Canadian Beverage Association
Association canadienne des boissons

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Standing Committee on Finance
Sixth Floor, 131 Queen Street
House of Commons
Ottawa ON K1A 0A6
Canada

August 5, 2016

Re: 2017 Pre-Budget Consultations

Dear Members of the Standing Committee on Finance:

Please accept this written submission on behalf of the Canadian Beverage Association (CBA) and our members to be considered by the committee in the development of the 2017 Federal budget.

We look forward to working with your government on these recommendations moving forward in thoughtful discussion and collaboration.

Should you have any questions with respect to the enclosed information, do not hesitate to contact me.

Thank you,

Jim Goetz

Jim Goetz, President
Canadian Beverage Association

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CANADIAN BEVERAGE ASSOCIATION SUBMISSION TO 2017 PRE-BUDGET CONSULTATION

BACKGROUND: WHO WE ARE

The Canadian Beverage Association (CBA) represents the broad spectrum of companies that manufacture and distribute the majority of non-alcoholic refreshment beverages consumed in Canada.

We are the national voice for more than 60 brands of juices, bottled waters, sports drinks, ready-to-serve iced teas and coffees, enhanced beverages, carbonated soft drinks, energy drinks, and other non-alcoholic beverages.

CBA members directly and indirectly employ roughly 60,000 Canadians in more than 220 production facilities, offices and distribution centres across Canada. In fact, the majority of non-alcoholic beverages in Canada are made and shipped right in our own backyard in virtually every jurisdiction across the country. In addition, the sale of our members' products through grocery stores, food-service, vending machines and convenience stores supports tens of thousands of independent businesses and hundreds of thousands of retail and food-service jobs.

In total, the impact of the beverage industry operations (direct, indirect and induced effects) amounts to approximately $900 million in government revenues every year.

CBA members are committed to maintaining and growing their contributions to the Canadian economy and the communities they operate in.

CANADA

NUMBER OF ESTABLISHMENTS	220
JOBS	58,996
VALUE-ADDED (GDP)	$6,652.1 M
EMPLOYMENT INCOME	$3,275.4 M
TAX REVENUES (PROVINCIAL AND FEDERAL)	$892.4 M

While the beverage industry in Canada is in alignment with government to promote innovation and expand business within the sector, it also faces increasing barriers to growth, including financial stressors that impact our members on a daily basis. When combined with our industry's commitment to better-than-average wages for workers, and investment in community programs that support public health and education, Canada's beverage manufacturers and distributors actively participate in the health of the Canadian economy but face tough decisions while trying maintain and grow our businesses.

FEEDBACK ON 2017 PRE-BUDGET CONSULTATION THEMES

What federal actions would assist Canada's businesses – in all regions and sectors – meet their expansion, innovation and prosperity goals, and thereby contribute to economic growth in the country?

Providing Canadian businesses with a supportive and stable environment so they can have the confidence to grow and succeed is essential for economic growth.

Refrain from product specific taxation

The Canadian beverage industry is under increasing threat of punitive measures such as product specific taxes that are not based on scientific evidence. The most current example is efforts to address obesity in Canada.

CBA and its members recognize that obesity poses a critical challenge to individuals, public health, and government resources. Experts, including Health Canada, agree that the factors associated with overweight and obesity are complex, multifactorial, and include health behaviours such as eating habits, daily physical activity, as well as broader social, environmental and biological determinants.

Advocates in favour of bans or taxes on sugar-sweetened beverages call for it to help curb rising obesity rates based on an assumption that Canadians are consuming too many carbonated soft drinks. This is, however, not the case.

According to the most recent, publicly available Canadian Community Health Survey from Statistics Canada, soft drinks and fruit drinks accounted for only 3.9% of the average Canadian's daily calories.[1]

