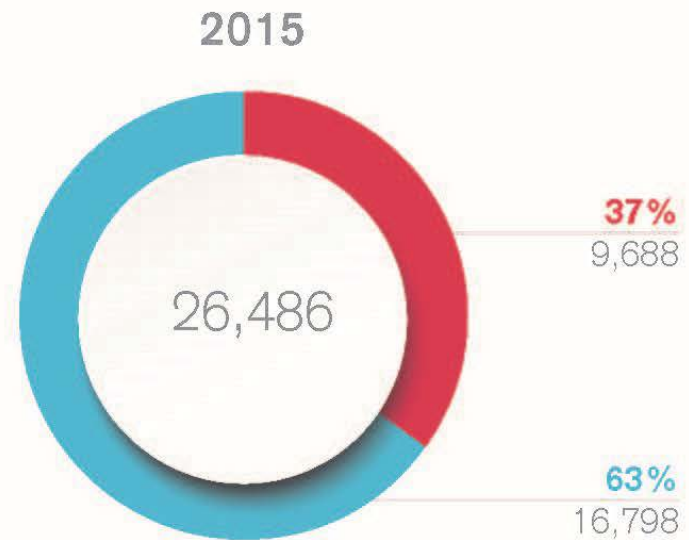
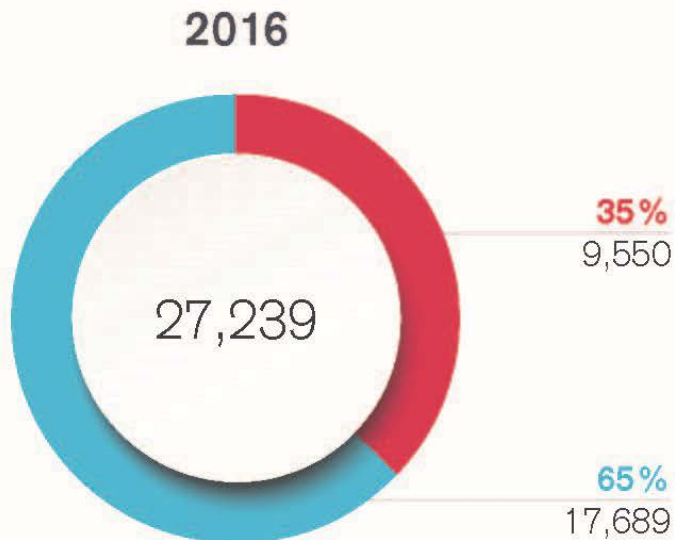
Who we are

- CCSA is a national, not-for-profit association that represents the interests of convenience retailers in conjunction with its regional affiliates (WCSA, OCSA, QCSA and ACSA) and the national distributors association (NACDA).
- We have three categories of members – voting retail members; voting distributor members; and non-voting suppliers and manufacturers.
- Our retail channel provides employment and store ownership opportunities to new immigrants; collects billions in taxes to support vital public services; and, ensures that essential consumer products are available anywhere in Canada.
- Retail channel for age-tested consumer products – tobacco, lottery and alcohol.



Number of Convenience Stores by type and region

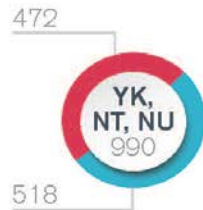
■ INDEPENDENT* ■ CORPORATE





Employment generated by Convenience Stores by region and full/part time positions

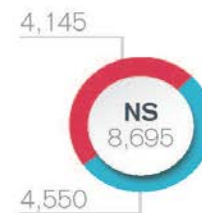
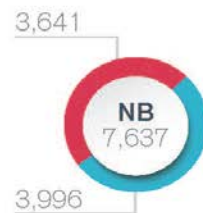
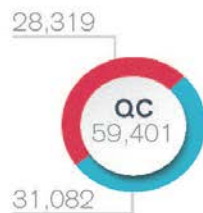
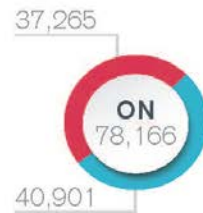
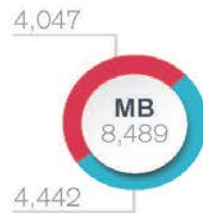
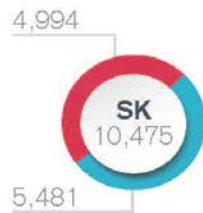
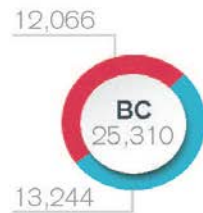
■ PART TIME ■ FULL TIME



