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INTERNATIONAL OUTSHOPPING ALONG THE CANADA-UNITED STATES BORDER: THE CASE OF WESTERN NEW YORK

Theresa Ford
Canada-United States Trade Center
Department of Geography
State University of New York at Buffalo
Wilkeson Quad
Buffalo, NY 14261

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INTRODUCTION

Canada is undergoing its worst retail slump in at least 30 years. The United States has reported its lowest annual retail sales gain in 30 years. The national retail sectors of both countries are suffering from the effects of a deep recession. However, the rapid growth in cross-border shopping is also adversely affecting the Canadian retail sector, as well as other sectors of the Canadian economy. At the same time, cross-border shopping is benefitting the retail sectors of border regions in the U.S., sparing many of them from the full effects of the recession.

The beginning of the international outshopping trend from Canada to the U.S. occurred along the British Columbia (BC) border prior to the Christmas shopping season in 1987 [National Task Force on Cross-Border Shopping, Oct. 24, 1990, p. 1]. Canadians from the lower BC mainland began increasing the number of same-day trips by car to Washington State. Nationally, the number of single-day trips grew 20 percent from the prior year [Statistics Canada, 1990]. Nearly 60 percent of the 5.1 million additional trips in 1987 originated in BC [Statistics Canada, 1988]. In 1988, the trend expanded eastward, where border crossings from BC to New Brunswick bustled with cross-border shoppers. Between 1985 and 1990, the number of same-day trips by automobile by Canadians to the U.S. had more than doubled (see Figure 1). Canadian shoppers continued to cross the border in increasing numbers in 1991 [Madore, Sep. 14, 1991, p. B11].

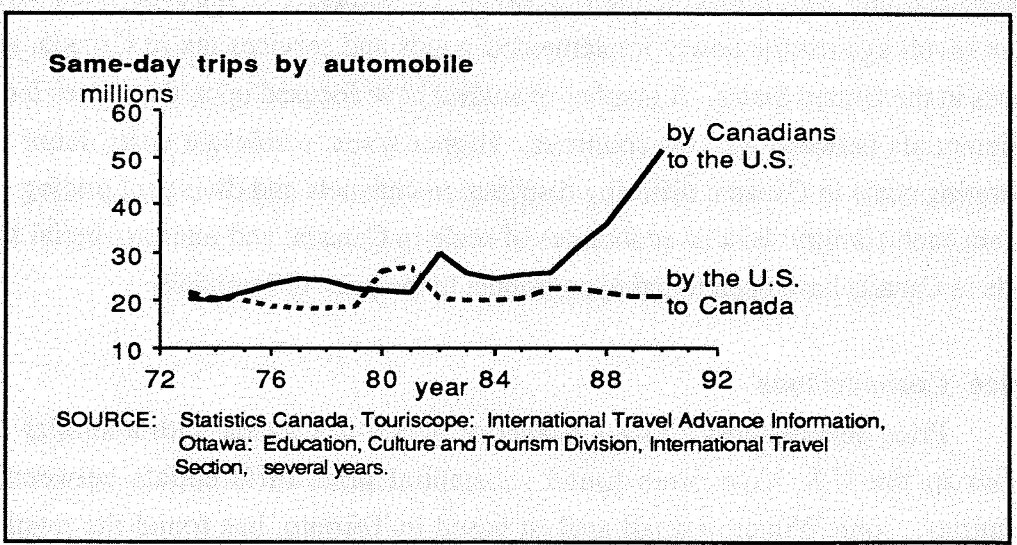


Figure 1

Canadians, the majority of whom live relatively close to the United States (see Figure 2), are crossing the international border to shop in small border towns, larger metropolitan areas, and distant retail factory outlets. Distance is not deterring some Canadian shoppers who are travelling several hours and more than 100 miles to their shopping destinations. Delays at border crossings because of the rise in outshopping are also not discouraging Canadians from shopping in the United States. Some cross for the day, others stay overnight, and still others make a weekend holiday of their shopping jaunts.

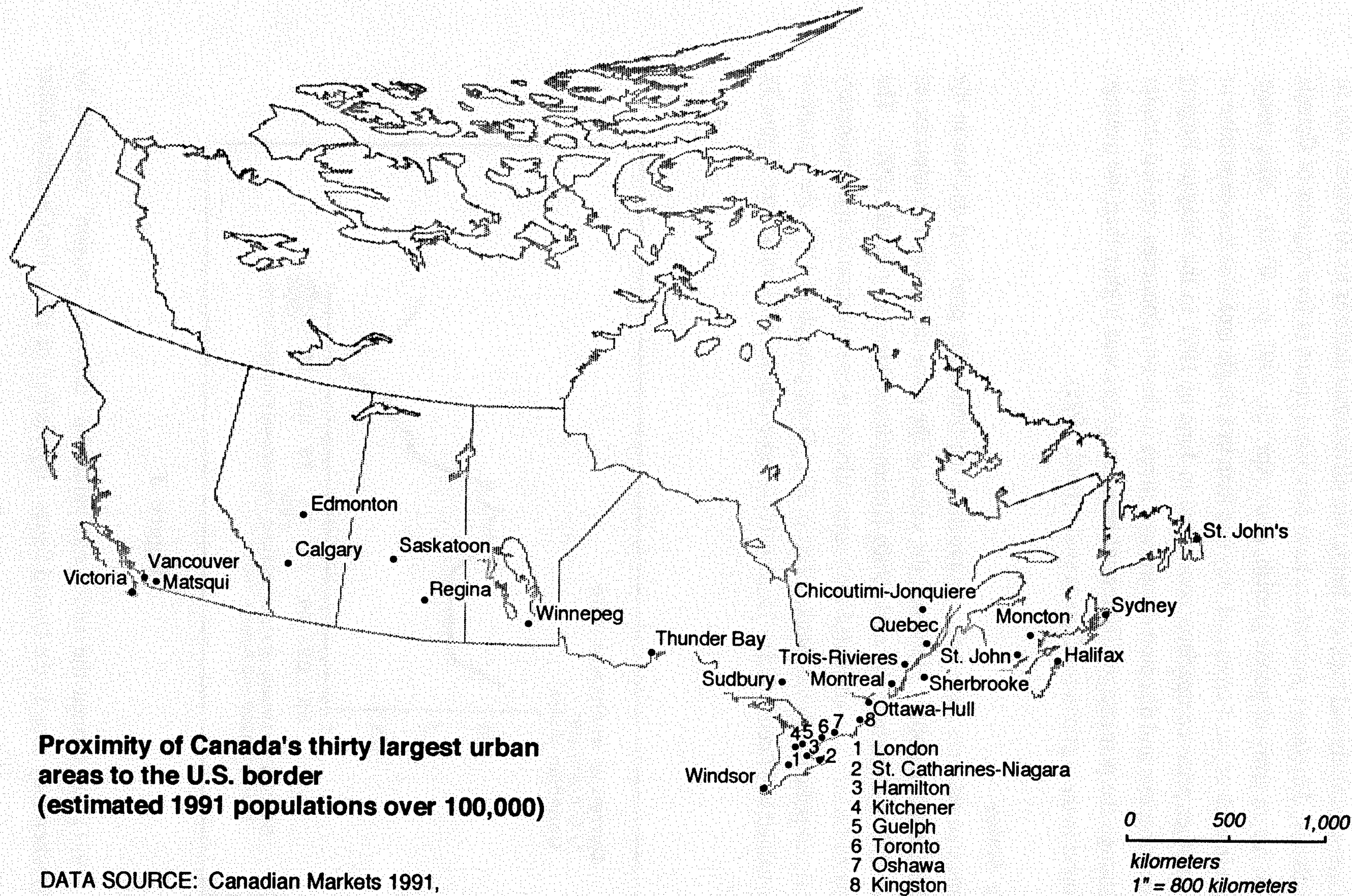
This paper provides an overview of cross-border shopping by discussing the factors contributing to its increase, by describing the geographic scope of the phenomenon, and by examining regional economic effects of the outshopping trend. The paper, then, focuses upon outshopping from the Golden Horseshoe area of Ontario (Canada) (see map on p. 14) to Western New York. The results of a survey conducted in the Golden Horseshoe are presented. The paper concludes with a discussion of some of the Canadian proposals to curb cross-border shopping.

SUGGESTED CAUSES

Several factors have been identified as contributory elements in the growth of outshopping from Canada to the United States. Explanations include the high value of the Canadian dollar with respect to the U.S. dollar, the influence of the Free Trade Agreement, a tax revolt against the newly implemented goods and services tax in Canada, and lower prices in the United States. A number of studies have focused upon the causes for the price differentials between the two countries. Higher taxes, wholesale costs, labor costs and operating costs in Canada; differing distribution channels and divergent pricing strategies within each country; lack of economies of scale in Canada; and interprovincial barriers to trade in Canada have been found to contribute to the price differentials.

Price Comparisons

Price surveys comparing a basket of goods in Canada with a similar basket of goods in the U.S. have often found substantial price differentials between the two countries. John Winter, a retail analyst based in Toronto, has found the retail price on some items in the U.S. to be lower than the wholesale price in Canada [Kidd, Apr. 5, 1991, p. B16]. Agriculture Canada has found that the average price differential between



Proximity of Canada's thirty largest urban areas to the U.S. border (estimated 1991 populations over 100,000)

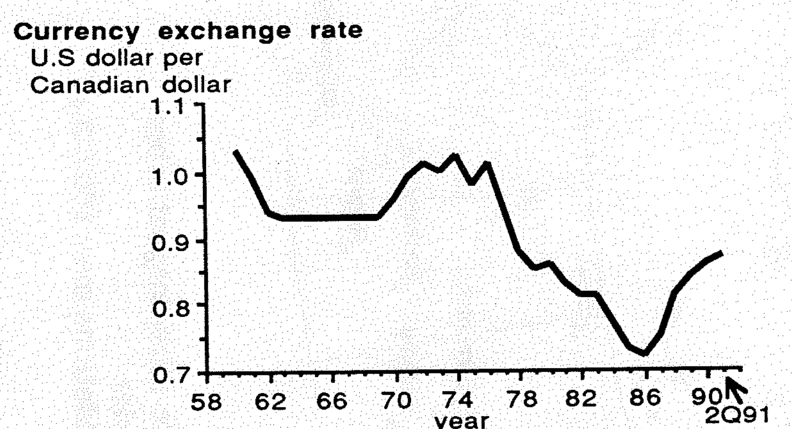
DATA SOURCE: Canadian Markets 1991, The Financial Post, 1991.

Figure 2

similar groceries in Canada and the U.S. is 16 percent [Brown, Sep. 8, 1991, p. A6]. Excluding non-essentials and high-tax items, the differential deflates to 10 percent less in the United States. *Maclean's* journalists have compared prices in four regions of Canada and the U.S. for an array of goods [Jenish, *et al.*,Apr. 29, 1991, pp. 40-41]. Nine items were chosen in each of the 4 areas and only one item in a single area was less expensive in Canada. Another price comparison conducted in June of 1991 in the Niagara Region between supermarkets and discount department stores in the two countries yielded similar results, although the percentage differential between prices was higher than the average variance found in the Agriculture Canada study [Ford, 1991].

Exchange Rates

Canadian retailers have been anticipating the frequently predicted decline in the value of the Canadian dollar. However, the value of the Canadian dollar has appreciated against the U.S. dollar since the mid 1980s [International Monetary Fund, 1990]. The Royal Bank of Canada has attributed the appreciation to a combination of tight monetary and loose fiscal policies [Royal Bank, 1991, p. 20]. During much of 1991, the Canadian dollar was valued at 87 cents (US) - 15 cents (US) more than its 1986 value (see Figure 3).



