



Written Submission for the Pre-Budget Consultations in Advance of the 2020 Budget

Submitted by: The Direct Sellers Association of Canada

August 2, 2019

RECOMMENDATIONS:

1. The DSA recommends that the federal government maintain independent contractor status, to ensure earning opportunities for Canadian direct selling companies and that independent sales consultants can continue to thrive.
2. The DSA recommends that the federal government invests in tax incentives that will make corporate training opportunities more widely available to women who seek to gain executive and management experience.
3. The DSA recommends that Health Canada continues to ensure common-sense regulation for health care products, which does not unduly burden Canadian businesses or allow loopholes that benefit unregulated, international sellers.
4. The DSA recommends that a concerted effort continues to be made to ensure that the updated NAFTA agreement is finalized by all parties involved.
5. The DSA recommends that the federal government supports and fully funds its commitment to making high-speed, broadband internet access available to all Canadians.

Context

Growing the economy in the face of a changing economic and environmental landscape requires the embrace of new ways of doing business, novel approaches in established sectors, and a commitment to taking an honest look at the practices and policies that enable success or inhibit progress.

The Direct Sellers Association of Canada (DSA) is the national voice of Canada's direct selling industry. Over 1.2 million Canadians earn income from direct selling, and over 82% of industry participants are women. The DSA represents around forty member companies that support low-barrier entrepreneurial opportunities for Canadians who seek to learn business skills, enhance their networks and generate income from a flexible business platform.

For many years, the direct selling model has paid dividends to Canadian businesses and the people who benefit from our sector. Our modern companies have inherited and further developed a business environment that is the envy of the world in terms of its protection of consumers and industry participants. The DSA is proposing a range of initiatives that will help our economy grow, by incentivizing new businesses starting in Canada and foreign businesses expanding to Canada, and supporting low-barrier entrepreneurial opportunities for women.

Entrepreneurship & Flexible Earning Opportunities: Maintaining Independent Contractor Status

Direct selling provides the opportunity for Canadians, overwhelmingly women, to earn income and learn business skills, and creates an entrepreneurial opportunity for financial growth. Those who succeed in a direct selling business often cite the ability to work flexible hours and to build a work plan that suits their lifestyle. Unlike many traditional businesses, more than 90% of independent sales consultants (ISCs) choose to work part-time. Both direct selling companies and ISCs thrive because of this freedom.

To continue the growth of entrepreneurial opportunities in Canada and to provide a competitive environment for companies considering entering this market, ensuring the ability to hold independent contractor status is key. The DSA believes it is important to maintain independent contractor status that does not create an assumption of employment or impose administrative burdens for people and businesses that operate in a direct selling model. The DSA urges the government to prevent the misclassification of employees, but not at the expense of legitimate independent entrepreneurs who are able to thrive through direct sales.

Canadian direct selling companies will be hurt by any move to change the ISC model and our businesses will be less competitive as a result. Further, the many Canadians who generate income through direct selling will face a significant financial hit.

Recommendation:

The DSA recommends that the federal government maintain independent contractor status, to ensure earning opportunities for Canadian direct selling companies and that independent sales consultants can continue to thrive.

Breaking the Glass Ceiling: Supporting Corporate Training Opportunities for Women Leaders

Canada's direct selling companies create numerous opportunities for women with an entrepreneurial drive. They play an important role in developing business and life skills, which serve women in their time with our member companies and throughout their careers. The opportunity to reach up to one million Canadian women with training and education, and to help them create economic opportunities, should not be overlooked. The government can play a valuable role in growing the number of women in executive and leadership roles by making it easier for companies to offer appropriate training programs, especially in the direct selling industry.

We propose that the government incentivize businesses who offer unique programming that targets women's professional growth. While many of our member companies currently offer these programs to their top performers, more women could benefit from the skills and qualifications they teach. By making it less expensive to offer training courses or programs, the government can directly create more advancement opportunities for women working as independent sales consultants and give them access to skills that will benefit them throughout their careers.

We propose that the government provides a tax incentive for businesses who offer courses including, but not limited to, pre-executive training, sales training, account management and administration. The tax incentive would be equal to 30% of the cost of the business' overall training and development budget for the year. Such an investment would acknowledge the importance of programming specifically geared towards women's economic empowerment, career advancement and personal growth. It would also make it easier for businesses to make these opportunities available to more women across the country.