48%
111,681



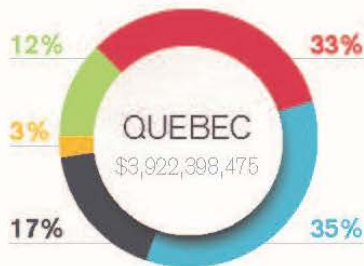
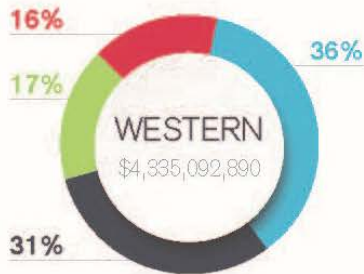
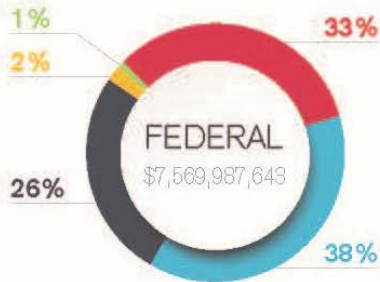
52%
122,579





Taxes collected by Convenience Stores by region and type of tax

- SALES TAX
- FUEL
- TOBACCO TAX
- ALCOHOL*
- LOTTERY



'Credit Card' Concerns



Canada has some of the highest credit card fees in the world. While other countries including Australia and the EU have capped their rates, Canadian small businesses still pay exceptionally high fees.

1.5%-4%

Credit card fees can range anywhere from 1.5% to 4% per transaction. While credit card companies have a code of conduct dictating fees, this is only voluntary. By comparison, following studies in their respective countries, the EU has capped rates at 0.3% and Australia at 0.5%.



Small retailers do not have the negotiating power of large, multi-national corporations like Wal-mart, which recently cut a deal with Visa to reduce their credit card bills. So when MasterCard and Visa report to the Federal Government on the results of self-audits on voluntary reductions, the preferential fees they are providing to large retailers are incorporated into those results. In other words, smaller businesses are subsidizing preferential deals for large multinationals.

Regulatory Concerns

- Over 800 regulations are by imposed on convenience store operators by all levels of government in Canada, which cost these small businesses over \$220 million annually.
- Bill S-5 (Vape and Plain Packaging) will make the already \$3 billion black market for cigarettes even worse, while adding additional costs to small business retailers and do little to correct the current advantage that vape shops have over convenience store retailers.
- Marketing to Kids/Bill S-228 could have a huge impact on retailers. A lot of unknowns has them really concerned, since products in question are sold in the convenience retail channel.

How retailers prevent youth tobacco access



I.D. Requirements



Retailer Training



Ban on e-cigarette sales in accordance with Health Canada regulations

Please check all those that you believe would apply to your operations if plain packaging restrictions are imposed in Canada

- 90.9%** Increased time taken to order stock
- 87.9%** Increased time taken to correct incorrect order placement
- 93.9%** Increased time taken to receive and check stock (orders)
- 93.9%** Increased workloads as a result of staff having to spend more time differentiating between tobacco products
- 90.9%** Increased time taken to process stock after order is received
- 84.9%** Increased time taken for stock storage
- 90.9%** Increased time taken to correct incorrect product placement
- 84.8%** Increased out of stocks
- 97.0%** Increased staff training to ensure product differentiation is properly made for inventory control, stock management and customer service
- 93.9%** Impact on staff security as staff will have their attention drawn from customers for a longer period of time while they properly identify