SOURCE: International Monetary Fund, International Financial Statistics, Yearbook 1990 and August, 1991.

Figure 3

Winter (1991) has termed the additional value the "discount coupon" received by Canadians when they shop in the United States. By the Fall of 1991, the Canadian dollar surpassed 89 cents (US) [Brown, Nov. 3, 1991, p. A10], and by year-end settled at a value of 86 cents (US) [*Wall Street Journal*, 31 Dec. 1991, p. C11]. Towards the end of 1991, some economists began altering their predictions of a depreciating Canadian dollar to a stabilizing Canadian dollar, around a value of 87 cents (US) for the next few years [Little, Oct. 2, 1991, p. B1]. The chief economist of the Conference Board of Canada warned Canadian businesses to become accustomed to doing business with a high value of their currency and to attempt to find other remedies for reducing costs [Little, Sep. 27, 1991, p. B5].

Free Trade Agreement

The Free Trade Agreement (FTA) is also often mentioned as a contributing factor in the rise of cross-border shopping. After much debate in Canada and a national election that focused upon this single issue, the FTA was approved by both countries by the end of 1988. The pact became effective January 1, 1989, although some of the tariff removal would be phased in over a 5- or 10-year period. Two economists, Michael McCracken and Paul Jacobson, who developed a statistical model to explain the variation in the number of same-day trips over time, have suggested that the unexplained variation since the fourth quarter of 1988 in their model may be partially attributed to a psychological response initiated by the FTA [McCraken and Jacobson, 1991]. Canadians have become more aware of the U.S. retail market and, likewise, U.S. border retailers and developers have an increased awareness of the Canadian marketplace. In its second-year review of the FTA, the Royal Bank of Canada also hinted at the psychological effect stimulated by the FTA, by stating that Canadian consumers had become increasingly aware of cheaper goods in the U.S. [Royal Bank, Feb., 1991, p. 13].

Goods and Services Tax

Many Canadians believe that the outshopping surge in 1991 was partially a tax revolt against the new goods and services tax (GST). The GST is a 7 percent federal tax levied on nearly all goods and services in Canada. The tax replaces the 73-year old manufacturing sales tax that covered only one-third of the goods to which the GST applies. The tax is in addition to provincial sales taxes ranging from 0 to 10 percent in Canada [Claiborne, Apr. 13, 1990, p. F1]. The total sales tax in Ontario is now 15 percent. In early January, immediately following the implementation of the GST, John Winter polled residents in the Niagara Region, where thirty-seven percent of the respondents claimed that they would shop more often in the U.S. because of the new tax [Brown, Jan. 24, 1991, p. D13]. A controversial Revenue Canada study also concluded that the implementation of the

GST would result in an increase in cross-border shopping [Freeman, Sep. 18, 1991, p. A1].

Other Factors

Other factors that have been suggested as contributory forces in the rise in cross-border shopping include the legally enforced closings of retailers on Sundays in parts of Canada; more variety and a higher quality of goods in the U.S.; better in-house service at U.S. retailers; a perception of lower prices in the U.S. by Canadians; the idea that shopping in the U.S. is fashionable or smart; the lack of a well-developed, off-price warehouse sector in Canada; stricter industrial development regulations and product standards in Canada; aggressive marketing campaigns by U.S. retailers targeting Canadian consumers; and less competition in Canada.

PATTERNS OF CROSS-BORDER SHOPPING

David Jokinen has described recent Canadian shopping patterns as a series of geographic rings or zones [Jokinen, Aug., 1990, p. 1]. He has labeled three zones of shopping, where distance determines the types of goods purchased and the frequency of shopping trips. The three shopping zones are measured by driving time in 30-, 60-, and 90-minute intervals from a location in Canada to the U.S. border (see Figure 4).

The first zone includes six large metropolitan areas with a combined population of 5.4 million people and an additional 3.7 million people in smaller towns and rural areas within a 30-minute drive of the border. Canadians living within this zone shop on a weekly basis for gas and groceries. John Winter has defined the first zone as a 15-minute drive from the border, encompassing 7.5 percent of the Canadian population who cross-border shop for convenience items [Winter, Jul., 1990, p. 1] (see Figure 5). Winter includes the cities of Niagara Falls, St. Catharines, Windsor, Sarnia, Sault Ste. Marie and Sherbrooke. Jokinen's definition of this zone is more expansive and includes the following census metropolitan areas (CMAs): Montreal, Vancouver, Niagara Falls - St. Catharines, Windsor, Sherbrooke, and Thunder Bay.

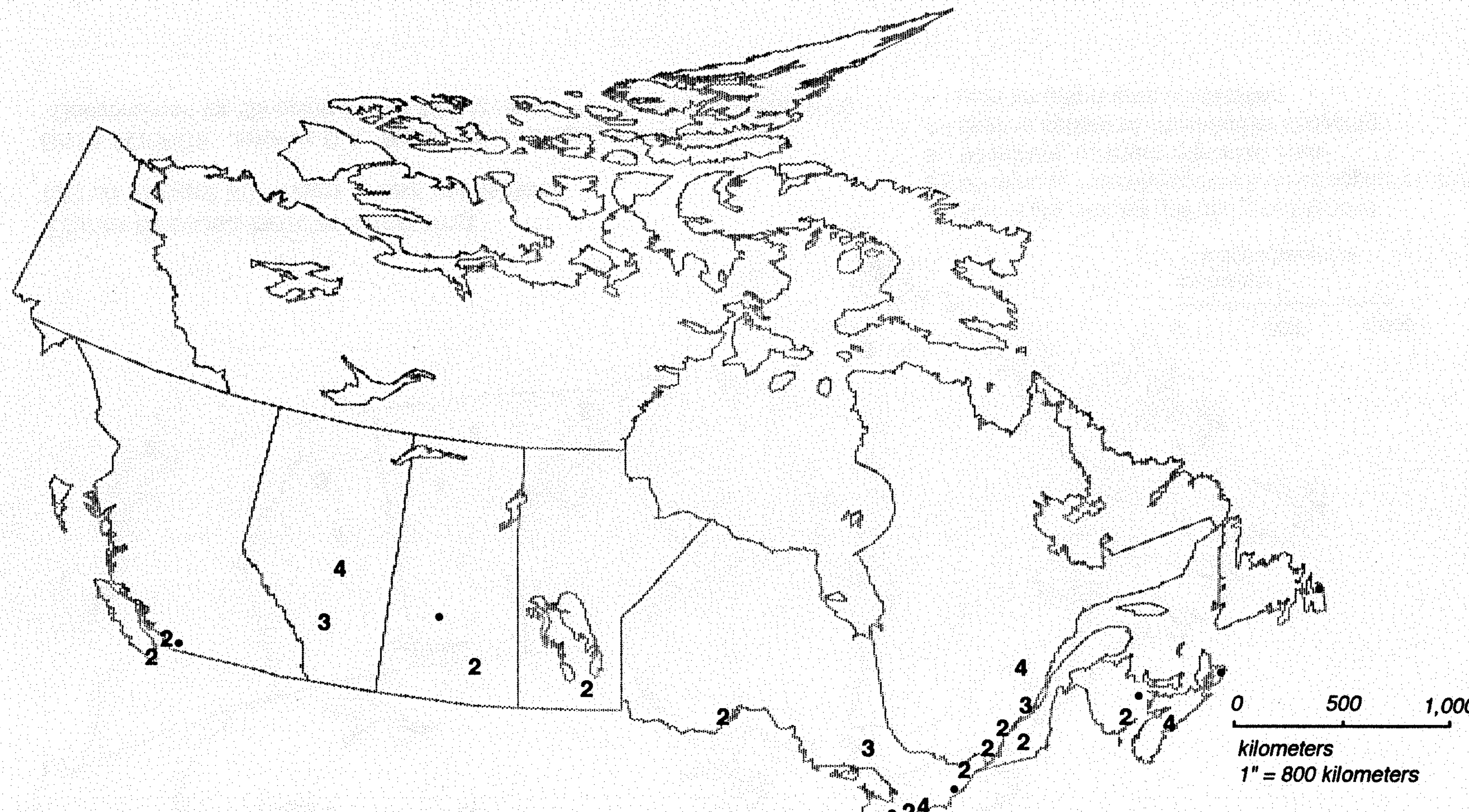
Canadian cities and towns that are located within an hour's drive of the border comprise the next zone. Canadians living in this zone cross the border once a month to shop in the U.S., and purchase items such as clothing and small appliances. Jokinen adds

Zones of cross-border shopping
(23 of largest 30 urban areas identified)

DATA SOURCE: Jokinen, D.A, "Border shops bulging with Canadians," Carlsonreport for Shopping Center Management Professionals, August, 1990.

1 - 30-minute, weekly gas and grocery zone
2 - 60-minute, monthly clothes & small appliance zone
3 - 90-minute, quarterly big-ticket zone
4 - beyond sphere of cross-border shopping
• - zone for urban area unidentified

Figure 4



Four rings of cross-border shopping
(23 of largest 30 urban areas identified)

DATA SOURCE: Winter, J.O., "Vicious circle at the border," Retailing in Canada, July, 1990.

1 - 15-minute, weekly convenience zone
2 - 60-minute, monthly clothes & small appliance zone
3 - 90-minute, quarterly big-ticket zone
4 - happy retailer zone (originally)
4 - beyond 90-minute zone (currently)
• - zone for urban area unidentified

Figure 5

another eight metropolitan areas to this zone, including Toronto, Ottawa, Winnipeg, Hamilton, Kitchener, Victoria, Oshawa, and Regina. Almost 10 million consumers live within this zone: 6.8 million from the large urban areas and 3 million from small towns and rural communities. Winter, on the other hand, includes the cities of Saint John, Trois-Rivieres, southern Montreal, Ottawa, western Toronto, Hamilton, Kitchener, Thunder Bay, Winnipeg, Regina, Vancouver, and Victoria in this zone.

The third zone includes Canadian residents who live within a 90-minute drive of the border. The zone is made up of almost 4 million people from four metropolitan areas and their hinterlands. Jokinen and Winter include Calgary, Quebec, London, and Sudbury in this zone. The inhabitants of this zone shop about four times per year in the U.S. for expensive goods such as major appliances and electronics.

Winter has concluded that the population's participation rate in cross-border shopping is determined by distance to the border and occurs as follows: 3 out of every 4 residents within 5 minutes of the border; 1 out of every 2 residents within 15 minutes of the border; 1 out of every 3 residents within 60 minutes of the border; and 1 out of every 5 residents within 90 minutes of the border [Winter, Apr. 4, 1991, p. 3].

According to Jokinen, only 10 percent of the Canadian population lives outside of the three shopping zones in places greater than a 90-minute drive to the U.S. border. Only five of Canada's 25 large cities, including Edmonton, Halifax, Saskatoon, St. John's, and Chicoutimi-Jonquiere, are located outside of the three zones.

John Winter initially described the outer zone as the "happy retailer zone". The fourth zone was free from the attraction of cross-border shopping because distance costs outweighed the price-saving benefits. Winter included the following cities in this zone: Halifax, Chicoutimi, Peterborough, Oshawa and Edmonton. However, Winter has since found that the fourth zone is no longer free from the influence of cross-border shopping. Canadians have become more willing to travel greater distances to shop for bargains in the United States. He has stated that "virtually all Ontario cities are 'border communities' [Winter, Apr. 4, 1991, p. 3]." He has attributed this new willingness to general economic conditions in Canada and the country's new goods and services tax (GST) [Kidd, Apr. 5, 1991, p. B1].

