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Retail Priorities: Election 2019



Retail Election Platform 2019 Key Retail Priorities

Developed by

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COUNCIL
OF CANADA

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DU COMMERCE
DE DÉTAIL

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1. Canada: Retail by the Numbers



376.9 Billion
in Core Retail Sales in 2018



145,200 +
storefronts in Canada



10.8%
of Canada's workforce works
in Retail. That's **2,057,645**
people.



\$9.0 Billion
in capital expenditures
for 2017



\$24.12/HR
Canada's average hourly retail
compensation in 2018



\$76.1 Billion
in total annual
compensation paid in
2018

Updated July 10, 2019

2. Executive Summary

As the largest private-sector employer in the country, retailers in Canada hold a critical role in our economy. It is imperative our government support retailers by providing the necessary conditions required to remain competitive and evolve in a highly changeable landscape.

With the 2019 federal election fast approaching, it will be vital for each of the political parties to showcase their vision for a stronger Canada and what they plan on doing for Canada's retail sector.

As *The Voice of Retail*TM, Retail Council of Canada recommends the following initiatives be prioritized and included in each of the party platforms:

- 1. Reinstatement of a new Visitor Rebate Program;**
- 2. Eliminate tariffs on clothing & shoes;**
- 3. Harmonize Canada's product safety regulations with the U.S.;**
- 4. Reduce credit card interchange fees;**

These four key retail measures outlined here will support retailers in Canada, boost Canada's economic growth, reduce the cost of living, make life more affordable for Canadian families, and ensure Canada's business environment remains globally competitive.

On behalf of retailers in Canada from coast to coast, Retail Council of Canada urges you and your party to include these four retail priorities as part of your 2019 election platform.

3. About Retail in Canada

3.1 Retail Council of Canada

Retail Council of Canada (RCC) is a not-for-profit, industry-funded association. RCC has been *The Voice of Retail™* in Canada since 1963. We represent over 45,000 online and brick-and-mortar storefronts from coast to coast in general merchandise, drug and grocery. Our mission is to advance the interests of the retail industry through effective advocacy, communications and education.

3.2 Retail's Economic Importance

Retail is the critical final link in the supply chain process, connecting producers to households. By Industry Category, StatCan data shows that the retail sector is the second largest employer in Canada (second to Health Care and Social Assistance), with the 2016 census reporting that 2.1 million Canadians worked in retail. That makes retail the largest private-sector employer in Canada – more Canadians work in retail than in agriculture, mining and construction combined.

The 2016 Census tells us that the median number of retail jobs is 6,342 per riding. In 2017, one of every ten dollars paid in compensation in Canada was paid by a retailer to their employee. Of these jobs:

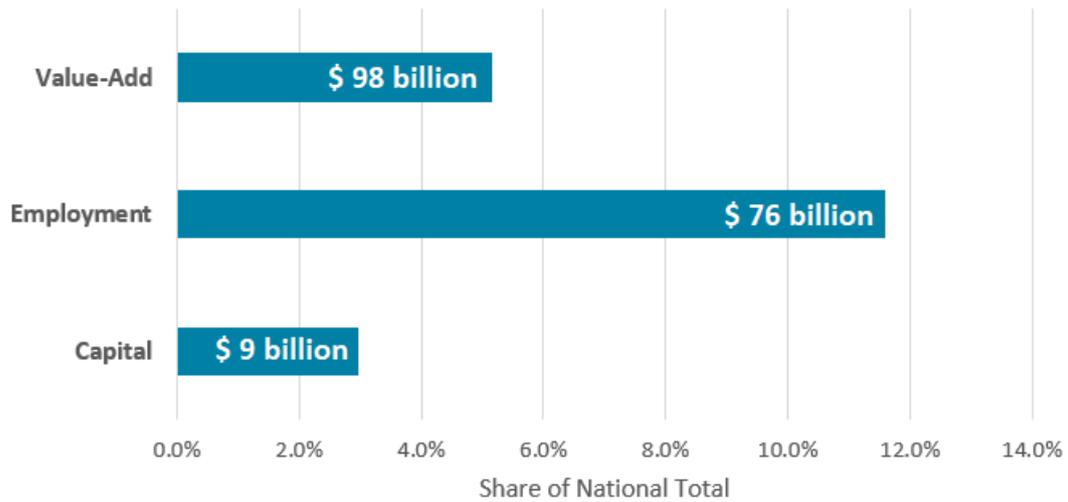
- Over 56.0% of retail jobs were full-time jobs
- The average compensation per hour for retail employees was \$22.54/hour
- By riding, an average of 11.6% of the workforce is in retail (median number by riding)

