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CONVENIENCE INDUSTRY
COUNCIL OF CANADA

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L'INDUSTRIE DES DÉPANNEURS

Written Submission for the Pre-Budget Consultations in Advance of the 2026 Ontario Budget

By: Convenience Industry Council of Canada

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Context

CICC is the voice for more than 7,300 retailers across Ontario. We represent the entire supply chain, including convenience retailers, manufacturers, wholesalers, and distributors, which have a presence in every riding and neighbourhood in the province.

The convenience industry generates \$17.1 billion in annual sales and employs nearly 63,200 Ontarians. Our stores are often the only source of essential goods and fuel, particularly in rural and remote locations.

Beyond our role as community hubs, our sector is a critical partner in generating government revenue. In 2024 alone, Ontario convenience stores collected nearly \$4 billion in taxes for the provincial government, an average of over \$543,000 per store. There is a substantial benefit to the provincial treasury to ensure that our stores stay open and competitive.

This is why the introduction of beverage alcohol sales in September 2024 was critical to the industry. The modernization of the beverage alcohol retail market has slowed store closures that we witnessed prior to 2024. However, more work is needed to get the system right.

To address these challenges and recognize the unique characteristics of the provincial convenience industry, CICC recommends the following for Budget 2026:

Continued Beverage Alcohol Reforms

While we commend the government's efforts to modernize the marketplace, challenges remain. The most fundamental is that convenience stores are unique. Unlike grocery stores, we operate with smaller footprints and rely on third-party distribution.

Ontario has the highest proportion of small stores in the country, with 42 percent of our locations measuring less than 800 square feet. This unique operational reality means that what works for large grocery stores does not necessarily work for us. We lack the space for large inventories and the purchasing power to leverage economies of scale.

The provincial government must understand that a one-size-fits-all system will not work for all stakeholders in the beverage alcohol supply chain. To ensure the success of retail expansion, alcohol policy must shift away from maximizing LCBO dividends toward

fostering economic growth through expansion, including helping smaller producers achieve economies of scale by selling in convenience stores.

The LCBO's recently proposed wholesale pricing model needs significant changes. It would jeopardize the success of retail expansion by drastically increasing the burden on convenience stores, which have a limited ability to absorb higher costs, ultimately leading to higher prices for consumers.

To fix the challenges that we are experiencing with the new retail marketplace, as well as potential changes to pricing, we call on the government to:

1. **Establish a Unique Convenience Store Margin Structure:** The convenience industry continues to face severe headwinds. We ask the government to set a new wholesale rate that reflects the unique characteristics of our sector, as mentioned above. There is precedent in the Early Implementation Agreement for different wholesale prices, and we recommend that the government consider that for our industry.
2. **Reintroduce Limited Trade Spend:** Not having vendor incentives and rebates is the equivalent of losing an additional 8% margin, materially impacting store viability. If the Early Implementation Agreement (EIA) restricts the reintroduction of traditional trade spend, the government should pursue adjacent policy improvements that strengthen retailer economics within the existing framework. These could include enhanced margin structures, targeted wholesale adjustments, or other mechanisms that deliver comparable financial outcomes while maintaining the integrity of the agreement. Where appropriate, the government may also wish to explore future opportunities with industry partners to revisit the framework as the marketplace continues to mature.
3. **Fix the Distribution Model:** We ask the government to allow convenience wholesalers to purchase products directly from the LCBO in a traditional buy/sell relationship. Wholesalers should be able to warehouse inventory, pick and pack orders, and ship them directly to stores, co-mingled with other products. This would significantly reduce inventory costs, overstock, and the labour required under the current system.
4. **Allow Retailers to Sell Broken Cases as Single Units:** To reduce waste and lost revenue, the government should amend regulations to allow retailers to sell single units from damaged or broken cases. Furthermore, we request the removal of

restrictions that prevent licensees from transferring products between their licensed locations to address inventory shortages.

5. **Address "Dead Shelf Space":** Craft products account for 20% of shelf frontage but less than 5% of sales. We are calling on the government to introduce buy-back provisions or credits for products that are not moving or have spoiled (especially craft products, which have a much shorter shelf life).
6. **Permit Linear Product Facings:** Amend Ontario Regulation 746/21 to replace the three-dimensional counting of all products with a calculation based on linear shelf space or product facings. This change would simplify compliance by excluding back stock and aligning regulatory inspections with standard retail display practices.

