

CONVENIENCE CONNECT

AUGUST, 2012



112,500 Ontarians call for beer and wine to be sold in convenience stores.



www.freeourbeer.ca

What is believed to be the largest petition in Ontario history was presented by OCSA at Queens Park in Toronto receiving outstanding media attention.

Petition calls on the Legislature to broaden Ontario's current alcohol retailing system

On July 25, 2012 what is believed to be the largest petition in Ontario history was presented at Queens Park in Toronto and has received outstanding media attention.

At the political level with a minority government in place, the issue has stirred up a lot of interest. It seems that the independent, OCSA sponsored, Angus Reid survey that showed 67% of Ontarians really do want better access to be able to buy beer and wine is quite accurate. and the response was almost immediate.

"The alcohol retailing system in Ontario was designed in 1927 – 85 years ago – and hasn't fundamentally changed. But Ontarians are now speaking loud and clear: It's time we moved the discussion forward on modernizing alcohol retailing in Ontario to include convenience stores," said Dave Bryans, CEO, OCSA.

Progressive Conservatives are now agreeing, saying that it is time that the subject should be reviewed. This came as the LCBO announced plans to invest \$100 million of public money from the somewhat challenged public coffers over 2 years to build about 70 new stores in an attempt to better serve Ontarians and stymie the C-Store initiative.

Premier Dalton McGuinty again stated his position against allowing C stores it to be able to sell wine and beer making the case that the LCBO does an adequate job preventing minors from buying age restricted products even though independent research shows OCSA convenience stores were best at checking age (87.3%) compared to the Beer Store (80.7%) or the LCBO (74.6%). McGuinty is of the opinion that leaving matters alone with the LCBO



in control and spending \$100-million makes of Ontario a safer place as well as poorer. The minority Liberal position really does not make sense.

We live in changing times and the Ontario population has matured considerably over the years since the current alcohol retailing system was set up in the 1920's. Convenient alcohol retailing is widely available in other parts of Canada, in the USA and in Europe but not in Ontario.

The petition presented at Queens Park started from the tiny hamlet of Vanessa, Ontario as a true entrepreneurial initiative by Joanne McMurchy, proprietor of the Vanessa General Store.

The initiative quickly picked up steam with 220 communities across the province signing up support. These are everyday folk, New Democrats, Liberals and Conservatives. They are parents, neighbours, friends and responsible adults who just want to be able to buy beer or wine at a convenient outlet. And they honestly believe it is time for a change. They appreciate the value of their local convenience store selling everything from gasoline, foods, cigarettes, lottery tickets and staple items. They do not appreciate having to drive elsewhere just to buy a bottle of wine for dinner or a case of beer.

They understand and respect their responsible community retailers and have confidence in their ability to not sell age restricted products of any kind to minors. The OCSA We-Expect-ID is well established today in C stores and has built considerable consumer confidence and respect.

It is time for change. Ontario is ready and consumers are supporting this progressive initiative. It will now no doubt be a key issue in the next provincial election.



Ontario Convenience Stores Association

Suite 217 - 466 Speers Road, Oakville, Ontario L6K 3W9

(905) 845-9152 • (905) 849-9947 - Fax

info@conveniencestores.ca • www.conveniencestores.ca

Modernizing the Lottery Business – An Update

This report was supplied by:
Greg McKenzie, Senior Vice President Lottery

I'm pleased to update you on the modernization of the Lottery business.



In April, I wrote about the key features of the OLG Modernization announcement and what it may mean to your business. Convenience store retailers continue to represent a significant contribution of all lottery sales in Ontario, generating approximately \$168 million in commissions annually.

Our OLG modernization announcement in March underlined that:

1. Convenience stores are expected to continue to be the source of the majority of lottery ticket sales.
2. Convenience store lottery terminal locations will continue to be a priority.

Request for Information (RFI)

The next phase of modernization was launched on June 7, 2012. A Lottery Request for Information (RFI) was introduced into the market, a key information-gathering step in our strategic procurement process. The Request for Information (RFI) poses a number of questions about a variety of business options that we want to learn more about.

The Future of Lottery

As outlined in the RFI, OLG currently thinks of the lottery business as an integrated eight-segment value chain: the backend lottery engine, its network, the Support Centre and logistics, the customer interface, channel development and sales, portfolio design, game management, product development, and finally, marketing.

In the future, OLG will approve, monitor and oversee operations across all segments of the value chain and will continue to operate critical components of the business.

