



Submission

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Standing Committee on Finance (FINA)
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About Retail Council of Canada

Retail Council of Canada (RCC) has been the Voice of Retail in Canada since 1963. We speak for an industry that touches the daily lives of Canadians in every corner of the country — by providing jobs, career opportunities, and by investing in the communities we serve.

RCC is a not-for-profit, industry-funded association representing more than 40,000 store fronts of all retail formats across Canada, including department, specialty, discount, and independent stores, and online merchants.

RCC is a strong advocate for retailing in Canada and works with all levels of government and other stakeholders to support employment growth and career opportunities in retail, to promote and sustain retail investments in communities from coast-to-coast, and to enhance consumer choice and industry competitiveness. RCC also provides its members with a full range of services and programs including education and training, benchmarking and best practices, networking, advocacy, and industry information.

Vision Statement:

Retail Council of Canada (RCC) is the leader in advancing and protecting the interests of the retail industry in Canada.

Mission Statement:

Retail Council of Canada's (RCC) mission is to be the Voice of Retail in Canada by providing advocacy, research, education and services that enhance opportunities for retail success, and increase awareness of retail's contribution to the communities and customers it serves.

Employment Insurance Changes

Collectively, the retail sector is the largest employer in Canada, providing jobs for more than 2 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. The employment that our sector generates will be a key indicator of whether that recovery can be sustained. Many of our member companies are currently making employment decisions and ongoing payroll tax increases will not encourage investment in job creation.

RCC was encouraged by the Government's announcement that a review of the EI system will be undertaken and that limits will be placed on future increases. This will provide businesses with a greater incentive to retain current employees and to add jobs in future, which is critical to stabilizing the country's economy.

RCC encourages this Government to only proceed with additional increases both in terms of cost and benefit of Employment Insurance once it has consulted broadly with industry to ensure they are manageable and warranted for the economic situation.

Duty Remission on Imported Consumer Goods

RCC believes that eliminating duties payable on certain consumer goods imported into Canada, that are not produced domestically, would benefit the economy, the competitiveness of the retail market and all Canadians. While many measures have been taken to minimize store closures and layoffs, reduce costs, and otherwise lessen the impact of the recession for both Canadian retailers and consumers, eliminating tariff rates on goods that must be sourced from outside of Canada is an important, and necessary, stimulus that would increase consumer spending.

Duty relief on certain finished goods would not come at the risk of Canadian production as the proposed elimination of duty on finished goods would only relate to those goods that are not always competitively available 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 have a profound and immediate impact on the recovery of the economy and would provide immediate and direct relief to hard working families.

On most items imported to Canada, retailers pay significantly more by way of import taxes to bring goods to market. Canadian retailers have identified a number of mainstream consumer products that are subject to import duties for no reason other than they have never been challenged or captured by free trade negotiations.

Pursuant to section 19 of the Canadian International Trade Tribunal Act, the Minister of Finance has the ability to mandate the Tribunal to provide advice on the availability, or lack thereof, of certain retail products from Canadian manufacturers where the applicable Canadian customs tariff rate of certain retail products is higher than the United States' MFN general customs tariff rate.

Once it is established that sufficient manufacturing capacity for these identified products does not exist in Canada, RCC urges the Government to take action in order for these tariffs to be removed.

Since the introduction of income and sales taxes, the revenue generation capacity of these tariffs has become marginal. While it may be argued that this revenue line has augmented in recent years given the large trade deficit we have with countries such as China, the benefits of lower prices on these goods would mean higher economic stimulus through increased purchasing, higher collection of sales taxes for the public coffer and a decrease in cross-border shopping, keeping Canadian dollars in the Canadian economy.

Specific Tariff Relief Requested

Our proposal for a retail remission of import duties on goods that retailers must source outside of Canada, because they are, by-and-large, unavailable from domestic production, is beneficial to Canadians. Further, in view of our desire to ensure the competitiveness of our retail industry vis-à-vis that of our largest trading partner, we suggest that products which carry a lower MFN duty rate in the U.S. than in Canada also be considered. It is generally understood that the kind of discretionary tariff relief being requested by RCC, on behalf of its' membership, would have to be in the public interest, and would not be granted at the detriment to Canadian industry.

Current Request for Tariff relief in Respect of Retail Goods

Sporting goods:

Roller skates – tariff item 9506.70.12
Ice skates – tariff item 9506.70.11
Sports pads – tariff item 9506.99.50
Snowboard boots – tariff item 6403.12.30
Skate board shoes – tariff items 6402.99 and 6403.00

Household goods:

Electro-thermal appliances – tariff item 8516.79.90
Vacuum cleaners – all tariff items of Heading 85.08
Halloween costumes and accessories – tariff item 6114.30.00 and others

It would also be beneficial to include some of the essential products required by working families. In this category, we would propose to include such goods as:

Essential items

Nursing brassieres - tariff item 6212.10.00
Shampoo - tariff item 3305.10.00
Toothpaste - tariff item 3306.10.00
Diabetic socks -tariff item 6115.10.91
Hosiery for varicose veins – tariff item 6115.10.10
Children's sweaters – tariff item 6110.20.00
Infant / boys footwear – tariff item 6404.19.90

Other

Steel toed yard shoe's – tariff item 6403.40.00

Please note that the above list of proposed tariff items is not meant to represent an all-inclusive listing of goods that may warrant consideration for tariff relief. However, these items are meant to represent some of the least contentious items, based on historical precedent and their everyday use and benefit to consumers.

RCC would be pleased to assist the Government in establishing the appropriate terms of reference in the event that the Minister would seek assistance from the Canadian International Trade Tribunal (CITT), pursuant to section 19 of the Canadian International Trade Tribunal Act, in conducting an economic review of our request for tariff relief.

In view of the fact that the retail sector is also facing increased competition, and given that the manufacturing landscape in Canada is constantly changing, it would be preferable that a standing reference for consumer goods be issued to allow for flexible and timely investigations of requests from domestic retailers for tariff relief on imported consumer goods that are not manufactured in Canada.

Credit and Debit Card Fees

Retailers are supportive of the Government of Canada's efforts to bring greater clarity, transparency and merchant choice to the debit and credit card marketplace in Canada.

While RCC members continue to believe a robust regulatory framework is necessary for Canada's payments industry, we are pleased the Government has created the Task Force for the Payments System Review and created the Code of Conduct for the Credit and Debit Card Industry in Canada, which we hope will provide a forum for dialogue and an opportunity to build consensus on possible public policy 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.

RCC views the following objectives as essential for the payments system review:

- A continued focus on enhanced merchant choice in the Canadian payments marketplace. As such, any recommendations regarding public policy must be consistent with, and build upon, the recently announced Code of Conduct for the Debit and Credit Card Industry;
- Cost certainty and clarity must be underlying principles of Canada's payments system so that merchants can manage costs associated with debit and credit card transactions. Costs that are currently built into the system must be fairly aligned with services provided;
- Public policy outcomes from this review must be designed not only for the marketplace of today, but should provide a robust and durable framework that will prove adaptable to the rapid technological change occurring within payments systems around the world;

- The creation of a new forum is required in which to discuss governance and to identify common rules and standards for common payment methods. This forum should ensure that information is shared openly among all payments stakeholders and that the views of merchants and consumers are given proper weight in any decisions made that will impact upon their interests.

Conclusion

Retail is one of Canada's most important economic engines and largest employer. It has benefited from tremendous growth in the past several years. And, it has contributed to Canada's economic growth.

As government makes its budget decisions, RCC and would encourage the adoption of these recommendations. All of them have the potential to contribute to the ongoing strength of the Canadian economy.