

The Island Regulatory Appeals Commission
Suite 501, 134 Kent Street
Charlottetown, PEI
C1A 8R8

Attention: Mr. Allison MacEwen

Dear Mr. MacEwen

RE: Parkland Fuel Application, Maypoint Intersection

We would like to submit this letter on behalf of Mel's Enterprises as one of the interveners in regards to the application made by Parkland Fuels for a petroleum license for the Maypoint intersection. This letter is in addition to the letter sent by Dan MacIsaac dated April 18, 2018. Mel's comprises of 9 retail gasoline stations 8 of which are located in PEI. We employ over 175 Islanders in both full-time and part-time capacity.

We believe based on the information provided by Parkland Fuels that they **do not** meet the Island Regulatory and Appeals Commission test of convenience, public interest and necessity, therefore the application should be rejected. This letter shows our position and our grounds of opposition

Service Offerings

To satisfy the need and convenience test the applicant must demonstrate that they will bring a service to the motoring public that has not already been served by existing outlets. Based on the information brought forth by the applicant this just isn't the case. Within a 2 km market area there are 4 retail gas outlets that offer but not limited to gas, diesel, pay at the pump, convenience store, propane exchange, 24 hour service, QSR including Mr. Sub, Country Style Coffee and MacDonalds. Just within the last 6 months Mel's has joined with PEI owned Wash World to create a cross promotional campaign where our customers will be able to purchase different types of washes plus receive 5 cpl off gas for up to 50 litres. This promotion has been a success and will run indefinitely. Also it is worth noting Wash World has 5 locations across PEI 2 of which are less than 1km of the Parkland's proposed site.

The PEI Market vs Canada

Parkland in their application present findings that their target market (Cornwall & Charlottetown) is underserved and below the Canadian average where there is only .41 gas stations per 1,000 people while the Canadian average is .46 gas stations per 1,000 people. However when the population of Canada is taken into consideration (36 million) the Canadian average works out only to be .33 which is far lower than the .46 in their market area and the .41 they represented in their findings.

(As of December 31, 2016, there were 11,931 retail gasoline stations operating in Canada, or 3.3 outlets for every 10,000 persons. <http://www.kentgrouppltd.com/2016-national-retail-site-petroleum-now-available/>)

To help re-iterate that the PEI market is well serviced we have the second lowest average volume per outlet site in Atlantic Canada next to Newfoundland at 2.31 million litres per outlet as shown below.

TABLE 5: AVERAGE VOLUME PER OUTLET IN ATLANTIC CANADA

	Number of Outlets 2015	gasoline Volume 000,000 litres 2015	avg/outlet 000,000 litres
New Brunswick	436	1154	2.65
Nova Scotia	399	1228	3.08
Prince Edward Island	87	200.7	2.31
Newfoundland	412	731.7	1.78

Mel's has invested large amounts of capital in the Mel's North River Shell which has been in business for over three years now. We are far below our projections and are less than 60% capacity. Within the immediate gasoline market there are 4 retail outlets with combined 34 gasoline lanes to service the motoring public.

Trends in Gasoline Sales

There is no doubt the need for gasoline will decline with the increasing barrel price and innovations like the electric cars and fuel efficiencies. It doesn't take long to find articles like the one below that tell us the need for gasoline will decrease.

“Should there be any doubt that the oil companies and vehicle manufacturers need to invest in EV technologies, the [Bank of America](#) is eager to dispel them. Its analysts have just produced a report in which they forecast that, by the early 2030s, half of the cars sold globally will be electric and that the growth of the EV market will contribute to global oil production peaking in the late 2020s at just under 106m barrels a day, before declining steadily in the 2030s.”

<http://www.petroleum-economist.com/articles/midstream-downstream/transport/2018/oil-firms-charging-up-for-electric-vehicles>

On a more local note PEI will be soon be seeing the introduction of the carbon tax where we will see gasoline jumps starting from 2cpl up to 11cpl after 5 years. This increase in gasoline pricing will result in increased ridership for local bus transit companies where routes have already been established and successful in both Charlottetown and Cornwall

Mitchell says P.E.I.'s carbon price will likely start at \$10 a tonne, the minimum price set by the federal government, but four departments will hold discussions over the next year to decide the best approach.”<http://www.cbc.ca/news/canada/prince-edward-island/carbon-tax-p-e-i-revenue-neutral>

	UNITS PER TAX	TAX RATE \$10 PER TONNE	TAX RATE \$20 PER TONNE	TAX RATE \$30 PER TONNE	TAX RATE \$40 PER TONNE	TAX RATE \$50 PER TONNE
Gasoline	¢ / litre	2.22	4.45	6.67	8.89	11.12
*Diesel (light fuel only)	¢ / litre	2.56	5.11	7.67	10.23	12.78

reference:// www.fin.gov.bc.ca/tbs/tp/climate/A4.htm

Promotion of Competition

With-in the two kilometer market the competition is fierce. There are 4 retailers representing 3 national brands. All have well established loyalty programs with most that are offered being in the top 10 loyalty programs in Canada.

In addition Mel's has established cross promotional programs with Island owned companies Kenmac Energy and Wash world.

The image displays four equations, each representing a retailer's loyalty program and promotional offers:

- Petro-Canada:** Petro-Canada logo = Petro-Points logo + RBC logo (Instantly Save 3¢ per litre on fuel^F + Always Earn 20% more Petro-Points³)
- Mel's:** Mel's logo = Mel's Family & Friends Rewards Card (3¢ per litre) + Mel's Wash World promotion (Save 5¢ per litre on fuel on Wash World Ultimate or Ultimate Rain-X at Mel's)
- Shell:** Shell logo = Air Miles logo + Sobeys logo (Spend at Sobeys, Save at Shell table)
- Esso:** Esso logo = Optimum logo + Esso Extra logo

SPEND AT SOBEYS	SAVE AT SHELL
\$50 – \$99.99	\$0.04/L
\$100 – \$149.99	\$0.05/L
\$150 – \$199.99	\$0.07/L
\$200 – \$224.99	\$0.10/L
\$225 – \$249.99	\$0.12/L
\$250 or more	\$0.15/L

Conclusion

Mel's Enterprises suggests that the current motorist requirements in the market area for need and convenience are being met and therefore request that IRAC reject Parkland Fuels application.

Yours Truly,

Jeff Doucette
Vice President – Mel's Enterprises Inc.