Some of the ideas for the generalized descriptions of the patterns of cross-border shopping provided by Jokinen and Winter originate in central place theory. One of the concepts which Walter Christaller has described in central place theory is the range of a good. The range is the greatest distance a person is willing to travel to purchase a good at a particular price [Christaller, 1966, p. 22]. The four factors involved in determining the range of a good are the size and importance of a (central) place, the price-willingness of a consumer, the subjective measure of economic distance, and the type, quantity and price of a good [Christaller, 1966, p. 107]. The range of a good may vary in place and in time because of the variability of the factors influencing the range. According to Winter's recent finding, the range of many goods seems to be increasing as Canadians are willing to travel further to purchase goods in the United States.

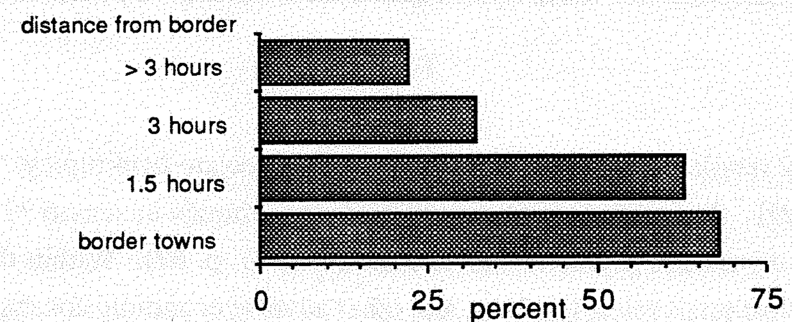
Winter has constructed distance-decay curves, which indicate the range of a good, for convenience goods and clothing items [Winter, July, 1990, p.4]. The horizontal axis of the curves is a distance measure represented by Winter as minutes from the border. The vertical axis is either trip frequency for the good or expenditure on the good. The steepest distance decay curve is found for grocery expenditures where the majority of groceries are purchased by Canadians living close to the border. Gasoline expenditure also has a steep curve which approaches zero at 60 minutes from the border. Beer expenditures and shoe expenditures yield the flattest distance decay curves, indicating that distance is not a deterrent for Canadians travelling to the U.S. to buy these goods. Therefore, Winter's data and graphs indicate that the range of shoes and the range of beer are greater than the ranges for groceries and gasoline.

The range of a good has an upper limit and a lower limit. The upper limit is determined by the maximum distance a consumer is willing to travel to purchase the good. The lower limit of the range, also known as the threshold, is the minimum amount of consumption required to support the good at a particular price [Christaller, 1966, p. 54]. Consumption is dependent upon the area's population size and distribution, income, and the demand, quantity and price of a good. In describing the three zones or the four rings of cross-border shopping, Jokinen and Winter have established the upper and lower limits of the range.

In support of Winter's contention that there is no longer a "happy retailer zone", or an upper limit to the range, the Canadian Federation of Independent Business (CFIB) conducted a survey which yielded results indicating that most retailers in Ontario are being affected by outshopping. However, the results also show a distance-decay effect by retailers who believe cross-border shopping has affected their business.

In May, 1991, the Federation contacted more than 500 retailers in Ontario by telephone for a survey regarding cross-border shopping [Canadian Federation of Independent Business, Jun. 26, 1991, p. 1, 6]. When asked, "Are you affected by cross-border shopping?" , one-third of the retailers located at a distance between 90 minutes and three hours from the U.S. border replied positively (see Figure 6). Beyond a three-hour drive from the border, 22 percent of the retailers interviewed responded in the affirmative. Two-thirds of the border-city retailers responded positively and 63 percent of the retailers within a 90-minute drive of the border answered positively.

Ontario retailers responding positively to the question: "Are you affected by cross-border shopping?"



SOURCE: Canadian Federation of Independent Business, "Ontario Retailers: the victims of tax discontent," June 26, 1991.

Figure 6

For retailers located within a 30-minute drive of the U.S. border, the types of businesses responding that they were being affected by cross-border shopping varied across industry sectors (see Figure 7). In the same study, 20 percent of the retailers stated that cross-border shopping would force them to close or to transfer their business to the United States. A few months later the CFIB conducted another survey and found that 36 percent of the respondents were considering shifting operations out of Canada. Almost 90 percent of these firms were considering locations in the U.S. [Canadian Press, Oct. 4, 1991, p. B6]. New Brunswick retailers have reported that businesses have considered transferring operations to the U.S. [National Task Force on Cross Border Shopping, Jun. 17, 1991, p. 8].

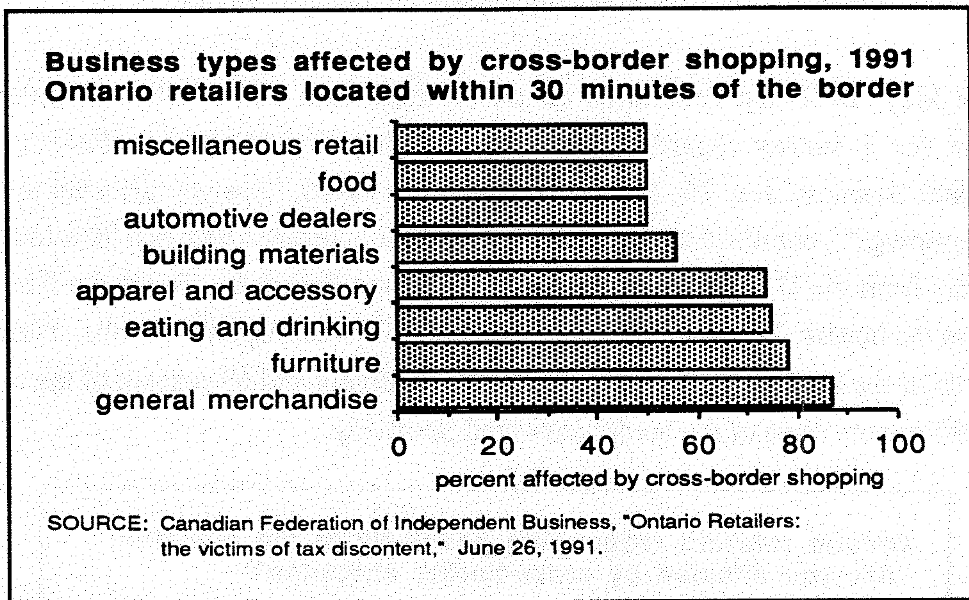


Figure 7

Many retailers have been forced to close or declare bankruptcy. In the first four months of 1991, the number of retailers filing for bankruptcy increased 30 percent over the same period a year ago [Symonds, *et al*, Jun. 24, 1991, p. 67]. Within the past year, the estimates of lost retail sales, lost jobs, and other adverse economic consequences of cross-border shopping have been continually revised.

REGIONAL VARIATIONS IN CROSS-BORDER SHOPPING

Several studies have been conducted that estimate retail sales revenue and job losses attributed to Canadian outshopping. Other studies have cited detrimental multiplier effects permeating other sectors of the economy. In its submission to the Ontario legislative committee hearings on cross-border shopping, the Retail Council of Canada noted that cross-border shopping was not only affecting the retail sector but was also affecting the tourism, manufacturing, agriculture, and government sectors [Retail Council of Canada, Apr., 1991, p. 5].

In 1989, Ernst & Young projected that Canadians were spending more than $1 billion annually in the U.S. [McMeekin, Dec. 18, 1989, p. 1]. Statistics Canada estimated that Canadians spent $405 (Can.) million in 1988 and $557 (Can.) million in 1989 in the

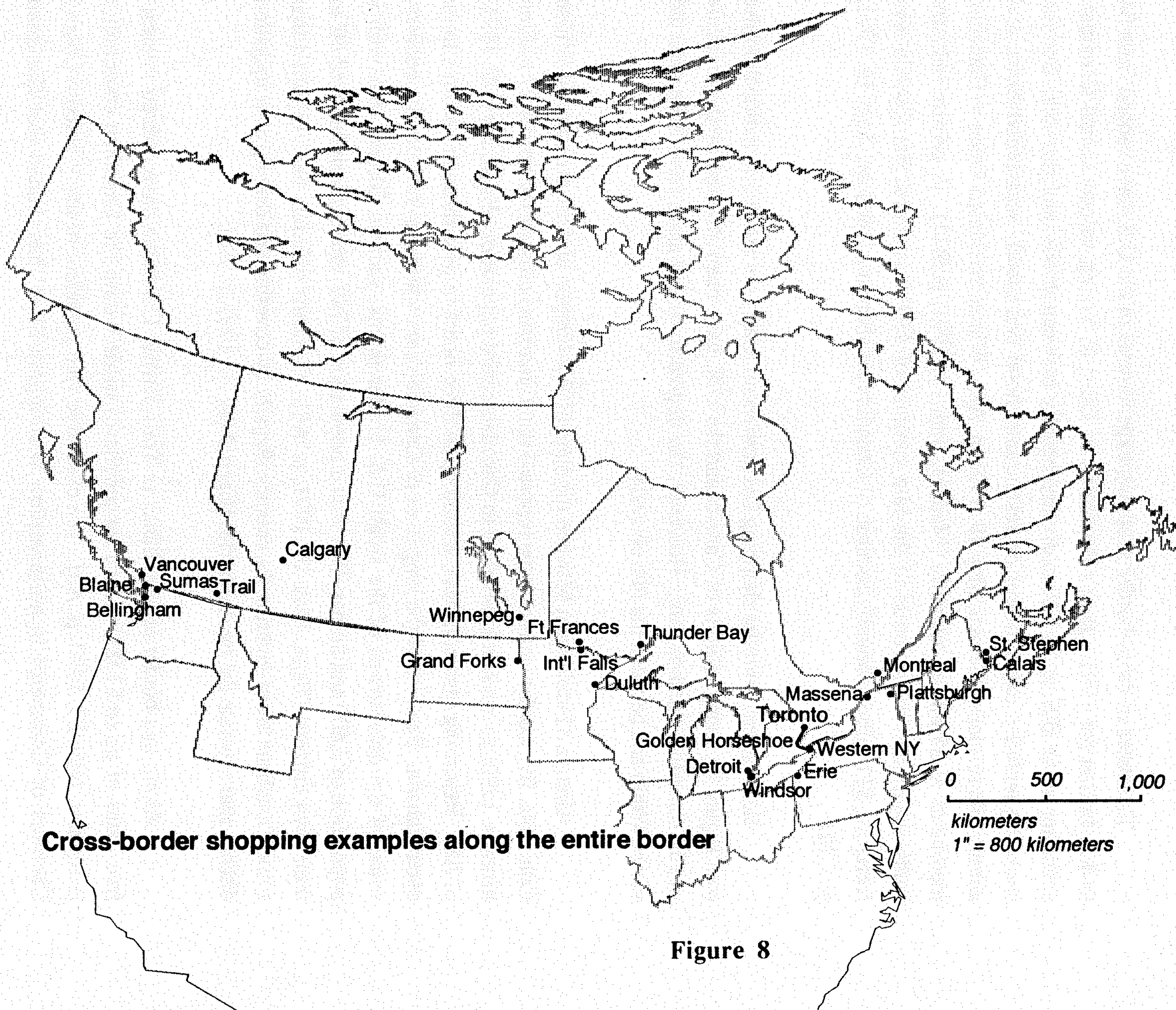
U.S. on meals, entertainment and shopping [McCracken, *et al.*, Feb., 1991, p. 2]. McCracken and Jacobson noted that they believed Statistics Canada's estimates were biased downward. The Royal Bank of Canada assessed total travel expenditure by Canadians from January to June of 1989 at $3.5 (Can) billion and from January to September of 1990 at $5.7 (Can) billion [Royal Bank, 1990, 1991].