Investment in the retail sector is an important driver of the Canadian Economy. In 2016, the retail sector invested \$9.07 billion in capital across the country.

- Spending on new fixed structures, such as brick-and-mortar stores, totalled nearly \$3.4 billion
- Capital spending on new machinery and equipment was over \$3.0 billion
- Total expenditures to repair and maintain existing capital totalled \$2.5 billion

As an important final step of the supply chain, retailers add \$98 billion dollars in value to the Canadian economy each year (measured in chained 2007 dollars).

3.3 Retail's contribution to Canada's economy



Sources:

For Value-Add: Statistics Canada. Table 36-10-0434-03 Gross Domestic Product (GDP) at basic prices, by industry, annual average (x 1,000,000).

For Employment: Statistics Canada. Table 36-10-0489-01 Labour statistics consistent with the System of National Accounts (SNA), by job category and industry.

For Capital: Statistics Canada. Table 34-10-0035-01 Capital and repair expenditures, non-residential tangible assets, by industry and geography (x 1,000,000).

3.4 Compensation in retail

Retail provides Canadians with an excellent career path. The retail industry provides an entry point into the job market for many Canadians. Retail employment positions span across the entire pay spectrum, and several major retailers have large head office locations in Canada.

The table below provides insight into how much a retail employee earns by breaking out total average annual compensation, as well as the total hourly compensation. Annual and hourly compensation in this table refers to all-in compensation, inclusive of salary and benefits.

The average annual compensation figure is calculated as total compensation over total jobs (inclusive of part-time jobs). The average hourly compensation number is calculated as total compensation over total hours worked. Because only 56.0% of retail jobs are full-time positions, there will always be a flattening effect on total annual numbers.

Using the 2017 numbers, if we multiply the \$22.54 per hour compensation figure by full-time hours per year (2,000 hours), the annual compensation rate is \$45,080.

Region	Type	Actuals (thousands of \$CAD)			Growth	
		2015	2016	2017	Avg 3yr Growth	2017 to 2018
Canada	Annual	\$ 33,932	\$ 34,142	\$ 34,664	1.91%	1.53%
	Hourly	\$ 22.00	\$ 22.00	\$ 22.54	1.88%	2.45%

Source: Statistics Canada. Table 36-10-0489-01 Labour statistics consistent with the System of National Accounts (SNA), by job category and industry

4. Retail Election Platform Priorities

4.1 Reinstatement of a new Visitor Rebate Program

1. Reinstatement of a new, more efficient visitor rebate program for Canada, similar to that of Japan, allowing retailers the ability to issue tax rebates at the point of sale giving a boost to the tourism industry and retailers in Canada.

Canada must stay competitive in the global tourism market.

In 2007, the Canadian Government became the first member country of the Organization for Economic Co-operation and Development (OECD) to cancel its Visitor Rebate Program. To date, Canada is the only OECD country with a federal sales tax to not provide a rebate to visitors. Since the Government's decision to move away from the Visitor Rebate Program, many industries dependent on tourism and retailers in Canada are calling for a reinstatement of the program, with good reason.

Tourism GDP has been reduced by nearly \$6 billion dollars over the past decade as a result of the cancellation of the Visitor Rebate Program. While this policy decision was made with a goal to save money, an RCC study found that the government lost \$137.9 million a year in revenue, well above the annual administrative program costs of \$86.3 million a year. This translates to a net loss of \$51.6 million a year by not having a Visitor Rebate Program.