OLG is considering three potential operating models in the future:

- * An "integrated model" where a single service provider takes on the operational elements for the full value chain, serving as a single point of contact for OLG. OLG would conduct and manage the entire business, as well as approve, oversee and monitor performance by regulated private sector service providers.
- * A model with OLG as a "vendor coordinator" using different service providers. OLG would conduct and manage the entire business, as well as approve, oversee and monitor performance by regulated private sector service providers.
- * A model with OLG retaining more responsibility for day-to-day operations of one or more segments.

Maintaining Communication

We were excited to hear about the development of The Convenience Store Advisory Committee and look forward to supporting this work. We want to continue to have an open dialogue about your business, Lottery modernization and our future together. We expect this team will be a well-rounded group of talented OCSA members, representing your combined interests.

I continue to remain committed to providing you with open and frequent communication regarding the modernization process as we progress through this process.

To learn more about Modernizing Lottery and Gaming in Ontario, please visit www.olg.ca, or speak with your OLG representative.

FOLLOW US 

You can find our regular tweets at:
<http://twitter.com/OntarioCStores>

Gas Theft Poster Campaign Raises Awareness

OCSA co-sponsors aggressive campaign with the Canadian Independent Petroleum Marketers Association, Canadian Petroleum Products Institute, Mac's Crime Busters and Toronto Crime Stoppers

A highly visible campaign is launching to raise public awareness of the serious issue of gasoline theft "Drive Offs" – and more importantly that there are serious consequences for those apprehended.

Gasoline retailers are working to get the point across that this issue is no joke and a crime. Offenders will be prosecuted to the fullest extent of the law.

Look to see these posters at gas stations across Ontario this Fall.



OCSA launches 10-Week Anti-Contraband Billboard Campaign

Ontario Convenience Stores Association (OCSA) hopes provocative billboard campaign will raise awareness about penalties and negative impact of illegal cigarettes

The RCMP has said the contraband tobacco market is “a serious threat to public safety”

OCSA is taking its message about the fines people face, and the harm contraband cigarettes cause to communities and businesses to the streets with a new 10-week billboard campaign in dozens of locations in about 10 communities around Ontario – including Niagara Falls, St. Catharines, Kingston, Cornwall and Toronto.

Illegal cigarettes come in many forms and packages, including in pack formats and plastic baggies. Some are partially or untaxed, robbing the government of millions in tax revenue, and many are illegally manufactured in Canada or smuggled in from the United States. People caught with even one bag or pack of contraband cigarettes can be subject to fines from \$500-\$2,500.

“Governments have told us that education was a key tool in the war on illegal cigarettes. Our goal with these billboards is to educate the public and draw their attention to the fact that contraband tobacco is illegal and comes in many forms,” said Dave Bryans, CEO, Ontario Convenience Stores Association. “Illegal tobacco not only harms small businesses, it harms the community by bypassing the tough regulation and age-checks designed to prevent minors from getting access to tobacco.”

As many as one-third of cigarettes smoked in Ontario are contraband, and the RCMP indicates that profits from these sales are often being used by criminal organizations to finance other more serious activities. In fact, RCMP figures state that at least 175 organized crime groups are using contraband



smuggling to fund other criminal enterprises such as drug and weapons trafficking. Ontario's Auditor General has added that contraband tobacco is costing Ontario over \$500 million dollars a year in lost revenues.

The RCMP has said the contraband tobacco market is “a serious threat to public safety.” The OCSA is running two different billboards – one highlights the sophistication of the illegal tobacco industry by informing people that that illegal cigarettes come in many forms, including traditional cigarette packaging and plastic bags. The second billboard highlights the fines people face if they purchase contraband tobacco.

Canadian convenience store retailers have been outspoken on the issue of contraband tobacco since 2005. Over the past several years, over 1,000 convenience stores have gone out of business, in large part due to the effects of the illegal contraband market on these law-abiding retailers. A clear plastic baggie of 200 illegal cigarettes costs as little as \$10 while legitimate products are sold for \$75 - \$90 for one carton.

A \$100-million! This is austerity?

The Ontario government's plan to spend over \$100 million on building new LCBO stores over the next two years is bewildering in a time of austerity and does little to satisfy Ontarians' demand for more convenience in alcohol retailing. On the heels of being presented with a petition from 112,500 Ontarians asking for beer and wine sales in convenience stores, the Ontario government unveiled a plan for a costly LCBO expansion of 70 new stores over the next two years.

“Teachers and doctors are taking pay cuts and we're spending \$100 million on new LCBO stores? We understand the government wants to increase revenues by increasing alcohol sales, but there are ways to do that at no cost to the government. This plan is unnecessarily expensive and they're dismissing the millions of Ontarians who have said they want more convenience in the system than a handful of new stores can bring,” noted the organizers of the FreeOurBeer.ca campaign. “Expanding the role private retailers play in beer and wine retailing in Ontario would let the province increase revenues, but without the millions in up-front capital costs the increased LCBO expansion will bring.”