Estimates of cross-border shopping expenditures in the U.S. have ranged from $4 to $11 billion for 1991. James Buchanon of Ernst & Young valued annual Canadian spending in the U.S. at $4 billion divided equally between goods and services. Service spending included expenditures on restaurants, hotel and motel accommodations, and automobile servicing [Brown, May 19, 1991, p. A8]. Winter calculated losses to Canadian merchants at $5 billion annually [Madore, Sep. 14, 1991, p. B11]. A private industry study mentioned in the press in the late summer of 1991 estimated that Canada was forfeiting $11 billion annually because of Canadian outshopping [Madore, Aug. 15, 1991, p. C11].

Because cross-border shopping has permeated nearly the entire international border (see Figure 8), many regions of Canada and the U.S. have been affected by the dramatic rise in Canadian outshopping. However, the degree to which areas have been affected varies within and between the two countries.

Along a 31-mile span between the state of Washington and the province of British Columbia, five border stations have reported that Canadians crossed the border 27 million times in 1990, an amount equivalent to Canada's entire population [Egan, May 20, 1991, p. A8]. Returning residents have waited up to three hours to pass through customs to re-enter Canada. Because of the long lines of Canadian cars waiting to re-enter the country, some of the downtowns of the small U.S. border towns, such as Blaine, WA with a population of 2,600 and Sumas, WA with a population of 749, are regularly blocked off to their own citizens [Egan, May 20, 1991, p. A8]. Customs officials have reported that some Canadians are re-entering the country illegally by covering and driving over irrigation ditches that separate the two countries [Egan, May 20, 1991, p. A8].

Along this border region, banks in Trail, British Columbia have offered interest-free loans of up to $1,000 (Can.) for purchases made within the Canadian community [Urquhart, Nov. 23, 1990, p. A2]. The executive vice president of the Whatcom County Chamber of Commerce in northwestern Washington State has stated that Canadian



Cross-border shopping examples along the entire border

Figure 8

shoppers were protecting the region from the effects of the national economic recession [Jenish, *et al.*, Apr. 29, 1991, p. 38].

A Canadian development company, Northwest Group of Cos., constructed a strip plaza in Blaine, Washington, targeting cross-border shoppers from southwestern British Columbia. The plaza was built specifically to attract the more than 120,000 Canadians living within 10 miles of the border. Because many Canadians were driving about 25 miles south of the border to Bellingham, WA, the mall developers thought that many could be intercepted in Blaine, especially those buying groceries. Brown & Cole Stores, a supermarket operator in the U.S., initially approached the Canadian company and requested that they build the mall for them. In November, 1990, Blaine International Center opened with 70,000 square feet and 16 tenants. Business has grown rapidly and plans are underway to double the size of the plaza and to add another 14 stores [Kidd, Jun. 17, 1991, p. B9].

Revenues have been rising 20 percent annually at the Bellis Fair Mall in Bellingham, Washington, where Canadians are estimated to account for 43 percent of the traffic [Symonds, *et al.*, Jun. 24, 1991, p. 66]. Retailers in British Columbia have found themselves not only competing with retailers in Bellingham, Washington, an hour's drive from Vancouver, but also competing with retailers as far away as Portland, Oregon. For example, Smith's Home Furnishings, based in Portland, Oregon, delivers purchases at the store to the border for Canadian customers [Strauss, Aug. 2, 1991, p. A2]. For an additional fee, the company delivers purchases to Canadians' homes close to the border. The company also takes care of all the paperwork relating to duties and taxes.

Ian Thomas, president of Thomas Consultants Inc. of Vancouver, predicted that retailers in British Columbia could lose up to $1 billion to retailers in the U.S. in 1991. Guilford Town Centre, a mall in Surrey, British Columbia near the Washington State border, lost an estimated 5 percent of its total sales to cross-border shopping; whereas, three years ago, the mall was losing between 1 to 2 percent of its sales [Kidd, Jun. 17, 1991, p. B9]. Dairy farmers in British Columbia have estimated annual losses between $50 and $70 million because of cross-border shopping [Madore, May 16, 1991, p. B7].

In the neighboring province of Alberta, which houses the largest mall in the world, Canadian residents from Calgary drive 200 miles to the border to shop in the U.S. [Claiborne, Apr. 13, 1990, p. F8]. Overnight trips by Canadians returning to

Saskatchewan Province rose 45 percent from the first half of 1990 to the same period in 1991 [Conway, Sep. 30, 1991, p. A13].

Surveys conducted by the Greater Grand Forks Convention and Visitors Bureau reveal that up to 70 percent of the city's out-of-town shoppers are from Manitoba, Canada. Grand Forks, North Dakota, has a population of about 50,000 and is located about 75 miles from the international border. Government officials in Manitoba have estimated that their citizens spend about $300 to $400 million (Can) annually in Grand Forks, where the business community aggressively advertises in Manitoba [Jenish, *et al.*, Apr. 29, 1991, p. 39].

From 1989 to 1990, the number of border crossings at the eastern-most crossing along the international border from St. Stephen, New Brunswick to Calais, Maine grew nearly 500 percent [Canadian Federation of Independent Business, February, 1991]. Cross-border shopping is not a new trend in these border communities, but the growth is. A department store manager in Calais claimed that with Canadians buying the more expensive items like televisions, air conditioners, and lawn mowers, the store has performed much better than expected during the current economic recession [Jenish, *et al,* Apr. 29, 1991, p. 37, 38].

The same year that the Champlain Centres Mall was built in Plattsburgh, New York, the number of border crossings at the Champlain Port of Entry in the northeastern corner of New York State grew almost 50 percent. In 1986, 1.9 million Canadians crossed the border at this point and in 1987, the year the mall was built, 2.9 million crossed [Champlain Centres, 1988, p. 67]. The Lake Champlain Regional Chamber of Commerce has coordinated direct-mail campaigns with brochures in English and French to encourage residents of Toronto and Montreal to visit and shop in the Lake Champlain Region [Beam, Nov. 28, 1990]. The mall has also printed brochures in French and English and has staffed an information booth with three bilingual employees [Jenish, *et al,* Apr. 29, 1991, p. 39].

Outshopping from Ontario

In early 1991, the Ontario Ministry of Industry, Trade and Technology in Toronto estimated that its residents spent about $600 million (Can) annually on retail and tourism in U.S. border cities [Clark, Mar. 24, 1991, p. B11]. However, after conducting a survey in several border and non-border cities in Ontario, the Ministry estimated that the province was losing $2.2 billion (Can) annually in goods alone [Canadian Press, Jun. 7, 1991, p. B3]. At least 14,000 jobs in border cities and an indeterminate number of jobs throughout the rest of the province were projected to be lost as a result of forfeited sales revenues. Thirty-one percent of the border residents interviewed had shopped in the U.S. during the month of April, 1991 [Morrison, Jun. 10, 1991, p. A4].

The Ontario retail market is the largest provincial market in Canada with the highest population, personal income, and retail sales. Retail sales in Ontario makes up over 37 percent of Canada's $195 billion (Can.) in total retail sales [Statistics Canada, 1991]. Table 1 shows total retail sales for Canada and the provinces.

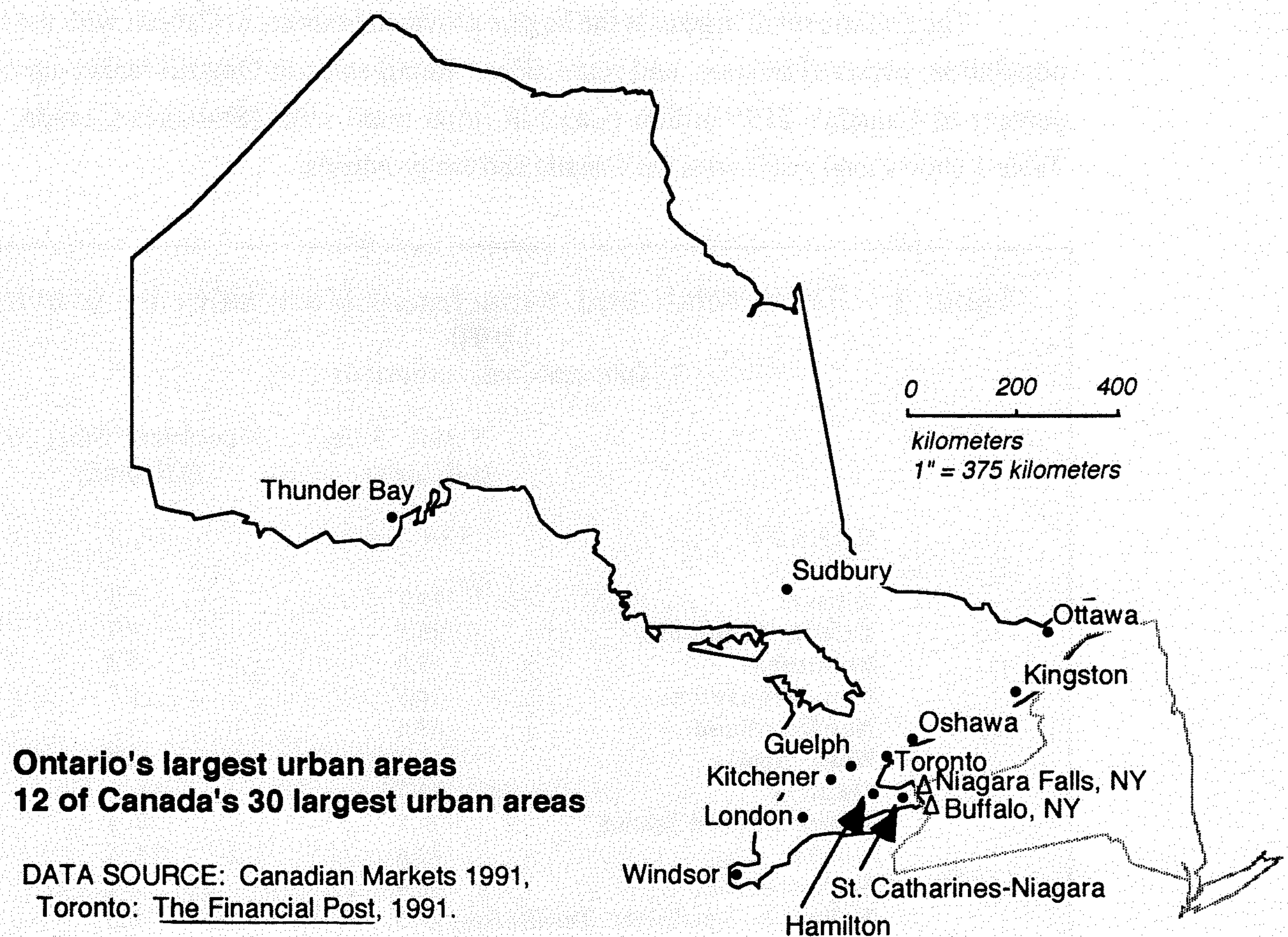
Table 1 - Total retail and department store sales by province 1990
(not seasonally adjusted)

	Retail Sales (billions)	Department Store Sales (billions)
CANADA	194.7	68.4
Alberta	19.7	7.7
British Columbia	25.0	8.7
Manitoba	7.0	2.4
New Brunswick	4.9	1.7
Newfoundland	3.6	1.3
Nova Scotia	6.4	2.3
Ontario	72.7	26.2
Prince Edward Island	0.8	0.3
Quebec	47.6	15.6
Saskatchewan	6.4	2.1
Yukon & Northwest Territories	0.5	0.3

Source: *Retail Trade, December, 1990*, Statistics Canada, 1991

Ontario has many distinctive urban markets and groupings of multiple urban markets, making up areas like the Golden Horseshoe. Thirty-six percent of Canada's total population in 1986 and a slightly higher percentage in 1991 live in Ontario[*Canadian Markets 1991*, 1991]. A dozen of Canada's largest 30 urban markets are located in the province of Ontario [*Canadian Markets 1991*, 1991] (see Figure 9). All of them lie within 100 miles of the U.S. border.

