



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

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Canadian Convenience Stores Association
220 Wycroft Road, Unit 103
Oakville, ON
L6K 3V1
Phone: (877) 934-3968

EXECUTIVE SUMMARY

Small business owners are the backbone of Canada's economy and the Government of Canada has taken several important steps in acknowledging their value and contribution to our country's economic fabric. A key group within this broad network of entrepreneurs are the **190,000 Canadians** who work in the convenience store industry.

What many people do not realize are the significant contributions this group makes to Canada's economy. Canada's convenience stores provide more than **\$40 billion** to the Canadian economy every year, buying more than **\$22 billion** in goods and services annually.

With 23,000 retail locations across Canada, serving over 10 million people a day, convenience stores are more than just small businesses – they're the heart of our economy, right in your neighbourhood.

It is our hope that, by working with the Government of Canada to address our concerns, Canada's convenience stores can truly thrive.

Recommendations:

- **That the Government of Canada expedite and enforce its criminal fine recovery process and/or provide timelines around when this recovery is expected to take place, which will deter illegal tobacco activity;**
- **That the Government of Canada increase on the ground enforcement through the RCMP in Western and Atlantic Canada to combat the growing threat of illegal tobacco in those areas;**
- **That the Government of Canada contribute to public awareness on the dangers of illegal tobacco through provision of existing translated material and other measures of public engagement;**
- **That the Government of Canada reduce credit card swipe fees and bring fairness and transparency to the payments industry in Canada;**
- **That the Government of Canada recognizes the effect of compounding regulation on small business and work with the provinces in efforts to reduce red tape;**
- **That the Government of Canada consults with the convenience store industry before any new regulation is introduced that impacts our store operators to ensure that the regulation is necessary and, if so, is as operationally efficient as possible.**

ABOUT THE CANADIAN CONVENIENCE STORES ASSOCIATION

The Canadian Convenience Stores Association (CCSA) was established to act as the voice of Canada's 23,000 convenience store retailers. The CCSA achieves this goal across Canada by working with four affiliated regional associations: The Western Convenience Stores Association (WCSA), Ontario Convenience Stores Association (OCSA), Quebec Convenience Stores Association (QCSA) and Atlantic Convenience Stores Association (ACSA).

Convenience stores contribute to the economy of practically every community in Canada – rural and urban – from coast to coast to coast. 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 CANADA'S CONVENIENCE STORE INDUSTRY

The CCSA has been very appreciative of the opportunity to work alongside the federal government on issues such as food and nutritional labeling, credit card fees, Bill C-10 and *The Citizens' Arrest and Self Defence Act*. These initiatives are all important to our retailers and our industry and we look forward to continuing to be engaged stakeholders of this government.

Despite these positive initiatives, there are still challenges facing our industry and our proposed solutions are outlined below.

The Continuing Threat of Illegal Tobacco in Canada

One of the primary issues impacting Canada's convenience store retailers is the continued trafficking and sale of illegal tobacco. These tobacco products do not comply with Canada's regulations, specifically regarding taxation, importation, stamping, manufacturing and distribution.

Illegal cigarettes are typically manufactured in facilities on Aboriginal reserves in both Canada and the U.S and are distributed through sophisticated networks off-reserve in large quantities. These products are then sold to individuals either by smoke shacks or traffickers, without proper taxation or regulations, for as little as \$10-15 per bag of 200.

The negative impact of the illegal tobacco trade includes lost revenue for government, which is important given the federal government's recent increase in tobacco taxes.

The trade also makes the product accessible and affordable for young people to purchase. At a time where government is trying to encourage youth not to smoke, the lower prices of illegal cigarettes are far more enticing thereby resulting in increased tobacco consumption.

These sophisticated tobacco trafficking networks continue off reserve and are expanding throughout Western and Eastern Canada. They are typically affiliated with organized crime groups who reap massive profits off of their sale and the sale of other illegal drugs and weapons that are frequently confiscated with seizures of illegal tobacco. These groups and their affiliates are also facing little to no financial deterrence as federal fines levied on individuals committing these offences are currently not being collected by the government.

The sale of cheap, illegal tobacco has a massive impact on community safety but also on small business owners. The impact of the federal tobacco tax increase in the government's 2014 Budget, was felt by our retailers almost immediately.

