



Mr. John Yap
Chair, Liquor Policy Review
PO Box 9293 Stn Prov Gov,
Victoria BC,
V8T 9J8

October 16, 2013

Dear Mr. Yap,

The Western Convenience Stores Association is pleased to participate in the consultation process to review BC's liquor laws and make recommendations with respect to the modernization and improvement of liquor policy in this province.

Most British Columbians are unaware of the valuable social and economic contributions our industry makes to this province. Here are some of the facts:

- There are more than 2,300 convenience/gas retail stores in BC
- Our industry employs over 20,000 British Columbians
- Convenience stores contribute approximately \$5 billion annually to the provincial economy
- 70% of the population lives within half a kilometer of a convenience store
- The average number of store visits on any given day is roughly one third of the population of British Columbia.¹

Our customers consistently tell us they would enjoy the convenience of buying beer and wine in our stores. Indeed, a November 2012 survey of a representative sample of 1004 British Columbians completed on behalf of the association by Abacus Research found that a majority of British Columbians (63%) over 18 would support allowing private retailers like convenience stores to sell beer and wine. Fully 36% indicated their "strong" support.

In this submission, we outline a proposal for a responsible transition to liquor laws that more accurately reflect BC's social and economic realities. We describe how BC can retain the existing public liquor distribution and retail model while granting licenses to qualifying convenience stores authorizing them to sell beer and wine. The licensing process should include conditions and restrictions that place controls on minimum pricing, hours of sale, and promotional and marketing activities.

¹ Based on *New year, new perspectives*, YCM, January-February 2008, www.conveniencecentral.ca and *Annual Demographic Estimates-Canada, Provinces and Territories- 2008*, Statistics Canada, No. 91-215-X catalogue

We further recommend that convenience stores be required to meet or exceed safety standards, pass periodic safety audits and maintain a “clean” record on age-verification in order to retain and renew their licenses.

We propose a phase-in period where a limited number of licenses throughout the province are issued to ensure a smooth transition. This would allow for initial monitoring while also protecting the interests of smaller retailers who cannot adapt as quickly as large chains to all the licensing requirements.

Finally, we submit that if our recommendations are accepted, existing private liquor stores be allowed to sell more non-alcohol products to ensure their industry is not disadvantaged.

Canadians will someday look back and wonder why it took so long for most Canadian provinces to allow the sale of beer and wine in local corner stores and markets – a long-familiar practice south of the border, in Quebec, and in Europe. The reality is that alcohol sales through privately-owned neighbourhood stores are not new to this province. In underserved regions, convenience stores commonly serve as agencies in place of government liquor stores, and have done so for many years.

Our recommendations build on existing systems that have been proven to be effective and will align BC’s liquor laws with the lifestyles and values of our residents. The following pages discuss how and why implementation of our recommendations will uphold the principles and objectives guiding the current Liquor Policy Review.

Our commitment to responsible retailing

Convenience storeowners have a social license to sell age-restricted products such as tobacco, lottery tickets and fireworks. The programs we have in place to promote effective age-verification show our commitment to responsible retailing of these products, and our record proves that commitment.

All staff in BC convenience stores has access to free, comprehensive training in age-verification through our association’s “We Expect ID” program. The program is offered free of charge to retailers that sign a Code of Conduct expressing commitment to proper and effective age-testing.

According to a report prepared for Health Canada, as of 2009 the industry had an 84.3% rate of compliance in refusing to sell age-restricted products to minors.² This represents a higher compliance rate than is found in government-run liquor stores in some provinces. These figures had been steadily improving since the 1996 start date of the study, and the numbers are still improving. The report includes findings from a total of 5,502 stores visited across Canada. In BC, 2009 compliance rates were 94.3% – the highest in the country.

An efficient, controlled distribution system

The convenience retail industry's distribution system has been refined to a point where stores are able to compete with larger retailers on most products currently sold. Product distributors act as wholesalers and stores are able to offer competitive pricing because of the scale and efficiency of the distribution network. The system has evolved to distribute efficiently to and from poorly served geographic areas.

Our product distribution system could easily accommodate and enhance BC's present liquor distribution model while allowing stores to sell bottled products at competitive prices. More importantly, the security of our existing system ensures the legal sale of controlled goods, such as tobacco, and would extend to cover distribution of beer and wine as well.