Based on household surveys in Thunder Bay, Niagara Falls, Windsor, Toronto and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kilometers
1" = 375 kilometers
Thunder Bay
Sudbury
Ottawa
Kingston
Oshawa
Guelph
Toronto
Kitchener
Niagara Falls, NY
Buffalo, NY
London
Windsor
St. Catharines-Niagara
Hamilton
Ontario's largest urban areas
12 of Canada's 30 largest urban areas
DATA SOURCE: Canadian Markets 1991,
Toronto: The Financial Post, 1991.

Figure 9

Fort Frances in Ontario, John Winter estimated that Canadian consumers from Ontario would spend $1 billion (Can) in the U.S. in 1991 [Winter, Apr. 4, 1991, p. 3] and that residents from Ontario had spent $700 to $750 million (Can) in the U.S. in the previous year [Brown, Apr. 7, 1991, p. A8]. Later in the year, Winter revised his estimate upward to a $2 billion (Can) loss to Canadian merchants in Ontario [Madore, Sep. 14, 1991, p. B11]. Winter noted that the Free Trade Agreement was contributing to Canada's high unemployment, record numbers of bankruptcies and job losses [Brown, Apr. 7, 1991, p. A8]. He also assessed Ontario's tax revenue losses at $50 million (Can) from residents who did not pay the voluntary provincial taxes upon returning to Canada with taxable goods purchased in the U.S. [Winter, Apr. 4, 1991, p. 12].

The Canadian Council of Grocery Distributors found that Ontario consumers would spend about $250 million (Can) at supermarkets in the U.S. in 1991 at a cost of 1,700 retail jobs in Ontario. [Kidd, Apr. 19, 1991, p. B7]. Individual retailers have also estimated their losses because of cross-border shopping. Dylex Limited, a major clothing retailer based in Ontario with 800 stores in the province and about 10 percent market share of all clothing sales in Canada, estimated that it was losing $110 (Can.) million because of cross-border shopping [Moloney, Aug. 1, 1991; Symonds, *et al*, Jun. 24, 1991, p. 67].

Several surveys on cross-border shopping have been undertaken in Ontario cities to gauge the effect of outshopping on the local communities, usually border cities (see Figure 10). In International Falls, MN, Canadian shoppers are visiting from Fort Frances, Ontario just across the border. Each of these municipalities has populations of about 8,000 and each is about a 3-hour drive from a major urban area [Kidd, Apr. 5, 1991, p. B16]. The business community in Fort Frances claims that outshopping is nothing new, but that the magnitude of the recent growth is. A study prepared by John Winter Associates Ltd. and commissioned by the Economic Development Department in Fort Frances found that at least $7 million dollars per year is spent in International Falls by residents of Fort Frances [Klein, Apr. 25, 1991, p. 1]. Originally the study reported that the $7 million figure was likely to double in two years. However, the estimate has been revised; Canadian expenditures in International Falls are likely to double in one year. Approximately 30 percent of Fort Frances' market share in restaurants and service stations and 11 and 12 percent in clothing and groceries, respectively, have been lost to International Falls' retailers [Klein, Apr. 25, 1991, p. 1]. Some businesses in International Falls, MN offer incentives for Canadian consumers, including taking Canadian currency at par value [Klein, Apr. 25, 1991, p. 7].

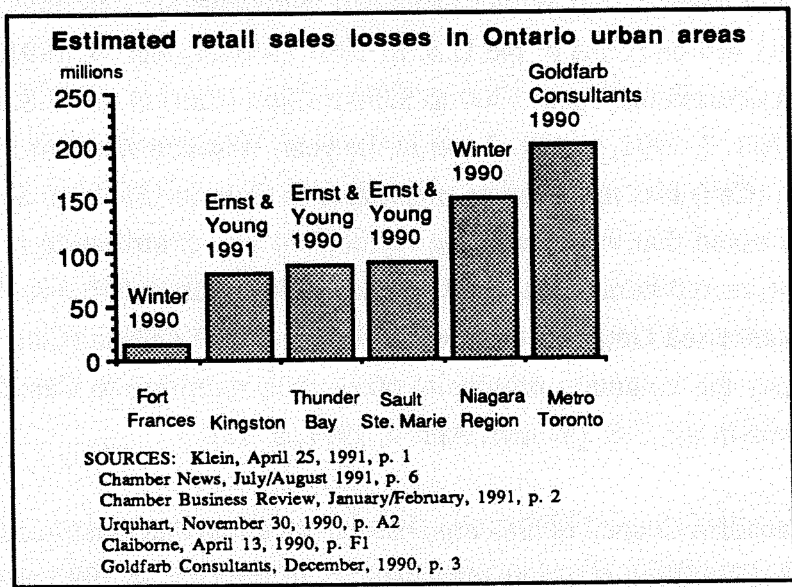


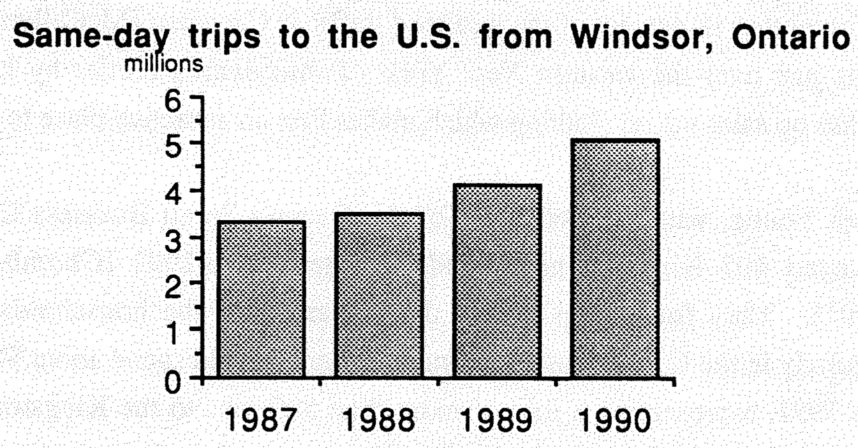
Figure 10

Thunder Bay, Ontario lies on the northern edge of Lake Superior within a half-hour drive from the Pigeon River international border crossing. Thunder Bay residents are shopping in Duluth, Minnesota, located on the western end of Lake Superior and nearly a two and half hour drive from the border crossing. Duluth merchants are targeting much of their advertising at Thunder Bay consumers [McMeekin, Dec. 18, 1989, pp. 1, 28]. In 1989, Ernst & Young found that on any given week, over 2,000 residents of Thunder Bay were shopping in Duluth stores, an increase of 86 percent from 1987 [Ernst & Young, Nov. 14, 1989]. One-quarter of the weekend shoppers in Duluth are estimated to be Canadians [Urquhart, Nov. 23, 1990, p. A2].

In 1986, Thunder Bay residents spent an estimated $22.5 (Can.) million; a third is attributed to declared purchases, another third to food, lodging and entertainment, and the final third to duty-free and undeclared items. Three years later, the estimated expenditure more than doubled to $46.2 (Can.) million in 1989 and nearly doubled again, only one year later, in 1990 to $85.2 (Can.) million [*Chamber Business Review*, Jan./Feb., 1991, p. 2]. Business Development officials in Duluth believe that the influx of Canadian shoppers has helped push the unemployment rate down to 3.5 percent in the city. However, unemployment has risen to 10 percent in Thunder Bay [Urquhart, Nov. 23, 1990, p. A2].

In another survey, Ernst and Young calculated that Canadians from Sault Ste. Marie, Ontario were spending $89 million per year, averaging $1,100 per resident, across the border in Sault Ste. Marie, Michigan. The survey found that 72 percent of the adult residents of Sault Ste. Marie, Ontario had cross-border shopped in the previous month [Urquhart, Nov. 23, 1990, p. A2].

In Windsor, Ontario just across the border from Detroit, MI, 250 people lost their jobs when two A&P stores closed. A spokesperson for Great Atlantic and Pacific Tea Co. Ltd. said that the stores were losing money and blamed the closures on the Canadian recession and cross-border shopping [*The Globe and Mail,* Apr. 22, 1991, p. B2]. Since 1987, the number of same-day trips by Canadians out of Windsor, Ontario has risen more than 50 percent [Retail Council of Canada, Apr., 1991, p. 4] (see Figure 11). Additionally, the annual rate of growth in the number of single-day trips into Detroit has increased each year since 1987. Detroit has a 4 percent sales tax compared to 15 percent - the 7 percent G.S.T. and the 8 percent provincial sales tax - across the border in Windsor, Ontario [Winter, Apr. 4, 1991, p. 6]. After the Ontario appeal court ruling in April, 1991 forcing most retailers to close on Sundays, the Windsor city council took advantage of a loophole in the law and declared the entire city a tourist area so that its stores could compete with Detroit stores on Sundays [Brown, April 30, p. A8]. Restaurants in Windsor that used to be visited frequently by Detroit residents have experienced declines in their trade because the visitors from Detroit do not want to wait in border traffic snarls with the returning cross-border shoppers [Winter, Apr. 4, 1991, p. 15].



SOURCE: Revenue Canada, Customs and Excise in Retail Council of Canada Submission to The Standing Committee on Finance and Economic Affairs of the Ontario Legislature - Cross Border Shopping, Toronto: Retail Council of Canada, April, 1991.

Figure 11

Forty percent of the shoppers at a new $55-million mall in Massena, a small New York border town, are Canadians [Urquhart, Nov. 23, 1990, p. A2]. The St. Lawrence Centre mall was built five miles from the international border to exploit the cross-border shopping boom. "It is remarkable how 'international' a service retailing has become when developers build large malls in one country in order to serve people in another country" [Winter, Apr. 4, 1991, p. 14]. Because of the regular weekend traffic jams at the Seaway International Bridge between Massena, NY and Cornwall, Ontario, Mohawk Indians on a nearby reserve in the U.S. threatened to blockade the bridge to protest the disruption of their lives. Federal officials promised to try to resolve the problem and the Mohawk Indians agreed to cancel the protest [Jenish, *et al.*, Apr. 29, 1991, p. 38]. Cornwall has attempted to make shopping in its community more attractive. The local banks have provided low-interest loans to consumers making purchases in Canada rather than in the U.S. [National Task Force on Cross Border Shopping, Apr. 22, 1991, p. 2].