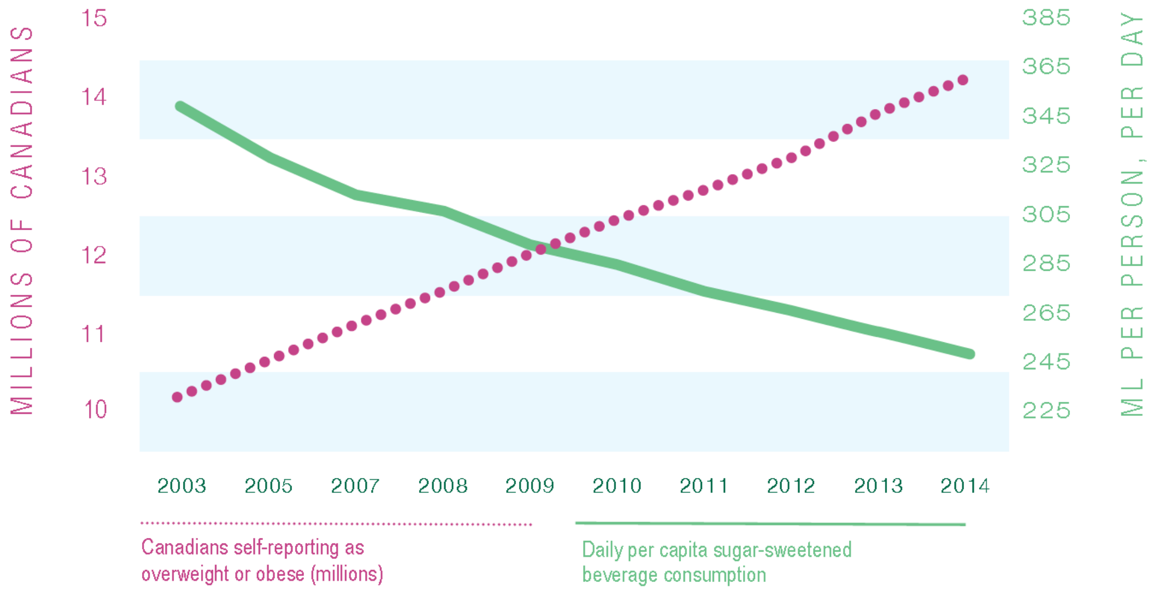
That means over 96% of Canadians' calories come from other sources.

Furthermore, Statistics Canada data in the years following shows that the consumption of calories from beverages in Canada has continued to decline. Due to lower consumption of soft drinks and increased consumption of no-calorie and low-calorie beverages over the last decade, the proportion of calories from soft drinks and fruit drinks is now even lower than before.

No other single fact illustrates the lack of relationship between weight gain and soft drinks as clearly as this statistic, which is outlined in the graph on the following page.[2]

[1] "The fruit drinks category comprises beverages that contain less than 100% fruit juice. Together, fruit drinks and regular soft drinks make up the sweetened beverages category." Health Reports, Vol. 19, no. 4, December 2008 • Statistics Canada, Catalogue no. 82-003-XPE "Beverage consumption of children and teens" • Health Matters

[2] Source for obesity rates: Statistics Canada. Source for sugar-sweetened beverage consumption: Canadean www.canadean.com



Real world evidence has found such taxes have only a modest effect on consumption and little to no effect on reducing obesity rates in any country where such a tax has been tried.

In the case of Mexico, two recent studies confirm;

- There has been an average reduction of only 4.7 calories for a 3,025 per capita daily calorie intake, representing less than 0.2% of the average Mexican's daily diet. The study's own authors confirm that it is too early to determine if the Mexico tax is really working and admit their findings are only observational and cannot prove causality.[3]
- Taxes of this kind have a stronger negative impact on poorer households since they spend a higher proportion of their income on food and beverages.[4]

It must also be noted that Canadians consume far fewer sugar-sweetened beverages than our neighbours to the south, in Mexico and the U.S.A, and Canadians are already moving toward more balanced and moderate beverage choices.

What is evident from this tax is that there were very real economic consequences and it has created economic uncertainty in the food and beverage sector slowing investment. Almost 11,000 jobs were lost up and down the value chain.[5] Expansion delays, retro fits of facilities, and delivery route cancellations all led to job losses.

This sort of tax policy, which is known to have virtually no impact on public health, could cause downsizing of operations and impact the day-to-day operations of the 220 beverage industry facilities across Canada. It also raises job security concerns to Canada's hard working middle class.

[3] BMJ (British Journal of Medicine)

[4] http://cie.itam.mx/sites/default/files/cie/15-04.pdf

[5] The Non-Alcoholic Beverage Industry in Mexico, Autonomous University of Nuevo Leon (AUNL)

At a time of fiscal uncertainty, additional job losses are not a viable option. By protecting our workers' jobs, more people can afford to pay taxes and purchase consumer goods, thus adding to everyone's overall quality of life and growing the Canadian economy.