Recommendation:

The DSA recommends that the federal government invests in tax incentives that will make corporate training opportunities more widely available to women who seek to gain executive and management experience.

Ensuring Common-Sense Regulation of Healthcare Products

For many direct selling businesses operating in Canada or looking to enter the Canadian marketplace, natural health and nutritional products are a sector with high actual and potential growth. The direct selling industry has been particularly successful at developing effective health products and using the personal selling model to ensure that consumers are informed when choosing the products that are right for them.

However, it is becoming increasingly difficult for products in these categories to be approved for sale by Health Canada and for health-focused companies to subsequently bring them to market in a cost-effective manner. Current initiatives under Health Canada's Self-Care Framework, including 'plain language labeling', are likely to continue to increase the cost of product development, packaging and marketing for healthcare companies by a significant amount, despite limited evidence of any health and safety benefit.

This situation favours products that are directly shipped from non-Canadian suppliers to consumers – products which may contain ingredients that are not approved by Canadian regulators and which can

create a health risk for consumers. Closing this internet-sales loophole should be a safety priority for Health Canada, but the department is more focused on re-labelling many products that have already been ruled safe and effective in pre-market review.

The DSA supports the regulation of self-care products, as part of an overall strategy to make it easier for Canadians to access trusted products that aid in preserving health, because they are reviewed for safety and efficacy. We believe that it should be easy to find information about these products as well, but the current proposal could cost the natural health sector up to \$1 billion with no clear, direct benefit for consumers.

We ask that the government recognize that the potential increased costs created by Health Canada proposals, coupled with their uncertain benefit to Canadians, requires that current implementation timelines be set aside. This will allow for a re-examination of the entire approach to self-care products and a review of all available options to promote informed use and a reduction of medication errors.

Recommendation:

The DSA recommends that Health Canada continues to ensure common-sense regulation for health care products, which does not unduly burden Canadian businesses or allow loopholes that benefit unregulated, international sellers.

Ensuring Free Trade

Free trade has benefitted the direct selling industry since the introduction of the North American Free Trade Agreement (NAFTA). Our industry is global in nature. It depends on well-integrated manufacturing processes and supply chains across borders, and shipping finished goods directly to ISCs and consumers. Under NAFTA, direct selling companies have grown and more Canadians have been able to make money by selling innovative and affordable products.

Canada's strong trade ties are fundamental to the competitiveness of our member businesses, who have chosen our country as a good place to do business. An increase in tariffs for businesses will damage the system of trade that the common market provides and that our sector has contributed to and become accustomed to. An introduction of new tariffs or introduction of new border taxes will hurt the entire direct selling industry.

We are pleased that the trade file has been advanced positively in the past twelve months, including negotiation of a new NAFTA agreement, minimal increases to de minimis thresholds and common ground being found to end the destructive tariffs and retaliatory surtaxes that negatively impacted many industries, including direct selling. We ask that a concerted effort continues to be made to ensure that the updated NAFTA agreement is finalized by all parties involved. The certainty this brings will support investment in Canada, including from many DSA member companies and direct selling ISCs.

Recommendation:

The DSA recommends that a concerted effort continues to be made to ensure that the updated NAFTA agreement is finalized by all parties involved.

Investing in Broadband Internet for All Canadians

The direct selling business model provides opportunities for entrepreneurs across Canada to create extra income for themselves and their families. It also provides a socially driven method for consumers to access quality products and services. These advantages are particularly true in rural and remote areas of the country, where access to traditional retail is often restricted.

Without universal access to high-speed communication technology, the direct selling businesses of thousands of ISCs is negatively impacted. Broadband internet allows ISCs to showcase products, via online demonstrations and virtual parties. It also allows them to instantaneously answer consumer questions, place and track orders, and provide excellent customer service. The direct selling industry of today relies on social media platforms and the internet to connect consumers with products.

The DSA supports the Canadian Government's commitment to making high-speed, broadband internet access available to all Canadians. This commitment deserves to be fully funded, in support of Canada's entrepreneurs and consumers.

Recommendation:

The DSA recommends that the federal government supports and fully funds its commitment to making high-speed, broadband internet access available to all Canadians.