About 50 miles southwest of the Seaway International Bridge between Massena, New York and Cornwall, Ontario is the Ogdensburg Bridge between Ogdensburg, New York and Prescott, Ontario, south of Ottawa. Prior to the growing popularity of cross-border shopping, the bridge was used infrequently. Currently, about 80 percent of the automobile traffic over the bridge has been Canadian [Brown, Jul. 14, 1991, p. A6].

A travel agent in Toronto promotes "shop till you drop" bus trips to Erie, Pennsylvania, 200 miles away [Urquhart, Nov. 23, 1990, p. A2]. A 1991 informal mall study in Erie found that 18 percent of the weekend traffic is Canadian [McCallum, Jun. 19, 1991]. Erie is just over the western New York - Pennsylvania border by Lake Erie. Pennsylvania has no sales tax on clothing which makes Erie an attractive place to shop.

Ernst & Young, with the assistance of the Queen's Small Business Consulting Service, surveyed 407 Kingston households in late March,1991 [*Chamber News*, Jul./Aug., 1991]. They found that almost three-quarters of the households shopped somewhat regularly in the U.S. and that Kingston residents would spend about $78 million in the U.S. in 1991, representing a loss of more than 500 jobs to the Kingston District. The study estimated that $47.1 million of the outflow was attributed to spending on goods and $30.9 million to spending on services, mainly restaurants, taverns, and motels. As household income rose, spending on services in the U.S. also increased. In some cases, the ratio of services-spending to goods-spending was almost three to one [Kidd, May 23, 1991, p. B6].

Winter calculated a 4 percent gain in Toronto's $4.4 billion soft goods market by retailers in the U.S. [Brown, Nov. 11, 1990, p. B12]. He projected that 3.5 million people in the metropolitan Toronto area would spend more than $180 million in stores in the U.S. in 1990 (see Table 2).

Table 2 - Estimated retail sales losses in Toronto, 1990

Item	Estimated expenditure in the U.S. (millions)
Women's clothing	$66
Men's clothing	44
Children's wear	18
Linens, towels, draperies	15
Jewelry	14
Adult shoes	9
Sporting/leisure clothing	8
Kitchen items	8

SOURCE: John Winter Associates, Limited, 1990

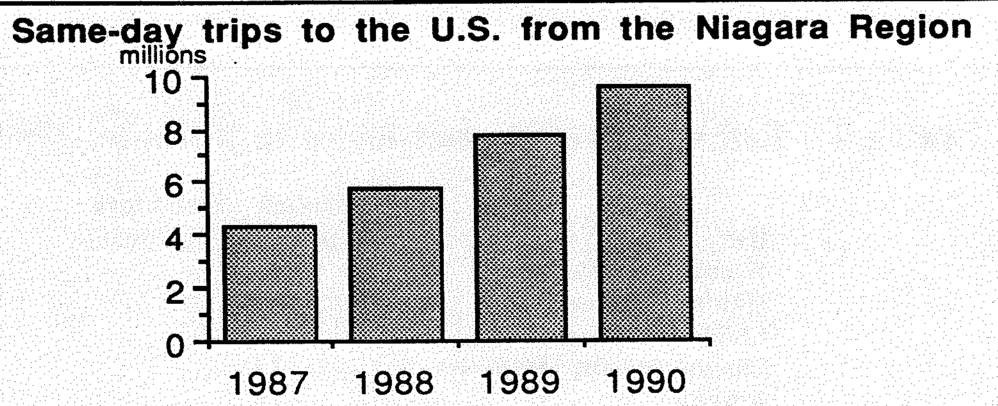
Goldfarb Consultants found that Metropolitan Toronto residents who cross-border shopped spent on average $326 (Can) per trip and averaged almost three shopping trips per year to the U.S. [Dec., 1990, p. 29]

In a 1990 study conducted by John Winter for the Committee for Fair Shopping, Winter estimated that Canadians from the Niagara Region were spending $115 million annually in Western New York at a cost of about 1,100 retail-sector jobs to the Niagara Region in Canada [Claiborne, Apr. 13, 1990, p. F1]. He found that half of the Niagara Region residents shopped in Western New York an average of once per week. In addition, he estimated that the supermarkets in Niagara Falls, Ontario have lost up to 15 percent of their sales to their counterparts in the U.S.

Cross-Border Shopping in Western New York

The Canada Customs district manager at Niagara Falls, Ontario has claimed that on weekend afternoons, motorists attempting to cross the border into Canada on any of the three bridges to Niagara Falls may wait up to two hours before reaching customs [Jenish, *et al.*, Apr. 29, 1991, p. 38]. On weekends, motorists may wait two hours or more on the Peace Bridge between Fort Erie, Ontario and Buffalo, New York [Symonds, *et al.*, Jun.

24, 1991, p. 67]. See Figure 12 for the growth in the number of single-day trips by Canadians over these four bridges.



SOURCE: Revenue Canada, Customs and Excise in Retail Council of Canada Submission to The Standing Committee on Finance and Economic Affairs of the Ontario Legislature - Cross Border Shopping, Toronto: Retail Council of Canada, April, 1991.

Figure 12

Mark Adler, a Canadian, has printed his second, updated version of *Buffalo Bargains* targeted toward Canadian cross-border shoppers. He has sold 26,000 copies of *Buffalo Bargains 1990* [Madore, Jul. 9, 1991, p. B7]. The book highlights department stores, specialty shops, restaurants and motels in Western New York. Information such as acceptable forms of payment, hours of operation, and directions to individual businesses are also included. Over $400 in coupons are placed throughout the updated version. The second version has advertising, unlike the initial version, with rates ranging from $100 to $800 per placement.

Some Canadians have criticized Adler's book as well as a class taught at a Canadian college. Durham College in Oshawa, Ontario, canceled its three-year old "Shopping in Buffalo" program that was severely criticized by politicians [Brown, Apr. 7, 1991, p. A8]. The program, organized through the college's evening school leisure activity program, involved a once-a-year shopping trip by bus for about 40 Canadians. Politicians complained that the government was funding an institution with millions of Canadian dollars that was teaching its citizens how to spend their Canadian dollars elsewhere.

The private and public sectors of Western New York have welcomed Canadian tourists to the area and have provided incentives to attract Canadian shoppers. The Greater Buffalo Convention and Visitors Bureau, with support from the Buffalo Hilton and the Hyatt Regency Buffalo, sponsored 25 Canadian visitors representing the Canadian Automobile Association, the U.S. Travel and Tourism Administration in Toronto, and group-travel companies [*Buffalo News,* Apr. 10, 1991, p. C8]. These representatives were chosen because of their influence over Canadians regarding places to visit and to shop. The tour originated because of the increase in cross-border shopping by Canadians. Amenities included receptions, dinners, and entertainment for the guests.

From 1985 to 1989, total retail sales in the two counties of Western New York, Erie and Niagara, grew 26 percent and 39 percent, respectively [Sales and Marketing Management, Survey of Buying Power, 1990]. Interestingly, total effective buying income in the two counties grew far less than the growth in total retail sales. Total effective buying income in Erie County increased 11 percent and in Niagara County rose a modest 4 percent [Sales and Marketing Management, Survey of Buying Power, 1990]. Growth in total household formation was lower than the growth in total effective buying income between 1985 and 1989. Total households grew 0.4 percent in Erie County and 2.2 percent in Niagara County [Sales and Marketing Management, Survey of Buying Power, 1990]. These data would indicate that it is unlikely that the local population is the sole or primary population group behind the increase in retail sales dollars to the local economies. Canadian shoppers in Western New York are substantially contributing to the growth in Western New York's retail sales.

One of the benefits the Canadian shoppers have brought to the Western New York economy is increased sales tax revenues which are shared between the county and its cities, towns, villages, and school districts. In Erie County, the sales tax is 8 percent; in Niagara County the tax is 7 percent. New York State retains 4 cents of each 7 and 8 cents on the dollar collected as sales tax by Niagara and Erie Counties, respectively. Sales tax revenues returned to Niagara County by the State in 1990 grew 11 percent from 1989 [Thomas, Jan. 14, 1991, p. 8]. Niagara County retains 40 percent of its share and divides the rest between the county's three cities and twelve towns. Erie County received $321.3 million in sales tax revenues from the State in 1990, an increase of nearly 5 percent from the previous year. Erie retains 51 percent and divides the rest among localities and school districts [Thomas, Jan. 14, 1991, p. 8].

Albany, Clinton, Erie, and Niagara Counties were the only counties in New York

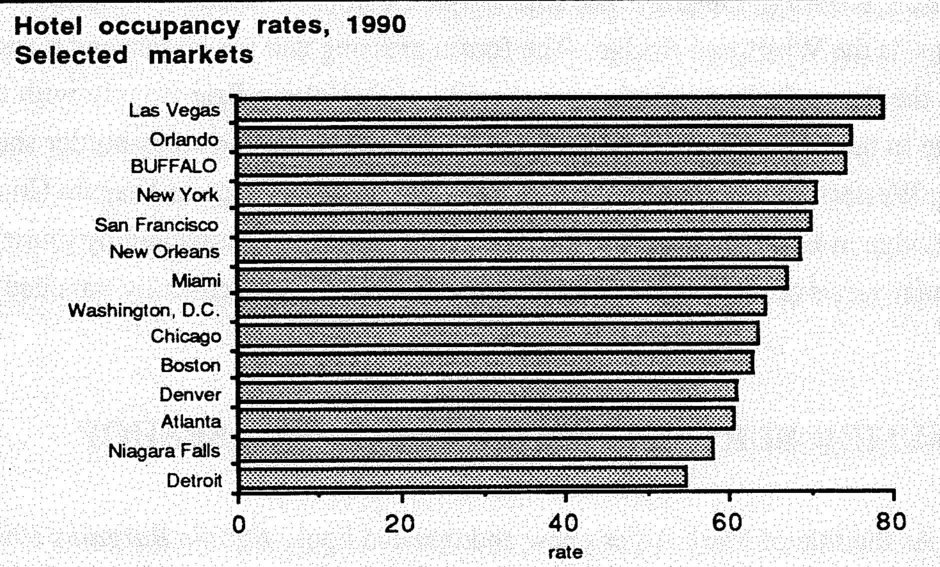
State out of 62 counties to report a substantial rise in sales tax revenues in 1990 during the national recession [Thomas, Jan. 14, 1991, p. 8].

Retail sales taxes for Niagara and Erie Counties for the first half of the 1991 fiscal tax year have been lower than the comparable period in 1990. Erie County's receipts fell 1.5 percent and Niagara County's declined by 0.6 percent [Thomas, Aug. 5, 1991, p.5]. The shortfall in tax revenues for both counties has been attributed to the national economic recession and the Persian Gulf War, which have contributed to a general decline in consumer confidence. The mild 1990/91 winter resulted in lower utility taxes being collected as part of the retail sales tax revenue base. In addition, Niagara Falls has kept all hotel, restaurant and utility sales taxes since March of 1991. If these revenues were added to the county's totals then they would have surpassed 1991 revenues [Thomas, Aug. 5, 1991, p. 5].

Canadian shoppers are also believed to have shielded the Western New York economy from the full effects of the national economic recession. Partly because of Canadian spending in the area, Buffalo remained one of the economically fittest areas in New York State, according to the Federal Home Loan Bank of New York [Hartley, Jan. 21, 1991, p. 9]. Another study prepared by Fleet/Norstar Financial Group found that Buffalo would be less adversely affected by the recession than other Northeastern cities and that Buffalo's economy should come out of the recession more rapidly than the rest of the state [Robinson, Jun. 20, 1991, p. C7].

