

Retail Council of Canada

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

The retail sector plays a key role in bridging production and consumption and as a result has significant direct and indirect impact on the Canadian economy. A healthy retail sector is a critical component of Canada's economic well-being and recovery for numerous reasons:

- Collectively, the retail sector is the largest employer in Canada, providing jobs for more than two million Canadians.
- The sector generates sales in excess of \$300 billion dollars a year and directly contributes more than \$74.2B to Canada's gross domestic product. In addition to its direct contributions to Canada's economy, the retail sector in Canada invests heavily in transportation and logistics, information technology, construction, advertising and, training -- all of which have a direct benefit to all sectors of the economy. In order for the retail industry to continue to thrive in the current economy, the Federal Government must take deliberate and measured steps to ensure a competitive marketplace in Canada. Specific federal measures for a sustained economic recovery and enhanced economic growth in Canada are:
- Remove barriers such as import tariffs and review the use of agricultural marketing boards, such as those for dairy, eggs and poultry in order to increase competitiveness of importers/retailers in Canada
- Support the Task Force of the Payments System Review Final report "Moving Canada into the Digital Age". This review has found that unless Canada develops a modern digital payments system, Canadians will be unable to fully engage in the digital economy of the 21st century, leading to a lower standard of living across the country and a loss in international competitiveness. The report also found that a modernized payments system could save the economy as much as two per cent of GDP in productivity gains.
- Immediately convene a special task force mandated to quickly recommend ways in which this country can become a leader in the digital economy.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

In a free-trade environment, regulatory harmonization and creating a fair and level playing field for the retail industry are required to promote job creation and to ensure competitiveness on the global market. Inconsistencies between regulatory/policy regimes can add to price differentials between Canada and the United States due to the fact that the two markets are highly integrated. The government should move quickly to harmonize regulatory practices, both domestically and internationally, and reduce administrative burdens in order for retailers to remain competitive and to be able to keep pace with emerging science and changing consumer demands. A clear example of domestic policy having a detrimental effect on business is found in the varying environmental stewardship programs that have proliferated across the Canada. These have resulted in retailers having to comply with more than 70 different local and provincial regimes all of which strive toward the same goal. The Federal Government could have a hand in working with provincial counterparts to standardize these

programs nationally. A recent example of the lack of harmonization between Canada and the United States is with regards to the recent development of new Canadian regulations regarding child car seats. The regulations came into force in Canada on the 1st of January, 2012 and at the time Transport Canada explained that the “regulations were rewritten to align with the United States on many issues and to incorporate some new and unique Canadian testing requirements.” However, it is precisely these “new and unique” made-in-Canada requirements that perpetuate the misalignment of standards between Canada and the United States. To deal with issues such as those outlined above, the Federal Government should put in place a “business lens” sub-committee of the Treasury Board, mandated to advise the Government if regulatory actions taken by ministries support desired outcomes of the Canada-United States Regulatory Cooperation Council and the Canadian Governments’ work on Red Tape reduction. Ministries should also be required to include in their Regulatory Impact Analysis Statements how they have harmonized with similar U.S. provisions and, if not, provide an explanation as to why.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

