

## **Canadian Independent Petroleum Marketers Association**

### **Responses**

#### **1. Economic Recovery and Growth**

*Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?*

Canada's independent petroleum sector is a vital and growing part of the Canadian economy. Its growth is encumbered however by recurring product shortages resulting from refinery outages, interruptions within Canada's fuel distribution system and conflicting fuel specifications from province to province. A more timely and transparent reporting of refinery inventories would give independent petroleum marketers the information they need to deal with impending supply interruptions by negotiating additional supply sources, thus preventing product outages and to enabling them to grow their businesses. Further, better harmonization of fuel specifications across provincial and national boundaries would enable independent fuel marketers to expand their businesses in adjacent provinces. The introduction of more responsive waivers related to specific fuel attributes in the event of issues within the petroleum production and distribution systems would facilitate freer flow of products across U.S./Canadian borders and provincial boundaries, encouraging business growth and jobs.

#### **2. Job Creation**

*As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?*

According to The Competition Bureau, Canadian retailers are paying some of the highest credit card fees in the world and members of our sector are particularly impacted. Independent petroleum marketers operate in an extremely competitive environment with low and generally stable margins. While more and more consumers are opting for electronic payment, independent petroleum marketers have limited flexibility to pass on credit card costs to consumers. Under today's gasoline pricing levels, independent petroleum marketers are, on average, paying up to 1/3 of their operating margin to Credit Card companies ie Visa and Mastercard, merely to process payments. This significantly curtails their ability to invest in new business opportunities, hire more people and purchase new capital equipment. Interchange fees which are fair to retailers while still providing credit card companies with a reasonable return on their investment would free our members, who are entrepreneurial business people with deep roots in their communities, to build their businesses and increase levels of social investment in their communities.

#### **3. Demographic Change**

*What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?*

Our members employ over 20,000 Canadians directly and indirectly. As mentioned above, a reduction in credit card fees through smart regulation would enable our members and the business sector overall to

invest more in skills training, and hiring of new workers.

#### **4. Productivity**

*With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?*

Canada's petroleum products supply is very precarious. Members of the independent petroleum sector dedicate significant time working on sourcing products that meet individual provincial fuel specifications, particularly in times of product outages. Further, the development of business opportunities across provinces is hampered by miniscule differences in fuel specifications from province to province. More harmonized fuel regulations across provincial boundaries would enable petroleum products to flow more freely across the country and open the door for entrepreneurial companies such as our members to focus on new business development and more productive use of their resources.

#### **5. Other Challenges**

*With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?*

As mentioned above, high credit card costs are crippling the retail sector and independent petroleum marketers in particular. The Minister of Finance has the power to intervene and create a fairer landscape for small and medium sized businesses in Canada – businesses which have the potential to add real jobs and significant investment to the Canadian Economy and we urge action on this front. We believe that streamlined and fair regulation of credit card fees and the reinforcement of the Interac system in Canada can redress a patently unfair situation and free the business community including our members to grow their business and add jobs to the Canadian economy. Small and medium sized fuel importers in Eastern Canada are also facing specific business challenges in light of the impending requirement for Biodiesel in Heating Oil and Diesel in Quebec and Atlantic Canada. Small importers, who help to address petroleum supply shortages in Quebec and Atlantic Canada through their importing activities, will be penalized by the impending regulations. We estimate that the costs of compliance to these regulations for Norcan, one of our member companies, will be in the area of \$2.5m annually. At the same time, they will be competing in a challenging market with refiners who are able to meet their biodiesel requirements in other milder parts of Canada leaving Norcan unable to pass on these costs and maintain customers. We recommend changing the definition of 'small importers' in the regulations to 75 ml as this would remove the unfair penalty which the new regulations would impose on this regional Canadian company.