Road TRIP

Proposed 3-Year Pilot: Road Travel Rebate Incentive Program

Benefitting Canada, Border Communities, US Visitor Spending, Border Area Retailers, Canadian Manufacturers and Wholesalers.

ABOUT Road TRIP

- Road TRIP is a proposed 3-year pilot program that will help incentivize US tourism visits and related spending in Canada. It will increase retail activity and employment in border communities that are economically challenged.
- Road TRIP will help make Canadian businesses more competitive with US retailers and Internet Retailers. Canada's border area retailers are losing significant business from Canadians and Americans, at least partially due to the large sales tax percentage differential (5-15%) between Canada and the US.
- Road TRIP will provide a rebate of the 5% GST on goods purchased by visitors that are verified as exported from Canada. It will therefore help level the competitive playing field by incenting US tourism visits and spending, primarily in Border Communities hard hit by current economic conditions.
- Road TRIP offers a highly visible and positive marketing opportunity at a time when it can help convince potential US visitors to "***Take 5***" (5% tax rebate), and give Canada a second look as an affordable and welcoming destination.

WHY Now!

- Border communities are suffering. Since 2002 the annual number of US visitors to Canada has declined by 23.9%. The number of same day visitors (largely road travellers) has declined 55.9%, and overnight trips are down 26%.
- Challenges to attracting visitors include border security measures, ID costs, lower US sales taxes on retail and internet purchases, gas prices and a less attractive US exchange rate.
- From 2008-2013 alone the number of cross border trips by road has declined 14%. During this period spending by visitors declined 32.7%.
- Declines have severely impacted small and medium-sized businesses. For example, Duty Free sales declined ~40% from 2002 until now.
- Virtually all OECD countries with national value-added taxes offer a visitor tax rebate incentive. Canada must become a more competitive destination or continue to lose out on potential tourism growth.
- TIAC (The Tourism Industry Association of Canada) notes an emerging tourism opportunity: US economy is recovering; Americans are travelling abroad; 120M passport holders (up 100% since 2001); and no red tape such as visa requirements. Road TRIP expands on the benefits of TIAC's 'Connecting America' proposal which focuses on airport travel, by specifically addressing the land border market.

HOW will Road TRIP work?

Traveller incentive rebates would be processed at Canadian land border Duty Free shops, since they are the only locations where export of goods can be immediately verified and rebates can be given directly to the visitor at a time close to actual purchase, when it can influence travel and purchase decisions.

The rebates will be given in the Duty Free shops and travellers will be encouraged to "***Take 5***" (5% tax rebate) and consider making a final purchase with their rebate, in Canada at the Duty Free shop.

The experience of Duty Free operators has been that up to 60% of customers will spend the rebate in their shops, before leaving Canada. Canada benefits since Duty Free shops are a vital sales channel for Canadian-made products such as wine, ice wine, spirits, beer, confections (e.g. maple syrup), arts, crafts and souvenirs.

Duty Free
It's better at the border

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Maximum Benefit / Minimum Cost

Canada's 31 federally regulated Duty Free shops are uniquely situated to effectively administer this program and minimize government costs. The shops are proven and trusted by government to securely manage controlled substances and provide accurate reporting. Duty Free shops are the only locations where export of goods can be verified and tax rebates instantly given. Key Road TRIP program components include:

- Econometrics Research Limited (ERL) reports potential Canadian economic increases from Road TRIP as follows: $89.6 million GDP; $55.6 million wages and salaries; 1,374 Full Time Equivalent jobs.
- Direct government costs for Road TRIP rebates of $5.2 to $9.0 million will be easily offset — using conservative assumptions — through government revenues generated from increased tourist visits and spending, sales through Canadian/Border Community retailers, and exports of Canadian-made goods sold at Duty Free shops. (ERL)
- The US remains Canada's largest source of tourism, and shopping routinely ranks amongst the top three reasons for tourism in Canada.
- The Road TRIP Pilot Proposal is well placed to reinforce and benefit from the effects of the Tourism Industry Association of Canada's (TIAC) ***Connecting America*** Initiative, which projects Canada's gross receipts from tourism will increase by $1.5 billion.
- Duty Free shops will spearhead Border Community support and participation, and will aggressively market Road TRIP.
- Partnering with border community retailers and Canadian suppliers, the Duty Free industry will provide relevant data to government that will enable full assessment of the pilot program's cost and benefits.