Due to soaring tobacco prices and continued demand for the product, trafficking that was once limited to Ontario and Quebec, has now spread throughout Canada according to illegal tobacco studies by our affiliates. In May of 2014, rates as high as **51.6%** were found in high schools and universities throughout the British Columbia. Nova Scotia saw their rates increase by 40% over a one year period since 2013, from 14.6 to 20.4 %, according to a recent study by the ACSA.

While seizures of illegal tobacco in Central Canada have increased thanks to the positive work of enforcement officials, this criminal activity has created displacement to other regions in Canada where fewer federal resources are available to tackle this issue.

In order to combat illegal, untaxed tobacco, the CCSA would like to highlight the following issues and our recommendations:

***Issue:** Many fines levied for illegal tobacco offences go uncollected, leaving little to deter traffickers.*

Recommendation: The Canadian Convenience Stores Association recommends that the Government of Canada expedite and enforce its fine recovery process and/or provide timelines around when this recovery is expected to take place;

***Issue:** The presence of illegal tobacco in our communities threatens community safety, because of its many links to crime. The issue is also spreading at a rapid rate across Canada.*

Recommendation: The Canadian Convenience Stores Association recommends that the Government of Canada increase funding for additional on the ground enforcement resources in Western and Atlantic Canada through the RCMP;

***Issue:** The public is largely unaware of both the legal and social consequences of purchasing illegal tobacco. In addition, convenience store retailers serve as the only gatekeepers to preventing youth from accessing age-restricted products.*

Recommendation: The Canadian Convenience Stores Association recommends that the federal government provide financial resources for public awareness of the consequences of selling or purchasing illegal tobacco products. In addition, the CCSA requests support for translation of the CCSA's Contraband Tobacco Awareness Course and retailer Code of Conduct into other languages outside of English and French so it is accessible to retailers across the country.

Credit Card Swipe Fees that Negatively Affect Convenience Stores Income

Credit card 'swipe fees' charged to Canadian retailers are amongst the highest in the world—ranging from 1.5% to 4% of a purchase. Particularly for small business, these costs pose the greatest challenge to their ability to compete effectively and continue serving communities across Canada.

While there are several factors that impact retail prices and employment such as costs of manufacturing and raw materials, transportation, minimum wage rates and regulatory burden, credit card swipe fees impact both retailers and consumers.

The impact of these high fees constrains the ability of all retailers to invest in their businesses and communities 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.

A reduction in credit card swipe fees will be to the benefit of consumers and communities across Canada as they will allow our small business members to increase investment in their businesses, create more jobs and to help reduce consumer prices.

***Issue:** Credit card swipe fees in Canada remain amongst the highest in the world, creating challenges for small businesses and higher pricing for consumers.*

Recommendation: We urge the Government to reduce credit card swipe fees and bring fairness and transparency to the payments industry in Canada.

Over-Regulation within the Convenience Store Industry

Regulation of the convenience store industry within Canada continues to expand annually which leads to declining growth and prosperity for small business owners. Convenience stores must comply with various regulations at the national level that are not only costly, but also time consuming to maintain which leads to lower rates of productivity and economic growth.

In 2013, the CCSA conducted studies on the degree of regulation impacting the industry at the federal, provincial and municipal level (looking at 5 major cities in Canada including Vancouver, Calgary, Toronto, Montreal and Halifax). This study identified 868 regulations that directly impact convenience store operators. The study went further by estimating the cost to comply with such regulations which was estimated to be over \$10,000 per year per site. This is a significant cost to small business owners and prevents such businesses from focussing on efforts to run their operations, hire new employees or invest in additional equipment or improvements.

The CCSA encourages the following recommendations to be adopted to allow for further growth in the small business sector:

***Issue:** Compounding regulation amongst federal, provincial and municipal government and jurisdictions lead to costly and time consuming regulations on small business.*

Recommendation: That the Government recognize the effect of compounding regulation on small business and work with and oversee red tape reduction efforts with provincial and municipal governments. Harmonized legislation should also be sought, where possible.

***Issue:** Often, many new government regulations and initiatives are conducted without consulting with small business owners and operators in the convenience store sector.*

Recommendation: That the Government consult with the convenience store industry before any new regulation is introduced that impacts our store operators to ensure that the regulation is necessary and, if necessary, that it is as operationally efficient as possible.