In a manner similar to the collection of provincial tobacco excise taxes, the provincial government would continue to tax liquor at wholesale through the existing convenience store distribution system, but without the Liquor Distribution Branch ever having to physically handle the products. The Liquor Distribution Branch already permits some private warehouses to directly supply to beer and wine stores in this manner.

Investment, and jobs waiting to happen

Beer and wine sales in convenience stores would strengthen the domestic liquor manufacturing industry and attract investment to BC.

² *Evaluation of Retailers' Behaviour Towards Certain Youth Access-To-Tobacco Restrictions*, Table B. CRG Consulting, 2009. Prepared for Health Canada Controlled Substances and Tobacco Directorate, Healthy Environments & Consumer Safety Branch.

Thanks to the convenience retail industry's product distribution system, the sale of beer and wine in BC convenience stores could provide economic benefits for smaller, local brewers and vintners. Many BC wineries and craft breweries do not produce on a large-enough scale to reliably supply government liquor stores. These smaller producers could benefit from our distribution network and their products could be made available across a wider local customer base, bolstering the potential for growth in BC-made products. The expanded distribution available to craft breweries and small wineries would strengthen local domestic production and enhance its sustainability.

Alcohol sales in convenience stores would also attract investment to the province. As an example, in September 2013 one of Canada's largest convenience store chains committed publicly to investing \$54 million to build 27 new, ultra-modern convenience stores in Ontario if convenience stores are granted the right to sell alcohol in the province.³ These stores would create an estimated 170 full-time jobs. This is over and above the 1,600 full-time jobs that would be added to the 546 existing stores in the province. BC could anticipate similar investment potential proportionate to the size of the market (about one third that of Ontario).

Similar investments could be expected from other retailers and independent stores.

Increasing government revenue

The BC Liquor Distribution Branch collects government revenues through taxation at the wholesale level.⁴ Expanding the distribution network and sales outlets would in and of itself have no impact on government revenue unless accompanied by an increase in consumption. As is discussed below, we do not anticipate any significant increases in domestic consumption.

However, each of the benefits to the BC economy described above would have the effect of increasing government revenue indirectly through increased employment and associated multiplier effects. As well, the licenses to sell beer and wine would themselves constitute new government revenue.

Moreover, as many tourists are disappointed to learn that BC convenience stores cannot sell beer and wine, the recommended policy changes would have a positive impact on tourism. It would at least marginally increase beer and wine sales among those visiting the province – and with them, the associated tax revenue.

³ “Mac’s makes case for alcohol sales in Ontario corner stores.” *The Globe and Mail*, June 26, 2013

⁴ Tolhurst and Löfvenberg (2013). *British Columbia’s Alcohol Control System*. p. 5

Minimizing harm

The existing liquor taxation model is widely regarded as an effective instrument to restrain consumption of alcohol products and transfer the social costs of consumption to the consumer.⁵ The tax increases the price of consumption so that the market price better reflects social costs. It is one reason why we recommend that this model and existing controls on price and hours of sale stay in place.

Expanding the market to allow liquor sales at neighbourhood stores will increase convenience and accessibility for consumers. This does not necessarily mean alcohol consumption will increase; merely that those who choose to buy liquor will be better-served. Government can (and should) retain control over price through taxation and other restrictions, such as controls on minimum pricing, hours of sale, and promotional and marketing activities.

Ensuring our safety

BC's convenience store industry has an exceptional safety record that is founded on many years of experience in ensuring the safety of employees and the public.

BC has the strictest provincial standards for the health and safety of employees working alone, particularly in the late night retail environment. Our association has played a very active role in the development of these standards and their incorporation into Part 4 of the *Occupational Health and Safety Regulation*. Our provincial standards include measures that work to protect both staff and the public. They cover training and measures to control access to cash, tobacco and lottery tickets. They also cover the physical aspects of the convenience store itself, such as layout, visibility, video surveillance and lighting.

In order to facilitate and verify compliance with BC's late night retail safety regulations, we are supporting the development of an independent safety audit program to validate that these measures are implemented as claimed. The audits will involve store visits by independently qualified auditors. To our knowledge, no other jurisdiction in the world has such a rigorous program in place.