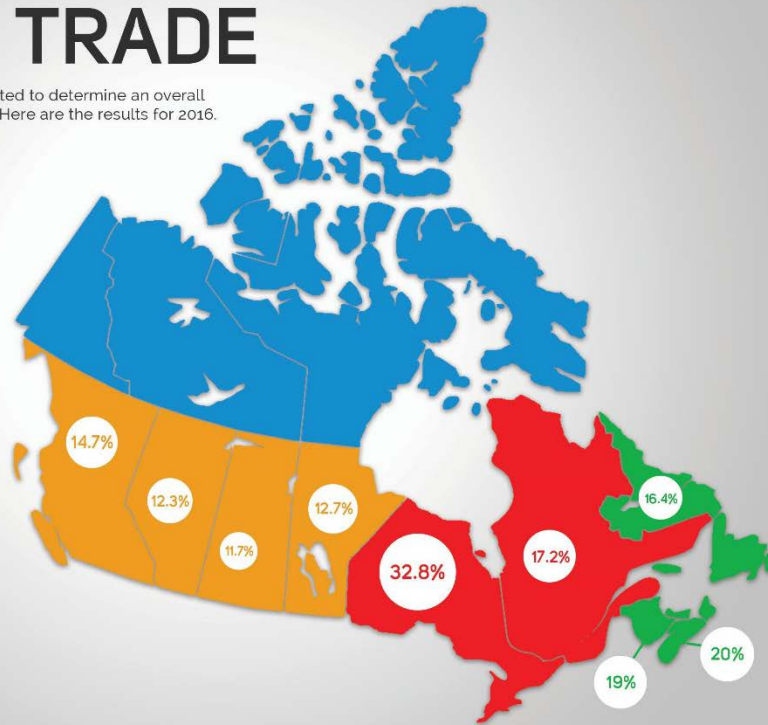
CANADA'S ILLEGAL TOBACCO TRADE

Each year, discarded cigarette butts are collected to determine an overall average use of illegal tobacco across Canada. Here are the results for 2016.

What is Contraband Tobacco?

Illegal cigarettes, often referred to as contraband tobacco, are products that do not comply with Canada's tobacco regulations – specifically those regarding packaging, importation, stamping, manufacturing, distribution and taxation.

Contraband cigarettes are typically manufactured in illegal facilities on reserves in both Canada and the US. These products are sold and distributed via 350 smoke shacks in Ontario / Quebec, which sell baggies of 200 contraband cigarettes for as little as \$10 - \$15.



NOTE: The Government's new Marijuana Policy does not recommend plain packaging and maintains low taxation levels to move customers away from the illicit market.

Vaping – level playing field at retail?

- Convenience stores have abided by Health Canada’s directive that prohibits the sale of e-cigarettes with nicotine; vape shops have not
- Convenience stores support the government’s decision to regulate e-cigarettes through Bill S-5, but worry that the Bill fails to provide a level playing field for all retail channels to sell vape products.



There is a growing acceptance among public health professionals of the potential of non-combustible nicotine-containing products to aid smoking reduction and cessation. The science to support this is also growing and contributing to their popularity in Canada and around the world.



Offering these products in our stores presents an opportunity to introduce tobacco users to a less harmful smoking alternative, while at the same time controlling for youth access.



A report from the Royal College of Physicians in the UK states that switching completely from tobacco to e-cigarettes achieves the same health benefits as quitting smoking and all nicotine use completely. It found no evidence to support the idea that e-cigarettes were either a gateway to nicotine addiction or to smoking tobacco products.

S-228 (Marketing to Kids)

In fight over ads aimed at kids, retailers and food makers count on Trudeau's 'evidence-based policy' promise

By David Akin
Chief Political Correspondent, Global News

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"Our worry is the government is moving forward with an approach that doesn't at all think about the fact that this multi-dimensional issue requires a multi-dimensional solution," said Satinder Chera, president of the Canadian Convenience Stores Association.

- Will employees under 17 be prohibited from handling a box of chocolates?
- Convenience operators invest in making their stores safe and family friendly.
- Will convenience store operators be required to change store layouts? How much will that cost?

Tax Concerns and Healthy C-Stores

- As outlined in our submission, convenience retailers are unpaid tax collectors for government.
- With 2/3rds of convenience store operators being independent retailers, providing tax relief at a time when the cost of doing business across the country continues to rise (minimum wage increases, hike in electricity costs), is needed.
- Convenience retailers can support the government's focus on growing strong healthy communities; provide targeted tax relief and support, including measures that help convenience stores to carry fresh fruits and vegetables.

Recommendations

- Look to reduce or cap credit card fees for small business retailers.
- Hold on S-5 until there are meaningful measures in place to address contraband tobacco.
- Create a level playing field for all channels when it comes to vapour and e-cigarette products (i.e. communications).
- Work with convenience store retailers to offer a greater selection of fresh produce in our stores.
- Ensure retailers are fully consulted on the issue of Marketing to Kids/S-228.