An independent study in 2011 revealed that 67% of Ontarians who shop at the government-run LCBO, or the privately and foreign-owned Beer Store, support convenience stores selling beer and wine. A majority of Ontarians across all regions of the province supported the idea, with Eastern Ontarians showing the highest level of support (71%).

“Working with local retailers in communities across the province also has the added benefit of supporting local businesses and reduces the reliance on cars,” added FreeOurBeer.ca organizers. “Giving people the option to walk to their local convenience store to pick up some wine for dinner not only makes sense socially, it's good for the environment.”

SOURCE: FreeOurBeer.ca



Ron Funk, OCSA Chair Keynote presenter at NACDA Summit

NACDA (National Convenience Stores Distributor Association of Canada) has announced a Keynote presentation by Ron Funk of Funk Consulting (OCSA Chair) at the Industry Business Summit, September 11-14, 2012, at The Rosseau Muskoka Resort and Spa, Muskoka, Ontario.

www.nacdasummit.ca

Help Wanted

OCSA needs to know if you see any infractions of Beer Stores flagrantly breaking the law!

The Beer Stores are allowed to sell beer-related sundry items (i.e. beer logo clothing, caps and lighters). But they have been taking advantage of this liberal allowance by selling: ice, propane, sunglasses and even peanuts at some locations. It is time to stop this unapproved right of an exclusive retailer. All OCSA is asking is that the playing field we are on be leveled!

If you see any infractions in your community, please contact the OCSA office.



Ontario Government Introduces New Regulations For Lottery Retailers and Lottery Retailer Managers

On June 1, 2012, the Government of Ontario made changes to the Gaming Control Act, 1992 (GCA), the law that governs all gaming sectors in Ontario, including OLG lotteries. This means that individuals or businesses registered by the Alcohol and Gaming Commission of Ontario (AGCO) to sell OLG lottery products will see changes to their registration name, and new selling restrictions.

Following is information on what these changes mean to you:

The registration class previously called "Lottery Retailer" is now included in the new class of registration called "Seller".

The registration class previously called "Lottery Retailer Manager" is now included in the new class of registration called "Category 1 Gaming Assistant".

As of June 1st updates are being made to Lottery Retailer and Lottery Retailer Manager Registrations when they come up for renewal. You are not required to contact the AGCO about this name change.

Renewal Applications – Category 1 Gaming Assistants

Application forms for Category 1 Gaming Assistants have been updated to include a new "Offer of Employment" section which must be signed by employers.

Who Cannot Be Sold a Lottery Ticket?

Our Retailer Policy Manual includes the "No Play At Work" policy, and this policy has not changed. Retailers and their employees who are involved in the sales of lottery tickets cannot play lottery at work.

These regulatory changes also include new selling restrictions. Specifically lottery tickets cannot be sold to:

1. Anyone who appears to be intoxicated/drunk.
2. Officers, directors and partners of the company that holds the registration.
3. Category 1 Gaming Assistants employed at the retail store.
4. Trade Union Executives or Trade Union staff if the retail store is unionized.
5. Anyone who maintains or repairs OLG lottery equipment (Lottery Terminal or ITD) at the retail store.
6. Anyone you believe is employed by the AGCO.

AGCO provides more information about these changes in its LOTTERY LINE newsletter for retailers, available on the AGCO's website at www.agco.on.ca. Go to the section near the bottom of the homepage titled "Services For You - Lottery Retailer, Retail Manager." You can also call the AGCO Customer Service Department at 1.800.522.2876 (toll free in Ontario) or 416.326.8700 (in the Greater Toronto Area).



An Exciting New Watch N' Win LOTTO Game

MEGADICE LOTTO follows on the footsteps of POKER LOTTO, featuring two chances to win with one lotto ticket, for \$2 per play!

**Launching
Oct. 2,
2012**



**Win up to \$7,500
instantly** if the seven

dice rolled on the Customer Display screen form a winning roll as per the prize structure.



**Win up to \$100,000 on the nightly
draw.** Six numbers from 1 to 39 will also be printed on the player's ticket for the draw.



Quick Pick only – no slips to fill out no numbers to pick!



All prizes are cash prizes – no free tickets to be won.

MEGADICE LOTTO tested well with consumers



86% of current players found MEGADICE LOTTO appealing.



74% of current players would likely play it¹.

**Get ready for the excitement to roll
out before your eyes! Stay tuned for
full details from your Sales Specialist!**

¹ Source: Northstar, Megadice Positioning Research, April 2012.