Addressing these inequities will help maximize government revenue, which is why we cannot ignore the parallel crisis in which vital tax dollars are siphoned away by a contraband market that funds organized crime rather than public services.

Tackling Contraband Tobacco

CICC acknowledges that the government has committed to reviewing the problem, but we are at a critical juncture and would like to see concrete action in Budget 2026 to tackle contraband tobacco. We welcome recent enforcement measures; however, the illicit contraband market remains a profound threat, fueling organized crime and undermining public safety. This shadow economy is a critical revenue stream for criminal gangs involved in drug trafficking and gun smuggling, as evidenced by "Project Panada," which seized more than \$6 million in contraband tobacco.

To disrupt this illegal activity, we request the following measures in Budget 2026:

1. **Empower Police Enforcement:** Currently, police officers (outside of the OPP's dedicated team) must contact the Ministry of Finance before investigating tobacco offences. We urge the government to significantly expand the pool of eligible law enforcement officers who are designated to respond directly to tobacco enforcement matters.
2. **Retaining Proceeds of Crime:** We urge the government to take steps that enable investigators to retain proceeds of crime to fund further enforcement activities. It is important to note that the proceeds of crime are distinct from the fines collected by the province and would help police forces and municipalities that are facing budget crunches.

3. **Introduce Administrative Monetary Penalties:** Introduce legislation that would allow financial penalties to be levied without going through the criminal courts. It ensures that fines are not only levied but also collected, thereby increasing traffickers' personal financial risk. Similar measures were recently introduced by Alberta.
4. **Legislative Amendments:** We request that the government amend section 4(a) of Ontario's Tobacco Tax Act to remove the "in plain view" requirement, giving municipal and provincial police officers the clear authority to properly search and seize illicit products.
5. **Online Enforcement:** Traffickers are increasingly using websites to sell cheap nicotine products without ID checks, often delivered via Canada Post. We urge the government to crack down on illegal online retailers and work with federal partners to disrupt this distribution channel.

Stopping criminal networks is the first step in removing dangerous, unregulated products from our communities. The second step is ensuring that the legitimate marketplace enforces rigorous age-verification standards to prevent youth access to all nicotine products.

Mandatory Training for Nicotine Sales

Finally, CICC proposes a proactive measure to enhance public safety and compliance regarding the sale of age-restricted products. While the *Smoke-Free Ontario Act, 2017* requires employers to ensure staff are aware of the law, there is currently no government-mandated, standardized certification program for tobacco and nicotine retailers comparable to the mandatory program required for alcohol sales.

To address this gap, CICC proposes the adoption of mandatory training for all individuals involved in the sale of nicotine products (tobacco, vaping devices, and pouches) in Ontario.

We recommend implementing the *ID Please* training program, or a similar standard, to ensure that only trained individuals handle nicotine product sales. This interactive, online module is designed to help staff navigate the complexities of selling age-restricted products responsibly, covering federal and provincial regulations.

1. **Comprehensive Curriculum & Recertification:** The program ensures employees master age verification techniques, learn how to refuse sales to underage individuals, and recognize the risks and liabilities associated with non-compliance.

To account for workforce turnover and regulatory updates, the program would require annual recertification to ensure knowledge remains current and consistent across the sector.

2. **Modernized Enforcement:** We propose offering this program, initially, at no cost to retailers and their employees. Crucially, this initiative includes a secure, real-time electronic database of certified staff. Tobacco inspectors would have access to this database via mobile devices, enabling them to instantly verify compliance during inspections and streamline enforcement.
3. **Enhanced Public Safety:** By mandating that only certified individuals handle the sale of tobacco, vapes, and nicotine pouches, Ontario will minimize the risk of underage access and enhance consumer trust. This initiative will strengthen compliance with the Smoke-Free Ontario Act and demonstrate a unified commitment to responsible retailing.

Retailer Tax Credit

Lastly, Ontario convenience stores collect a lot of tax for the Ontario government. As more customers use digital payments, it is costing our retailers to act as tax collectors for the government.

When a purchase is made by credit card, we pay an interchange fee on the total purchase amount, including taxes, not just the product itself. This is a non-recoverable cost that comes directly out of Ontario retailers' pockets. We are asking the Government of Ontario to introduce a new tax credit to partially reimburse our retailers for the interchange fees they pay to collect taxes. The *Retailer Tax Credit* would apply to the provincial portion (5%) of the HST on transactions made with a credit card.