Collectively, the retail sector is the largest employer in Canada, providing jobs for more than two million Canadians generating sales in excess of \$300 billion dollars a year. The retail sector continues to be a critical component of Canada’s fragile economic recovery and the employment that this sector generates will be a key indicator of whether that recovery can be sustained. Retailers work hard to support employment growth and career opportunities, promote and sustain retail investments in communities, and enhance consumer choice and industry competitiveness. They are looking to the government to provide stability, certainty, flexibility and adaptability. Canadian retailers need to see a pragmatic, deliberate and measured approach to legislative and policy changes and are looking to government to provide responsive, fair and balanced policies. Retailers would like to see changes to the caps and limits placed on the various immigration programs (Provincial and Federal), to allow retailers to access the talent they need for their businesses. Since many of our members are national retailers with locations across the country, we also encourage the Government to continue to work with its provincial counterparts to streamline immigration legislation and regulation across provincial borders. The feedback from our members is that they are spending far too much time on the administrative burden created by inconsistent regulatory frameworks, which lowers their productivity and hampers their ability to focus on the positive economic impacts and benefits they would otherwise bring. The benefits of an efficient and streamlined administrative process are immense, in that businesses will be more productive and be greater contributors to the economic strength of this country. In terms of red tape reduction on immigration policies, we would like to see government, through its Red Tape Reduction Commission, undertake a consultative process to better identify key regulatory challenges and review how those requirements are administered in order to make recommendations that can address the regulatory burden on small businesses. The focus should be on irritants that have a clear detrimental effect on growth, competitiveness and innovation.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada’s population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Retailers have taken many measures to maximize competitiveness, minimize store closures and layoffs, reduce costs, and otherwise lessen the impact of the recent recession for both Canadian retailers and

consumers. That said, eliminating tariff rates on goods that must be sourced from outside of Canada as well as reviewing the current supply management system in Canada are important, and necessary, stimulus that could lead to lower prices for those goods and result in increased consumer spending in Canada and a more competitive market for retailers. These measures would also be in line with expectations of Canada's ongoing negotiations for membership into the Trans-Pacific Partnership. Duty relief on certain or most finished goods would not be detrimental to Canadian production if the proposed elimination of duty on finished goods only relates to those goods that are not available, or are in short supply from domestic manufacturers. This measure would also mirror actions recently taken by some of our largest trading partners, including the U.S., where it has been acknowledged that the elimination of unnecessary and outdated tariffs would provide immediate and direct relief to hard working families. With regards to supply management, it is important to note that retailers respect and support Canada's farming community and agri-food industry. However, among the most popular products purchased by Canadian consumers in the United States during a cross-border excursion are the supply-managed products such as milk, eggs, cheese and cheese products, and poultry. It is RCC's position that the current supply management system unfairly favours one industry over another -- in this case farmers over retailers -- to the detriment of Canadian consumers as well as the retail industry. If marketing boards are to remain part of the Canadian landscape, RCC believes that a thorough review of Canada's supply management system and its down-stream impacts needs to be undertaken and measures need to be put in place to protect retailers. Such measures could include exempting or limiting supply-managed products from personal exemption limits at the border (similar to exemptions for tobacco and alcohol) and more strict enforcement of those limits at the border.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

Retailers, and the communities that depend on their growth and wellbeing, are becoming the most threatened in a world of U.S./Canada currency parity. If the U.S. economy does not begin to show signs of sustained economic growth, it is anticipated that cross border shopping as well as foreign online shopping will increase. Price deflation will continue to be the norm in the U.S., widening the gap between prices in both countries and negatively affecting Canadian retailers, retail investments and job creation. Retailers have been supportive of the Government of Canada's efforts to bring greater clarity, transparency and merchant choice to the debit and credit card marketplace. However, as new technologies emerge, retailers remain concerned that these changes could result in increased retailer fees and fewer choices for consumers when it comes to payment options. Key issues for retailers include ensuring: merchant choice, cost effectiveness, reliability and security for businesses and consumers, enhanced competition and greater transparency in the payments marketplace. The Federal Government has a key role to play in ensuring a sustainable payments system for retailers and consumers alike. Government intervention to enshrine the following objectives in a new industry code of conduct is essential for any Canadian payments system:

- Ensuring that the principles in the Payments Code of Conduct evolve to cover mobile payments. In particular, the Code must ensure that payment default options are set by the customer and that deposit-taking institutions provide a low cost debit option as part of their mobile offering.
- o As part of this, it is vital that the government support the restructuring that the Interac Association has proposed to ensure that the Association has the appropriate governance and resources to effectively compete in the payments market and continue to offer Canadian consumers and merchants a viable, low cost debit option in all circumstances.
- Recognizing the right of merchants to make business decisions by allowing them to choose which forms of payment and which payment options they are willing to accept and under what conditions.

