



PRE-BUDGET SUBMISSION

**From the
Direct Sellers Association of Canada
Association de ventes directes du Canada**

August 13, 2010

1. INTRODUCTION

The direct selling industry in Canada has a long and rich history, touching all regions of the country and millions of Canadians who sell or purchase the direct selling companies' wide variety of products and services. Canada's direct selling companies and their independent sales contractors (ISCs) market and distribute directly to the consumer, usually but not exclusively in the consumer's home, rather than in traditional retail establishments

The Direct Sellers Association of Canada (DSA) represents 50 Canadian direct selling companies including many leading global corporations such as Amway, Avon, Mary Kay Cosmetics, Tupperware, PartyLite Gifts, USANA Health Sciences, NuSkin and Immunotec to name a few.

Since 1954, the DSA has established and upheld rigorous standards, ethics and good business practices and is the recognized voice of the industry. The DSA and its member companies are committed to operating in accordance with the comprehensive industry standards set out in the DSA's Codes of Ethics and Business Practices.

As an industry that connects almost 900,000 Canadians to entrepreneurial opportunity and enrichment, the DSA provides assurance of member company integrity and a foundation of trust for independent sales contractors (ISCs) and consumers.

A recent Socio Economic Impact Study on the direct selling industry in Canada validated the significant contributions that the industry makes to the Canadian economy.

Employment/Self employment

The direct selling industry provides earnings opportunities for over 900,000 Canadians. This includes 2,878 permanent employees, 882,000 independent direct sellers and an additional 17,000 direct and induced jobs.

Women represent a significant portion of ISCs in Canada with 91% of the 882,000 Canadians involved in direct selling being women.

Income

In 2008, the direct selling industry generated a total of \$1.36 billion to Canada's national income. For 1 out of 3 ISCs, direct selling is their primary source of income, with many citing the work schedule flexibility as an important benefit allowing them to contribute to the household income.

Sales

In 2008, total sales through direct selling were \$2.18 billion. The industry continues to maintain its portion of Canadian non-store retail sales, representing 16% of the \$13 billion total non-store sales recorded in 2008.

Taxes

In 2008, an estimated \$815 million in total national and local taxes were paid.

Charitable Contributions

The direct selling industry continuously contributes to community growth and improvement through its charitable donations. Donations from companies (excluding ISC's personal donations) are estimated a \$7.7 million. Our ISCs' sense of community is reinforced through their generosity to charities with ninety-one (91) percent of direct sellers making personal contributions to charities in 2008.

Through 2009/2010, the DSA has continued its active and constructive engagement with the federal government on issues affecting our industry and our ISCs. In the past year, much was accomplished on two key policy issues: employment insurance and taxation.

Employment Insurance

The DSA applauds the Government of Canada for fulfilling its commitment to extend Employment Insurance (EI) special benefits, including maternity, parental, sickness and compassionate care benefits, to the self employed. The DSA fully supported the initiative and consulted with HRSDC prior to Minister Finley's announcement last November.

The extension of these benefits provides needed security and flexibility for the growing number of self-employed Canadians, including those engaged in direct selling, 26% of whom are located in rural areas across Canada.

Taxation

The Direct Sellers Mechanism, which has been in existence since the introduction of the GST, is a method of pre-collection and remittance of the tax by the direct selling companies (on behalf of the ISCs) on the suggested retail price of the product or service. It removes a considerable burden from both ISCs and the CRA. Without the DSM, many ISCs would be GST registered and required to collect and remit GST to the CRA. The DSM eliminates this requirement, resulting in administrative efficiencies and a cash-flow advantage to the Government with no GST "underground economy" in the direct selling industry.

The DSM has been a "**win-win-win**" for the government, DSA member companies and the independent sales contractors in streamlining the administration of the GST/HST in the direct selling industry while ensuring the security of government revenues. For many years, the DSA has been recommending that the ACM be expanded so that it is available to all direct sellers and their independent sales contractors, including the 25% who operate on a sales representative basis and were excluded from using the mechanism. This recommendation has been a fixture of many pre-budget submissions from the DSA to the Standing Committee on Finance.

