CICC CONVENIENCE INDUSTRY COUNCIL OF CANADA
CCID CONSEIL CANADIEN DE L'INDUSTRIE DES DÉPANNEURS

Mr. Ernie Hardeman, MPP
Chair, Standing Committee on Finance and Economic Affairs
Room 1405, Whitney Block, 99 Wellesley Street West,
Toronto, Ontario,
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Dear Mr. Chair:

On behalf of our 8,600 members in Ontario, please find enclosed our submission for the Committee's 2022 Pre-Budget Consultation.

Like many other sectors, the province's convenience industry hasn't been immune to the challenges brought on by the COVID-19 pandemic. Despite being open, COVID has hit our individual stores and operators hard. Reduced foot traffic, coupled with increased overhead costs, have placed tremendous financial strain on our businesses.

The pandemic has provided a concerning glimpse into the future for convenience stores. With fewer people commuting, gas sales and foot traffic have declined year-over-year. With the continued move towards electric vehicle adoption, our industry can no longer rely on fuel sales and must look to innovate and expand our product offering.

The shift to electric vehicles is the latest in a series of government decisions that have major consequences for our stores. The Ontario government's decision to remove flavoured-vaping products from our shelves has given a monopoly to unregulated vape shops, while the push toward online gaming and purchasing lottery tickets via PlayOLG online negatively impacts our direct sales. As result, it is no surprise that convenience stores are closing in Ontario at a rate of 2-to-1 compared to Québec.

What's extremely concerning is that closure rate is even higher in areas like rural and northern Ontario – the very places where these stores serve a critical role for Ontarians looking to access essential. These are stores like the MacEwen in Mattawa which opens overnight when called by the OPP or EMS for fuel, or the store in Maxville that serves as a designated emergency refueling center for Eastern Ontario OPP. Our members provide a vital role in many communities across the province and we have to start looking ahead to what the future has in store for the convenience industry.

Support for the industry must be innovative and represent meaningful change. While we continue to work with your government on increasing lottery commissions and combatting illicit tobacco, those efforts are not enough to ensure both a sustainable and vibrant industry. The only measures that will help our recovery will be new product lines.

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As we have previously communicated, the Ernst & Young Research commissioned by CICC, as well as reports from our members, underscores the continuing prevalent problem with contraband tobacco. Government understands the problem and you know that the provincial treasury is losing upwards of $1 billion annually. We have long advocated for holding the line on tax increases until illegal tobacco levels have dropped, investing and empowering law enforcement and federal provincial coordination. A contraband market that still represents over 30% is not good for law-abiding retailers, not good for public safety, and certainly not good for government finances.

While movement on contraband would be welcome, we remain steadfast in our push for beverage alcohol retail opportunities. We want to be able to sell alcohol, especially Made-in-Ontario alcohol, that would not only help our stores recover, but would also help local craft producers of beer, wine and coolers grow following the COVID-19 pandemic. Allowing our stores to sell beverage alcohol is a true win-win-win: for local producers, for convenience stores and for consumers.

The government has made incremental changes by removing regulations and red tape that prevented the sale and distribution of alcohol at farmers' markets, take-out or delivery. These changes have been met with positive reviews. Modernizing alcohol laws has been good for businesses and consumers; offering beverage alcohol in our stores can keep this positive trend going.

CICC is urging the government to live up to its promise from the 2018 election campaign and include a commitment to expand beverage alcohol sales to convenience stores in Budget 2021. Removing outdated restrictions on the sale of alcohol will create new revenue streams for our retailers.

Recent data from Nielsen IQ reveals that consumers want to purchase beverage alcohol at their local stores. Nationally, beer was the convenience channel's second-highest product category in 2020 as it recorded an amazing 25% increase in sales over the previous year. Wine sales also grew by 40% over 2019. What's astonishing is that this data only represents sales from just one Canadian province, Québec.

As a result, expanding alcohol sales to our stores will ensure our industry can keep meeting the needs of Ontarians in a post-COVID environment.

If you have any questions, please do not hesitate to contact me.

Sincerely,

AP. Kothawala

Anne Kothawala, President and CEO
Convenience Industry Council of Canada (CICC)