Although the recession has curbed retail sales nationally, many Western New York stores have been posting higher gains than their parent companies. Ira Kalish, an economist with Management Horizons, a division of the accounting firm Price Waterhouse, stated that the region is in a position to make even more gains when the Canadian recession ends [Clark, Jun. 18, 1991, p. B10]. In a *Business First* of Buffalo roster, retail sales were listed as the second fastest growing job-generators behind registered nurses [Fink, Jan. 7, 1991, p. 12]. Projected annual growth is 490 new jobs through 1992.

Hotels in Western New York also seem to be benefiting from Canadian shoppers who stay overnight or longer. In 1989, in a very successful advertising campaign, the Niagara Hilton targeted almost all its advertising money to the Toronto market [McMeekin, Nov. 27, 1989, pp. 1, 28]. In 1987, the hotel occupancy rate of Buffalo, New York, was below the national average. However, for the next three years and the first half of 1991, the hotel occupancy rate in Buffalo rose above the national average according to Smith Travel Research data provided by the Greater Buffalo Convention and Visitors Bureau. Excluding Las Vegas and Orlando, Buffalo's hotel occupancy rate topped most of the major markets in the country during 1990 (see Figure 13). Buffalo's rate grew from 61.2 percent in 1987 to 74.4 percent in 1990, compared with a national average rate of 63.3 percent in 1990. In the first half of 1991, Buffalo's rate of 67 percent compared favorably with the national average rate of 58 percent. Room supply and demand has increased 2 percent and 28 percent, respectively, from 1987 to 1990.



SOURCE: Smith Travel Research in K. Alverson, "The Buffalo Lodging Market, 1987 - 1990," Greater Buffalo Convention and Visitors Bureau, undated.

Figure 13

New commercial developments have been proposed such as Benderson Development's $100 million outlet mall in Niagara Falls and new local companies have been formed in response to the increase in cross-border shopping [McMeekin, Dec. 18, 1989, pp. 1, 28]. Access Merchandising is a company established in March, 1991 by two business persons from Fort Erie, Ontario and Buffalo, New York. The two men own a kitchen appliance company in Fort Erie and watched much of their potential customers cross the border to shop in the United States. Access Merchandising has become a phone-order kitchen and home furnishings dealership located in Buffalo supplying Buffalo's discount merchandise. Canadian customers order by phone and avoid the delays at the international bridge crossings. Access Merchandising ships the goods through customs and delivers them to the customer [Brown, May 12, 1991, p. A5].

There are four heavily travelled bridges between Canada and the United States in southern Ontario and Western New York. Three of the bridges connect Niagara County where the city of Niagara Falls is located to the city of Niagara Falls in the province of Ontario. The Rainbow Bridge is the international crossing overlooking the falls at Niagara Falls, New York and Ontario. It is the southern-most bridge of the three in Niagara County. The northern-most is the Lewiston-Queenston Bridge connecting Lewiston, New York with Queenston, Ontario. The smallest of the three, located in between the other two crossings, is the Whirlpool Bridge. The fourth crossing and the largest and busiest among them is the Peace Bridge, which joins the city of Buffalo in Erie County with the city of Fort Erie in the province of Ontario. It is likely that most of the cross-border shoppers are entering Western New York via the Lewiston-Queenston Bridge in Niagara County or the Peace Bridge in Erie County. The Rainbow Bridge is heavily travelled by tourists seeking spectacular views of the falls and the Whirlpool Bridge is not frequently travelled.

CONSUMER SURVEY: THE GOLDEN HORSESHOE

As the title of Mark Adler's new and updated book, *Buffalo Bargains 1991,* implies and several surveys have found (see Canadian Federation of Independent Business, Jun. 26, 1991; Ernst & Young, Nov. 14, 1989], Canadian consumers are shopping in the U.S. mainly because of lower prices. In a survey undertaken in June, 1991, half of the cross-border shoppers interviewed in the Toronto, Hamilton, and Niagara Falls metropolitan areas cited lower prices as the primary reason for shopping in the U.S. [Ford, 1991]. Another 13 percent stated that lower prices as well as a second reason were their primary reasons for outshopping. An additional 12 percent cited gasoline, gasoline and a second item, or groceries as the primary reason that they cross-border shopped.

Aggregate results of the June survey are presented in this paper. The survey was completed between June 5, 1991 and June 27, 1991. Over three-hundred surveys were completed by telephone interviews conducted in three metropolitan areas in Ontario, Canada: the Toronto Metropolitan Area, the Hamilton-Wentworth Region, and the Niagara Region. The survey findings identify malls and other retail establishments where Canadian residents are shopping in Western New York, the items Canadians are purchasing, and the frequency of cross-border shopping trips. Limited socio-economic information was also collected for each respondent. General comments about cross-border shopping were also solicited from the respondents at the conclusion of the formal survey.

The survey is biased toward individuals or families with members who do not work outside of the home between the hours of 10 a.m. to 4 p.m., the hours for which the survey was conducted. It is also likely that the survey is biased toward those individuals who tend to cross-border shop. At least 13 percent of the people who were telephoned and declined to respond to the survey did indicate that they do not cross-border shop. When they were told that responses to the questions were being taken from those who do, as well as those who do not cross-border shop, they still refused to participate in the survey. Some said the issue was too controversial.

The survey results are reported in such a way that each question in the survey is presented in the order that it was asked during the interview. The aggregate responses follow each question. The results begin with information on where and when the telephone calls were made. The end of this section summarizes the comments offered by the respondents after completing the formal questionnaire.

The dates of the phone calls, the destinations of phone calls, and the number of people who responded to the questionnaire are listed in Table 3. A cross-border shopper is defined as any survey participant who visited a mall or a supermarket in Western New York (WNY) or purchased an item in WNY within the last year. This definition excludes Canadian vacationers who purchase items in the U.S. because they live in the U.S. part time or vacation in the States, in places other than WNY.

Table 3 - Cross-border shopping questionnaire, 1991

Location	Number	Dates	% who cross-border shop	Distance fr border (miles)
Metropolitan Toronto	100	June 12, 13, 18	27.0	90
Hamilton-Wentworth Region	126	June 5, 6, 7	57.9	50
Niagara Region	110	June 25, 26, 27	74.6	10
TOTAL	336		54.2	

Residents of Burlington, Dundas, Grimsby, Hamilton, and Stoney Creek of the Hamilton-Wentworth Region answered the questionnaire. The Niagara Region included interviews with residents of Fort Erie, Niagara Falls, and St. Catharines. Toronto respondents included residents from the city and the surrounding metropolitan area.

The data in Table 3 suggest that there is a distance decay effect in outshopping from the Golden Horseshoe. A higher percentage of Canadians living in the Niagara Region, just over the border from Western New York, have a greater tendency to cross-border shop than residents from Toronto, the metropolitan area located the greatest distance of the three areas from the border. The percentage of cross-border shoppers from the Hamilton-Wentworth Region, located about midway between Toronto and the Niagara Region, falls in between the percentage of cross-border shoppers from Toronto and the Niagara Region.

1) How frequently do you shop in the United States? < NO PROMPT GIVEN>

Table 4 - Shopping trip frequency by Canadians to the U.S.

	percent of all respondents	number
once or more per week	12.2	41
once or more per month	16.7	56
once or more per quarter	4.8	16
more than once per year	11.9	40
once per year	11.9	40
less than once per year	2.1	7
once/twice in a lifetime, within the last year	1.5	5
occasionally, rarely	2.1	7
not any more, not recently	3.3	11
never	33.6	113
TOTAL	100	336

At least a third of the people interviewed have never shopped in the United States. An additional 3 percent have terminated their shopping in the U.S. However, almost half of the residents surveyed in the Niagara Region who have crossed the border to shop, do so once or more per week and an additional 30 percent shop once or more per month in the U.S. Slightly less than 20 percent of the respondents in Toronto, 45 percent of the respondents in Hamilton, and 71 percent of the respondents in the Niagara Region shop in the U.S. more than once per year (see Figure 14). At least five of the respondents who had shopped once within the last year mentioned that it was their first or second shopping trip in their lifetime to the U.S., indicating that cross-border shopping may have won over some converts. Some of the respondents mentioned that they were planning their first shopping trip or another shopping trip to Western New York in the near future.

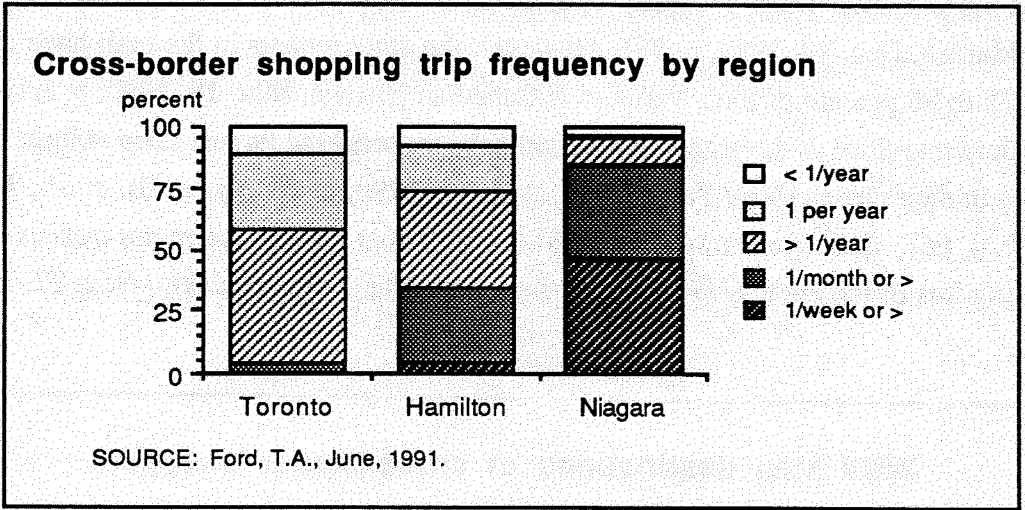


Figure 14

2a) Which of the following malls or outlets have you visited within the last year? < PROMPTED WITH NAMES OF MALLS LISTED >

Table 5 - Western New York malls visited by Canadian shoppers

	% of all respondents	number	% who cross-border shop Tor.	Ham.	Niag.
Factory Outlet Mall	29.2	98	59.3	58.9	47.6
Summit Park Mall	21.1	71	29.6	42.5	39.0
Walden Galleria Mall	19.9	67	37.0	31.5	41.5
Boulevard Mall	15.2	5	22.2	28.8	29.3
Eastern Hills Mall	10.7	36	11.1	19.2	23.2
Rainbow Centre Mall	14.3	48	18.5	31.5	24.4
Lockport Mall	2.4	8	0	6.8	3.7
Thruway Mall	5.7	19	11.1	11.0	9.8
no malls	43.5	146	11.1	1.4	12.2

The most frequently visited mall by the Canadian residents interviewed in the survey is the Factory Outlet Mall in the Town of Niagara (see Figure 15). More than half of the cross-border shoppers of Toronto and Hamilton, and almost half of the Niagara Region shoppers have visited the Factory Outlet Mall. The mall is located 7 miles from the Queenston-Lewiston border crossing. Canadians outspend Western New Yorkers at the Factory Outlet Mall, which has expanded seven times in an equal number of years [Brown, Mar. 18, 1990, p. A1]. In 1989, *Business First* reported that 40 percent of the mall's sales were drawn from shoppers who lived outside of the U.S., mainly Canadians [McMeekin, Dec. 18, 1989, p. 28]. However, the store tenants in the mall have claimed that 75 to 95 percent of their business is Canadian [Brown, Mar. 18, 1990, p. A1]. One-fourth to one-third of the stores in the mall have reported the largest sales volumes of any stores in their chains [*New York Times*, Apr. 15, 1990, p. 23; Symonds, *et al.*, Jun. 24, 1991, p. 66]. *Business First* of Buffalo reported that half of the motor coaches in the parking lots of the Factory Outlet Mall were from Canada [McMeekin, Nov. 27, 1989, p. 28.]