This has had direct impact on Canadian retailers, as well as many other industries that rely on Canadian tourism. In fact, since 2007, in-trip spending has fallen by \$66 a person per trip to Canada.

Japan recently implemented a Visitor Rebate Program which allows its retailers to offer tax-free goods to visitors. This move has boosted its tourism GDP from \$14.2 billion in 2013 to nearly \$35.3 billion in 2017.

Introducing a similar program in Canada would be a boom for retail in Canada as well as for the Canadian government.

4.2 Eliminate tariffs on clothing and shoes

1. Eliminate tariffs on clothing and shoes to make life more affordable for Canadian families.
2. Undertake a review of tariffs to understand what is still needed to protect Canadian businesses and what is now only a legacy system.

Canadians are paying up to 10% extra on apparel and shoes.

Canadians are paying around \$5 billion in hidden taxes each year because of tariffs, increasing living costs unnecessarily.

Among the worst offenders of these embedded taxes are tariffs on apparel and shoes - in some cases as high as 20% - resulting in a cost of \$2 billion annually to Canadians. This means that when Canadians purchase a \$150 pair of shoes, they're often paying \$16 more than if there wasn't a tariff. The situation for apparel is similar. Canadians are paying more for the goods they need because of an outdated system that is no longer relevant in the Canadian context.

Historically, tariffs were used as a method for protecting our domestic industries from out-of-country competition. However, today only 4.4% of textile and clothing products used by Canadians are manufactured domestically. **Since these tariffs are remnants of an outdated system that was designed to protect an industry that has moved offshore, they now act only as a hidden tax to consumers.**

4.3 Harmonize Canada's product safety regulations with the U.S.

1. Reaffirm to joint North American standards on all regulatory proposals moving forward.
2. Urge the Regulatory Cooperation Council to harmonize regulations in the area of consumer product safety.

Harmonization allows for more product choice and affordable prices for Canadians.

RCC has been a significant contributor to the Canada-U.S. Regulatory Cooperation Council which focuses on harmonizing regulations between the U.S. and Canada. Unfortunately, we have seen very little success in the area of consumer product safety. Having disparities in this area limits product choice and availability in the Canadian market, which also increases the cost of many items.

We know harmonization is achievable. For example, in the area of food safety, there is now mutual recognition of U.S. and Canadian food safety standards under the new Safe Food for Canadians Regulations.

There is no reason to have these differences with our largest trading partner. Harmonization of product safety regulations will increase choice and lower costs.

4.4 Reduce credit card interchange fees

1. Lower Canada's interchange fees to align with other international jurisdictions to support small businesses in Canada.
2. Lower the fees charged for online transactions, which are currently treated as "card not present."

Canadians pay some of the highest interchange fees in the world.

Lowering these fees will make doing business in Canada more affordable and will save Canadians money on their everyday purchases.

Approximately 1.5% of Canadian credit card spending goes directly to the big credit card companies and their issuing banks, drastically reducing a retailer's profit margin. This is especially true for small business owners who pay a fee each time a customer uses their credit card.

This situation is even worse for online payments, or "card not present" payments, where the credit card companies charge an additional fee.

RCC has long fought for lower credit card interchange rates, securing a victory in 2015 with a reduction of the average rate from 1.65% down to 1.50%. Further success has been achieved with a commitment from Visa and MasterCard to lower their average rates from 1.50% to 1.40% in 2020. Altogether, the reduction efforts achieved by RCC will save merchants over \$1 billion annually.

Despite these wins, Canadians still pay among the highest interchange fees in the world, and Canada is one of the few industrialized countries without regulations on this subject. This needs to change.

Worldwide, 37 countries have recognized the uncompetitive level of interchange fees and have moved to reduce and cap them. For example, France limits interchange to 0.28%, the EU is moved to a 0.30% cap across the board, Australia limits interchange to an average of 0.50%.

5. Contact us

Please contact any member of our Government Relations team with any questions or if you would like to discuss the election priorities of retailers in Canada.

By making these priorities a part of your party's election platform, you will ensure that retail in Canada remains strong.

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