



ONTARIO CONVENIENCE STORES ASSOCIATION

Hon. Rod Phillips
Minister of Finance
Frost Building South
7th Floor, 7 Queen's Park Cres.
Toronto, ON M7A 1Y7

Hon. Christine Elliot
Minister of Health
College Park
5th Floor, 777 Bay St.
Toronto, ON M7A 2J3

July 15, 2020

Re: Illicit tobacco sales and the effect of “shut down” period on legal channel sales

Dear Ministers Phillips and Elliot –

On behalf of the Ontario Convenience Stores Association (OCSA) and its 6,000 member stores, and in support of your government's consultation on illicit tobacco, I am pleased to share with you the attached study that we recently conducted and is a result of a widespread survey of our members. The purpose of the study was to discover what, if any impact that the “shut down” during the COVID-19 pandemic period and the inability for Ontarians to access illicit tobacco would have on our legitimate small business tobacco retailers.

Prior to consuming this data, we would like to remind you that the OCSA has absolutely no affiliation with traditional tobacco companies. The OCSA neither accepts traditional tobacco companies as paying members within the association, nor do we accept any financial contributions (sponsorships, donations, project fees, etc.) from them. The views represented within this correspondence reflects those of small business retailers only, and mostly those of family-run independents.

The survey being shared with you today was conducted between June 2nd and June 30th 2020, which represents a unique period of time whereby the majority of First Nation reserves were closed to the public due to COVID-19. Our response rate was 20%, which represents 1234 store locations in the province. We have included the actual comments provided by our members as raw data for your information, and you will note how passionate our members are about this issue.

The findings of the report confirmed our assumption that without access to illicit tobacco sources, Ontarians entered the legal channel where they are be exposed to cessation messaging, cessation services, and a provincial tax structure designed to inspire changes

in consumption patterns. Sales in our stores dramatically increased during this period. This suggests the gravity of the illicit tobacco problem in Ontario, which we hope will help motivate you and your ministries to work together on an implementable action plan to combat this problem.

Key findings of the report include:

- **Dramatic increase in tobacco sales** – convenience stores throughout Ontario showed an increase in tobacco dollars sales between 10% to over 30%;
- **Proximity to a reserve played little role** – sales increased across the board, irrespective of the store’s proximity to a reserve. Almost half of the stores surveyed (46%) were over 30 kilometers from the closest reserve;
- **Little if any tobacco sales declines** – only 9% of respondents reported a decline or no change in legal tobacco sales;
- **Independent stores most impacted** – 80% of the retailers who responded were independent, family owned and operated stores who are subject to a small 5-10% margin on their tobacco sales;
- **Geographically agnostic** – respondents were relatively evenly distributed between GTA, Southwestern Ontario, Eastern Ontario and Northern Ontario, with each region reporting a similar surge in legal tobacco sales.

Our association has been working with your respective ministries for a number of years on this issue. For our members it’s a matter of fairness and the ability to sustain their businesses and provide for their families, many of whom are new to Canada. We appreciate you taking the time to work with us during the current consultation on illicit tobacco and trust that this information will prove valuable to you as you continue to work to address this persistent issue in our province. As always, myself and my association are available to answer any questions and provide more data to help inform policy decisions moving forward.

Yours truly,



Dave Bryans
CEO
Ontario Convenience Stores Association (OCSA)