

**CWC-18**

RÉGIE DE L'ÉNERGIE

AUDIENCE SUR LES COÛTS D'EXPLOITATION  
QUE DOIT SUPPORTER UN DÉTAILLANT EN ESSENCE  
OU EN CARBURANT DIESEL

DOSSIER : R-3499-2002

RÉGISSEURS : M. JEAN-NOËL VALLIÈRE, président  
Me BENOÎT PEPIN  
M. MICHEL HARDY

AUDIENCE DU 3 AVRIL 2003

VOLUME 5

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STÉNOGRAPHES OFFICIELS

one.

562 Q. We're about six years down the line, and the twenty-year period would be starting, I guess, in eighty-two ('82)? Two thousand two (2002), is that...

Mr. JOSEPH J. LETO :

A. Well, the...

563 Q. When you talk about the first wave, it's twenty years back, as I understand it?

A. Well, that way, there's no longer any gas sites from that wave, they all closed.

564 Q. Okay.

A. This wave that I'm, that we're referring to in this presentation probably started in, I'd say the earliest was probably ninety-three ('93).

565 Q. Okay.

A. That type of time frame, ninety-two ('92) maybe.

566 Q. And from a good understanding, what's the difference between the first wave and the second wave?

A. Well, like I mentioned this morning, when the, I'll say non-traditional retailers got into the business back then, there was, they were concerned about getting into liability issues with tankage and underground storage tanks. So today we have, in the U.S. there's U.S.T., there's very rigid standards in installing a tank, monitoring a tank, so that reduced the burden of liability on the part of the retailer on gasoline. That was a big factor.

I think supermarkets, mass merchandisers have all been adding profit centres, and that's added to these -- these companies getting into gasoline marketing, it was just another profit centre. So there's been a number of things that I think have encouraged them to get into the gasoline business and stay in the gasoline business versus twenty years ago.

567 Q. Okay. And so we're talking about a ten-year span for the second generation -- if we could call it so --

A. Yes.

568 Q. Do you agree?

A. And like Canada, the early years were low profile, it was regional, and it kind of stayed dormant. In the last three years is where it's really exploded. So there was a dormant period, like I think what you're referring to, almost like Canada.

569 Q. Okay, the dormant period, but you're mentioning two thousand three (2003). What do you relate to when you make that statement?

A. I think a lot of these companies are what I would say are in the pilot mode. They're putting up a few sites, they're assessing how they're performing before they go full steam ahead. Now we're to a point where I think it's obvious a lot of these companies are doing well, so people are jumping in faster, and not being as long in the pilot mode.

570 Q. Okay. And I guess you wouldn't be able to identify the markets, the high-density area markets in Quebec

that would be susceptible of having HVR's on their  
territory, would you?

A. Identifying areas in Montreal?

571 Q. In Quebec...

A. In Quebec?

572 Q. ... since we're talking Quebec, because you're  
saying, I guess on, I'm trying to find the exact page  
where you were relating to high urban density.

A. Urban, urban areas.

573 Q. Urban areas?

A. Right.

574 Q. Especially suburbs where land can be found?

A. I haven't been to your suburbs here, I mean, I don't  
know your city very well. I'm assuming you have  
suburbs like we do in the States, and those would be,  
you know, open territory where the hypermarkets could  
locate gasoline. There's also a very large rural  
population. I was, that's the mass merchandiser that  
I was referring to there.

575 Q. mm'hmm.

A. Wal-Mart has very much hit the rural areas, with  
gasoline. You know, that's where Wal-Mart started,  
that's where a lot of their gasoline sites have  
grown. So when I was talking about the urban, that  
was the mass merchandisers like Costco, Sam's Club,  
BJ's.

576 Q. Okay. And there's a different, Wal-Mart would fall...

A. Is very...

577 Q. ... into a different category?

A. Yes.

578 Q. And since I guess things have started up lately,  
where do you see the market going on the five-year  
horizon?

A. In the total...

579 Q. Yes.

A. ... gasoline retail market?

580 Q. In Canada, if possible, or...

A. Well, I'd be purely, purely speculating on Canada,  
again because we have not stated, but, you know, by  
and large it seems like these companies are taking  
their business models and...

Me ÉRIC BÉDARD :

Je sais que c'est toujours délicat, mais si c'est  
purement spéculatif puis il n'y a pas d'étude, je ne  
sais pas jusqu'à quel point c'est pertinent  
d'entendre l'expert.

Me BENOIT PEPIN :

C'est une question de crédibilité, Maître, mais la  
question est admissible.

Me ÉRIC BÉDARD :

Parfait.

Me CHRISTIAN IMMER :

It means you can answer.

Mr. JOSEPH J. LETO :

- A. Okay, alright. I'm on pause. Alright. I can only speculate in Canada that the Safeway's, Costco, Wal-Mart, that they're going to move forward with gasoline. However, there's probably a year to two year somewhat slow-down because of the downturn in the economy, I mean, a lull. Most retailers are spending, building less new sites.

So I would expect somewhat of a lull from what we've seen, but I would say they're going to continue like they have in the U.S. to grow, and that eventually -- the other thing you don't have in Canada yet is, you know, the QuikTrip's and, but I would expect some of the traditional retailers up here to go to some of the high volume retail models that we cited earlier, like the QuikTrip's, the Race Trac's. So I see a mix of more hypermarts, more of the high volume traditional retailers in Canada.

Me PIERRE RONDEAU :

- 581 Q. I'll premise my question -- based on the fact that the density of population in Ontario is higher than Quebec, would you expect, in your experience, that the market develops faster in the high density urban

areas?

A. That's a hard question to answer. I would, with Wal-Mart moving up here with Murphy, I'd have to say no, because they're probably going to target the rural areas. And, you know, they're just starting to ramp up up here. So I'd have to say probably not. I would expect there would be high growth in the rural with the likes of Wal-Mart. And with Costco and Sam's moving into these markets in the suburban, urban areas, I would expect that to kind of grow in parallel with what Wal-Mart is doing in the rural areas.

582 Q. At page 8 of your slide presentation again, relating to "Site Sales and Market Share", you were talking to the market share being at, currently at fifteen percent (15%), thirteen to fifteen percent (13% - 15%). And if I'm not mistaken, you also testified to the fact that it allows a presence, an influence in the market in the States, in the U.S. market -- am I correct?

A. Yes.

583 Q. Good understanding? Fine. Would you say the same thing about the Quebec market, or the Canadian market?

A. That it will reach that level of market share?

584 Q. Considering the structure of the retail gasoline market in Quebec, would you state the same, that a fifteen percent (15%) market share, or...