In Canada, several provincial governments recently considered a tax on sugar-sweetened beverages and after much analysis concluded that such a tax would not accomplish the goal of ensuring that people make healthier food choices, and would also be more difficult to administer than anticipated.

CBA Recommendations:

- The government can protect jobs and investment in Canada by ensuring regulation, policy and taxation measures are principle-based, science-based, and equitable.
- The beverage industry believes that a level playing field for businesses in Canada promotes continued investment and innovation. Therefore, the government should refrain from implementing any sort of targeted taxation, ensuring that beverage companies can continue to provide more choices to consumers, increase competitiveness in the Canadian market and help improve opportunities for job creation.

Regulatory modernization and removing red tape

In addition to providing Canadian business with a supportive and stable environment to grow, regulatory modernization and removing red tape will help business save on costs, and create the conditions to help businesses invest, innovate and succeed, while maintaining opportunities for jobs and economic growth within the beverage industry.

CBA believes that all related issues/policies must not only be based on sound science but also bundled appropriately for more efficient and effective discussions/consultations and implementation.

Mandatory declaration of intense non-caloric sweeteners on the Principle Display Panel (PDP)
For more than two decades, Canada has been the only jurisdiction in the world where certain intense non-caloric sweeteners (e.g. aspartame) must be declared on the Principle Display Panel (PDP; aka 'front-of-pack'). No other country has deemed it necessary to have a similar labelling requirement. Health Canada states on its own website that there are no health risks associated with non-caloric sweeteners, yet non-caloric sweeteners must be declared on PDP. As it stands, the current PDP declaration requirement creates confusion among consumers and appears to flag a health issue where none exists.

In addition to this regulation being out of date and no longer necessary, the Government's own Innovation agenda will depend on its ability to move regulatory modernization in a timely way. By removing this regulatory barrier, it will allow for the food and beverage industry to further innovate within its own industry. Innovation, research and development are being impeded in our important sector to the Canadian economy by outdated regulations and the inability to modernize in a timely and competitive way.

While Health Canada agrees the PDP declaration requirement is unwarranted and should be removed, the issue has not been resolved despite being raised for more than 20 years.

Health Canada must finally move forward with its commitment to deal with PDP labelling for non-caloric sweeteners.

Create permanent regulations for energy drinks

While the Government of Canada had previously announced that they would create permanent regulations for energy drinks by 2016 after a 5-year fact-finding process, this timeline has now been extended indefinitely. The CBA believes that with the completion of the Canadian Community Health Survey (CCHS), and with the analysis of industry-funded research completed on behalf of Health Canada, the government now has ample data on which to base their finalized energy drinks regulations. Finalization of these regulations would significantly decrease an onerous regulatory process for business as well as Food Directorate workload, currently tied into the burdensome Temporary Marketing Authorization Letters (TMAL) process.

CBA Recommendations:

- For beverage industry companies to continue to succeed, the government must ensure that related regulatory consultations and changes are bundled to minimize the cost impact of implementation.
- We encourage the government to remove the requirement for front-of-pack labelling for non-caloric sweeteners.
- The government should work with industry to move finalize energy drink regulations within the next 12 months.

CONCLUSION

CBA and its members care deeply about the health and wellness of all Canadians and hopes to continue work with the federal government to ensure we keep delivering quality products that Canadian consumers can trust.

The Government of Canada has also made it clear that they are committed to setting conditions in which productivity can grow. In order to ensure future success, it is critical that productivity and efficiency are not hindered by punitive, unwarranted measures such as taxation, bans and/or restrictions of our products. We fully support the government's stated intentions to pursue evidence-based policy decision making and streamlining of processes across departments and encourage its continued use.

CBA's suggestions and policy highlights within this budget submission are easy to implement and achievable at no cost to the federal government, and in many cases , government officials are in agreement with industry on the need to address them (e.g. repeal of mandatory Principle Display Panel (PDP) labelling of certain intense/non-caloric sweeteners).

By providing a competitive environment for business to thrive, the Government of Canada will enable the beverage industry to continue its leadership role in product innovation, public health education, and environmental sustainability that can lead to significant future investment in jobs across the country and thus a more financially stable economy for all of Canada.