After many years of consultation and constructive dialogue with the government, the DSA was very pleased that the government adopted this recommendation in the 2010 Federal Budget. The DSA applauds the Minister of Finance and all members of the House of Commons for their support and passage of the Bill C-9, the implementing legislation.

Current Issues

Notwithstanding the achievements noted, the DSA continues to work with the federal government to encourage prosperity and growth for Canadians.

Direct Selling and income creation for Canadians

Despite continuing signs of economic recovery, many Canadians still find themselves either out of work or in need of additional income. With fewer full and part-time jobs available, Canadians are looking for other options to meet income needs, including direct-selling.

The direct selling industry can meet the needs of thousands of Canadians, who find themselves in these difficult situations, by assisting in and promoting entrepreneurial activity. Direct selling offers flexibility of hours, training, education and support for running a business. It offers a wide variety of earning situations, and the opportunity of maintaining, or returning to, a meaningful and fulfilling standard of living.

The direct selling industry also has an unlimited capacity to transform individuals who are dependent on social programs, such as employment insurance, into successful small business entrepreneurs. It should be noted that **11%** of ISCs were unemployed prior to entering the industry.

The DSA believes improvements can be made to federal and provincial employment programs that would encourage individuals from transitioning from dependence on EI to independence.

For example, the DSA believes that HRSDC-funded programs should not exclude individuals from entering direct selling or any other non-traditional form of self-employment. For many years, anecdotal evidence from DSA member companies suggested direct selling had not been viewed as a legitimate form of self employment by HRSDC or the provincial ministries that deliver funded programs. This kept some members from being involved in HRSDC-sponsored 'job fairs'. It kept information about direct selling as an income/career choice out of Service Canada Centres. It appeared as though direct selling had not been contemplated in the design of programs that help individuals transition from EI benefits to self-employment.

The DSA believes that when the federal government negotiates Labour Market Development Agreements (LMDAs) with the provinces and territories, it should ensure that direct selling is regarded as a legitimate self-employment option.

Through the LMDAs, federal dollars enable provinces and territories to design and deliver skills and employment training programs, such as job creation partnerships and targeted wage subsidies, as well as services for unemployed Canadians, particularly those who are eligible for Employment Insurance (EI) benefits. In addition, the Labour Market Agreements which provide federal funding for provincial and territorial labour market programs and services - particularly for low-skill workers and unemployed individuals who are not eligible for EI benefits should include direct selling – and other legitimate, but non-traditional forms of self-employment.

The DSA wants to ensure that individuals on EI benefits who pursue direct-selling can do so without undue penalty. We want to ensure that EI programs accommodate the nature of entering and building a direct selling business.

Our concerns led us to initiate discussions with the federal government. Over the past year, the DSA has been working with officials at HRSDC to ensure that direct selling *is* recognized by HRSDC and the provinces as a legitimate form of self-employment – as it has been by Finance Canada, the Canada Revenue Agency, and the Competition Bureau. We appreciate the interest HRSDC Minister took on this matter, and the involvement of officials in the department. We believe more needs to be done by HRSDC to communicate these messages with the provinces. The DSA will also undertake to engage the provincial ministries on this matter.

***Recommendation:* The DSA recommends that the government of Canada continue its efforts to ensure federally-funded, provincially-delivered employment programs aimed at encouraging individuals transitioning from EI *include* direct selling and other non-traditional forms of self-employment and income creation.**

CONCLUSION

The Direct Sellers Association appreciates the opportunity to participate in the Budget Consultation process. We believe that our recommendation is consistent with the governments' objectives and addresses the needs of Canadians. We look forward to working with the government to help put Canadians back to work.

Respectfully submitted,



**Ross P. Creber, President
Direct Sellers Association of Canada**