And so it is worth pointing out that the late night retail safety measures the industry has developed are proven to promote worker and public safety at all hours of the day, not just during late night hours. We would support the application of these standards to all stores seeking a license to sell alcohol as this would ensure alcohol sales occur in suitably controlled environments.

⁵ Ibid. p. 13

In November 2013 we will begin testing a state-of-the-art, self-directed audit application that will prepare stores to meet BC's safety requirements. It will also educate and prepare storeowners and staff for the independent safety audits.

Balancing economic and social interests

Permitting the sale of beer and wine will encourage more convenience stores to voluntarily attain and maintain higher standards of safety and security, benefitting employees, customers and the public at large. It would build on and further enhance the impact of our "We Expect ID" age-verification training.

It would also take responsible retailing in the industry to a new level.

The sale of age-restricted products like tobacco and lotto already gives retailers a strong incentive to comply with age-testing requirements. Adding another product would further strengthen their commitment. Unlike public liquor stores, convenience stores that sold inappropriately could have their license revoked or suspended, which would significantly harm their business.

As noted above, BC convenience stores already have the highest compliance rates in the country for age-verification.⁶ The opportunity to sell beer and wine under the conditions recommended in this submission would create a very powerful incentive to ensure employees are fully trained and do not sell to minors, problem drinkers or the intoxicated. It would also further strengthen compliance with age-verification requirements in general, thus supporting reduced youth access to tobacco products.

Moreover, approximately 70% of the population lives within 500 meters of a convenience store.⁷ At an easy walking distance from most Canadians' homes, convenience stores support the health, safety and environmental benefits of pedestrian traffic vs. driving. Allowing the sale of liquor in more convenient locations would heighten these benefits.

Respecting collective agreements and trade agreements

Alcohol sales in convenience stores would preserve the tax system, which conforms with World Trade Organization obligations on internal regulation because it is applied to both domestic and foreign products. It is effective, efficient and

⁶ *Evaluation of Retailers' Behaviour Towards Certain Youth Access-To-Tobacco Restrictions*, Table B. CRG Consulting, 2009.

⁷ *2011 Industry Report – A Better Way to Reach Canadian Consumers*, Canadian Convenience Stores Association, p. 4.

legal. Any changes to inter-provincial trade agreements are beyond the scope of this submission and would not be effected by our recommendations.

As we do not recommend any change to the current system of government liquor stores, existing labour agreements would not be effected.

Summary and conclusion

Allowing the sale of beer and wine in qualifying convenience stores would provide flexibility for businesses and remove operational barriers to help grow the economy. We have aimed to demonstrate that this can be achieved while protecting public safety, preserving government revenues, and protecting and supporting local economies.

In summary, the Western Convenience Stores Association recommends that BC retain the existing public liquor distribution and retail model while granting licenses to qualifying convenience stores authorizing them to sell beer and wine.

The licensing process should include controls on minimum pricing, hours of sale, and promotional and marketing activities. As a condition of maintaining licensed status, convenience stores should be required to meet or exceed rigorous safety standards and maintain a “clean” record on age-verification.

We propose a phase-in period where a limited number of licenses throughout the province are issued to ensure a smooth transition. This would allow for initial monitoring while also protecting the interests of smaller retailers who cannot adapt as quickly as large chains to all the licensing requirements.

Finally, we submit that if our recommendations are accepted, existing beer and wine stores be allowed to sell more non-alcohol products to ensure their industry is not disadvantaged.

We are encouraged by this government’s willingness to seriously reconsider BC’s outdated liquor laws and to work with all stakeholders to ensure that the results of the review do, indeed, result in a better system. As an association, we are pleased to be working with this government to establish healthier food environments in convenience stores and look forward to supporting a safe and healthy transition to a more modern liquor control system.

The government is “looking to create a liquor licensing system that reflects current social values, improves customer convenience and economic growth and ensures public health and safety.” We have the clear support of customers and BC’s convenience stores have established long-lasting relationships of trust with both

government and the general public when it comes to responsible retailing. We – the convenience store industry and our customers – are ready to build on our present successes and move forward to make the goal of modernized liquor laws a reality for BC.

Thank you for the opportunity to participate in this consultation process.

Sincerely,

Andrew Klukas
President, Western Convenience Stores Association