CFIG FCEI

CANADIAN FEDERATION OF INDEPENDENT GROCERS · FÉDÉRATION CANADIENNE DES ÉPICIERS INDÉPENDANTS
105 GORDON BAKER ROAD, SUITE 401, TORONTO, ON M2H 3P8

November 22nd, 2017

Hon. Charles Sousa, MPP,
Minister of Finance
7th Floor, Frost Building South,
Queen's Park, Toronto
Sent by e:mail: csousa.mpp@liberal.ola.org

Dear Minister;

I would like to thank you again, on behalf of the Canadian Federation of Independent Grocers (CFIG), for taking the time to meet with some of our retail members, to discuss issues that are of concern. As we outlined at the beginning of our discussion, the grocery industry in this province is an extremely consolidated one, which, by coincidence, is covered in today's Globe and Mail pertaining to the investigation of the Loblaw Co., by the Competition Bureau. This consolidation has led to distortions in the marketplace that make it more difficult for our members to compete and again, as we indicated, the leverage of large corporate chains affords them the opportunity to offset many of the costs that small business grocers will face as a result of Bill 148.

Compounding the challenges that this legislation and the rapid increase in the minimum wage present, is the fact that our members are burdened by exorbitantly high energy costs that are simply put, not sustainable. While most of our members would meet the provincial definition of 'small business', in the context of the energy assistance purportedly available by the Province to small business, they cannot qualify for this relief as their energy usage puts them into the 'Class B' category of users. Notwithstanding that just about every retail grocer has heavily invested in upgrades and retrofits, their energy costs are still not being reduced. Whether they be a small or medium size grocer, their energy usage to a significant extent, is simply beyond their control because of the very nature of the grocery business. Conversely, large volume users, ironically the same retail chains that exercise their leverage in a myriad of areas to offset costs, obtain rebates and relief due to consolidating their consumption into one corporate user.
As we have outlined to both yourself and Minister Thibeault, it is clear that a remedy must be found for the small business Class B category user who has no viable way to reduce their usage. The current cost challenges are making many now consider closing intergenerational, family owned businesses. At a minimum, all of them indicated to you that planned reinvestments and expansions had been cancelled. I am sure you would agree that this is not an outcome that is in the best interests of the industry and communities across this province.

Lastly, I do want to take the opportunity to clarify what we were suggesting with respect to the current margin range set for independent grocers who wish to bid on a beer, cider or wine license. CFIG is appreciative of the fact that the government came to understand the realities of the retail grocery industry and as such, established two separate pools for bidding—one for the chains, and one for the independents.

Such an approach helped ensure that there would be a fair allocation of licenses to the small business grocers in Ontario. This was also the rationale for establishing lower AGCO inspection fees for those same small businesses. While the independents have bid aggressively for allocations, they do so and often bid low, knowing that in the context of the industry in which they compete, no independent who lies within close proximity of a chain retailer, can afford *not* to obtain a license. Any loss of traffic as a result of a chain competitor obtaining a license, would be very difficult for an independent grocer, operating on margins of less than 2 percent. The current system if unchanged, will end up choosing winners and losers, not I am sure, what the government intended.

As we also indicated, if a retailer's margin is 2 percent for beer and wine, and the customer pays by credit card, the small business grocer will pay a fee of around 1.5 percent or higher, depending on the type of card used. Beer and wine then becomes a loss leader for the retailer and surely again, this was not the intended outcome. I suggest, with all respect, that those who established the margin ranges, were probably not aware of how much retailers pay in interchange fees, nor the fact that the chains have negotiated fees that are roughly half of what the small business owner pays. This is why many of the independent small business grocers have clearly indicated to us that the current margin ranges are an impediment to even entertaining the thought of submitting a bid. Yet independent grocers constitute 59.7 percent of the grocery stores in this province. But the current system is weighted towards the chains. Accordingly, we would recommend that the margin ranges be adjusted upwards in the independent pool only. Not across the Board in both pools. If any independents chose to make bids in the chain pool, they would do so knowing the lower margin ranges apply. But in this way, independent retail grocers bidding against other independent retail grocers, would be given a more reasonable opportunity to submit a bid. I would also like to add that as the Ontario Craft Brewers have indicated to us, their growth, particularly in the independent grocery store channel, has been extremely strong. To us, this is no surprise. Buying local and supporting local products is a key point of competitive differentiation for the independents. We would submit that the province should be doing whatever it can to support the channel that enthusiastically welcomes the opportunity to promote and sell local Ontario craft beer.

Once again, thank you for listening to our concerns and engaging us in a discussion. We hope you will give serious consideration to the concerns we have raised, particularly around the energy issue and the need to adjust the margin ranges for our independent small business grocers.

Sincerely,

Gary Sands
Senior Vice President

c. Hon. Glenn Thibeault
Hon. Jeff Leal