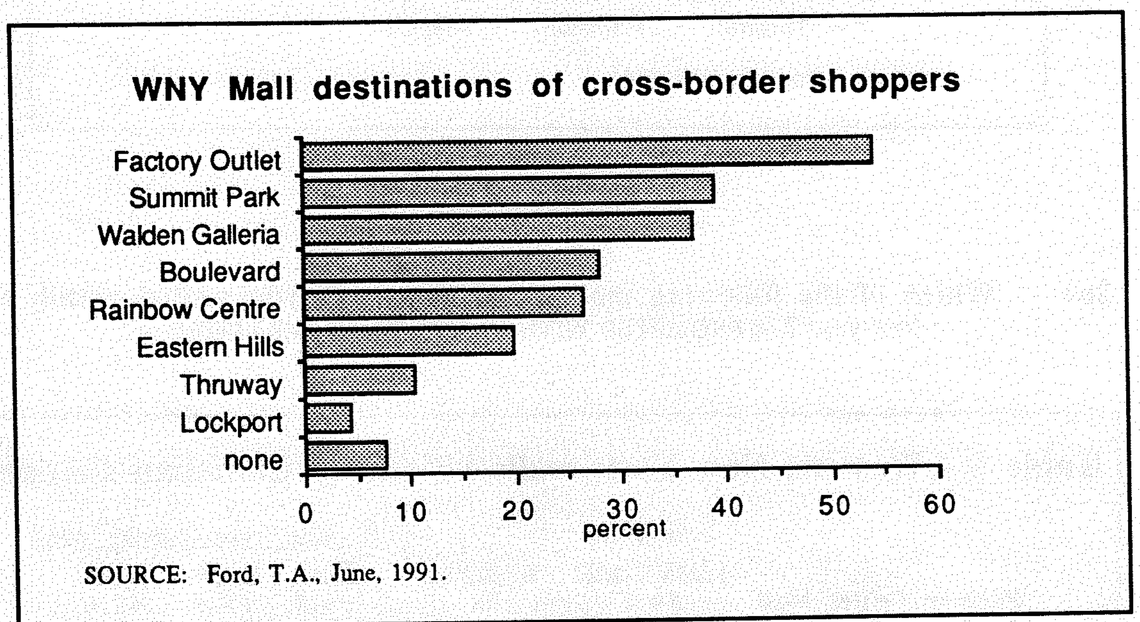


Figure 15

Benderson Development, the owner of the Factory Outlet Mall has proposed a new 1.4-million square foot, factory outlet, mega-mall in Niagara Falls. Benderson has referred to the planned mall as "the world's largest manufacturers'-outlet mall in downtown Niagara Falls - within walking distance from Canada" [Symonds, et al, Jun. 24, 1991, p. 69].

Less than two miles from the Factory Outlet Mall is the Summit Park Mall in Wheatfield, NY, which barely edged out the upscale Walden Galleria Mall in

Cheektowaga, NY as the second-most visited mall overall in the survey. Summit Park advertises in Canadian papers, on billboards, and in tourism publications; a large part of the recent growth in annual sales has been attributed to Canadian shoppers [McMeekin, Jul. 9, 1990, p. 4]. In August, 1991, the *Buffalo News* reported that eight new stores were being added to the Summit Park Mall [Aug. 17, 1991, p. C9].

The Walden Galleria Mall, located almost 30 miles from the Lewiston-Queenston Bridge and less than that distance from the Peace Bridge, is visited more frequently than the Summit Park Mall by cross-border shoppers from Toronto and the Niagara Region than by those in Hamilton who prefer the Summit Park Mall. The super-regional mall opened in May, 1989. Mall officials have reported that Canadians comprise 10 to 20 percent of the traffic and gross sales [Fink, Apr. 1, 1991, p. 10; Clark, Jul. 28, 1991, p. B12; Madore, Dec. 11, 1991, p. D3]. The general manager of Bonwit Teller, one of 200 stores at the Walden Galleria Mall, has reported that Canadians make up 45 percent of the store's customers [Clark, Mar. 24, 1991, p. B18]. The retailer has distributed 16,000 credit cards to Canadians [Symonds, *et al*, Jun. 24, 1991, p. 66]. James Soos, the assistant general manager of the mall, reported that advertisements and direct-mail campaigns generated 70 percent of the Canadian traffic at the mall [Madore, Aug. 26, 1990, p. B23]. The Galleria is currently expanding from 1.2 million square feet to nearly 1.5 million square feet [Clark, Jul. 28, 1991, p. B11].

The next-most popular malls among Canadians are the Boulevard Mall in Amherst and the Rainbow Centre Factory Outlet Mall in Niagara Falls, NY. The Boulevard Mall, which is located about 21 miles from the Lewiston-Queenston Bridge and less than that distance from the Peace Bridge, records more sales per square feet than most other malls in the U.S. In 1990, sales per square foot were between \$305 and \$315, exceeding the national average of \$219 per square foot for super-regional malls [Clark, Jul. 28, 1991, p. B12]. The mall is currently expanding from 735,000 square feet to 860,000 square feet [Clark, Jul. 28, 1991, p. B11]. Canadians make up an estimated 60 percent of the business, at the 65-store and 99 percent-leased Rainbow Centre Mall which distributes over a quarter of a million brochures to residents in southern Ontario [*Buffalo News,* Oct. 22, 1991, p. D10; Madore, Aug. 26, 1990, p. B23]. The Rainbow Centre Mall is located in Niagara Falls just over the border from the Rainbow Bridge, which overlooks the famous waterfalls. The nine-year old mall's expansion plans include a new two-story addition in the spring of 1992 [*Buffalo News,* Oct. 22, 1991, p. D10].

All but one of the Hamilton residents who crossed the border to shop in the U.S. within the last year have visited Western New York malls. On the other hand, twelve percent of the respondents from the Niagara Region who have cross-border shopped within the last year have not shopped in the malls of Western New York. Most of them cross the border to purchase gas and/or groceries. This and another finding in the study (see Questions 3a and 4a) are consistent with the Agriculture Canada study where Niagara Falls, Ontario was considered one of the cities where groceries is the major item purchased in the cross-border shopping trade [National Task Force on Cross-Border Shopping, Apr. 22, 1991].

2b) Are there any other malls or retail establishments that I haven't mentioned? < NO PROMPT GIVEN >

Table 6 - Other retail establishments in the U.S. visited by Canadians

WNY stores	number	Outside WNY	number
Hills	18	Florida stores	14
Military Road stores	9	Detroit or MI stores	5
Ames	5	Chicago stores	3
BJ's Wholesalers	5	Pennsylvania stores	3
duty-free shops	5	North Carolina stores	2
Kmart	5	Rochester stores	2
Pace Warehouse	4		
shoe stores	4		
Buffalo stores	3		
Burlington Plaza or Coat Factory	3		
Main Place Mall	3		
everywhere	2		

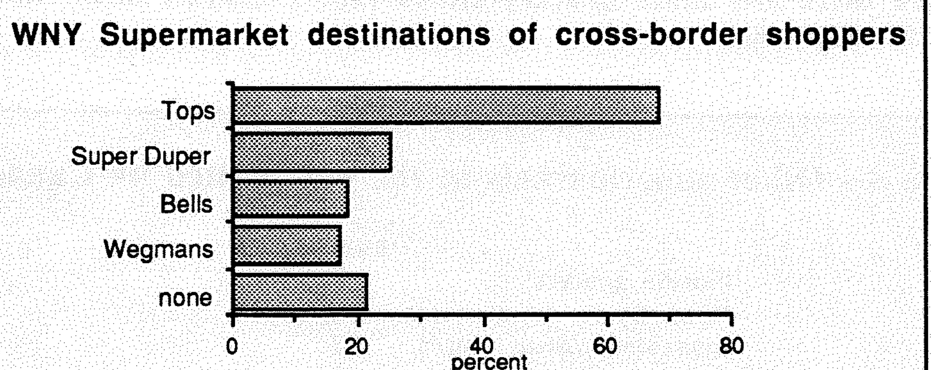
The following places were named at least once: an Amherst strip mall, the Clarence Mall, Haverly Plaza, McKinley Mall, Pine Plaza, Northtown Plaza, Broadway Market, and the Niagara Falls Convention Center. Specific stores mentioned by respondents included Fay's, JC Penney, Maternity Warehouse , Pete-N-Larry's, Sears, Smokin Joes, and Zayres. General types of stores mentioned included an automotive parts store, a crafts store, a hardware store, a liquor store, and a lumber store. Stores were also mentioned as shopping areas in the following locations: Corning, Monroe, New York City, Queenston, Syracuse, Watertown, Allentown, New Orleans, Las Vegas, California, Connecticut, and Massachusetts.

3a) Have you visited any of the following grocery stores in the U.S. within the last year? <PROMPTED WITH NAMES OF GROCERY STORES LISTED>

Table 7 - WNY supermarkets visited by Canadian shoppers

	% of all respondents	number	% who cross-border shop Tor.	Ham.	Niag.
Bells	10.1	34	18.5	20.5	17.1
Wegman's	9.2	31	11.1	20.5	15.9
Tops	36.9	124	29.6	54.8	92.7
Super Duper	13.7	46	18.5	24.7	28.0
no grocery stores	56.0	188	48.1	28.8	6.1

Of the four large supermarket chains in Western, New York, Tops is clearly the most popular supermarket destination of Canadian shoppers (see Figure 16). None of the other three supermarket chains are even half as popular as Tops is among the Canadian consumers interviewed in this survey. Ninety-three percent of the cross-border shoppers from the Niagara Region have visited a Tops within the last year. The Tops on Niagara Falls Boulevard and Military Road in the Town of Niagara was the store mentioned most frequently. The Tops on Niagara Road and the one on Delaware Avenue were also mentioned several times. Tops is the largest food retailer in Western New York with 58 Tops Markets, 78 Wilson Farms convenience stores, 10 B-Kwik food stores and a VIX



SOURCE: Ford, T.A., June, 1991.

Figure 16

discount drug store [Ahold, Fall, 1991, p. 1]. In March, 1991, Tops Markets was acquired by Ahold, a Dutch corporation, self-described as "one of the world's largest and sharpest retailing organizations" [Ahold, Fall, 1991, p. 1]. The $125 million leveraged buyout made Ahold the seventh largest food retailer in the U.S.; Ahold is the largest food retailer in the Netherlands [Trumbull, Apr. 18, 1991, p. 8].

The second most popular supermarket choice in Western New York is Super Duper, although it does not have the commanding lead over the next two supermarket chains that Tops has over Super Duper and the others. A Super Duper located on Niagara Falls Boulevard competed with the Tops on Niagara Falls Boulevard until Aug. of 1991 when Super Duper consolidated the operations of two stores under one roof for economies of scale purposes [*Buffalo News*, Aug. 24, 1991, p. C9].

Only 5 of the Niagara Region residents who have cross-border shopped within the last year have not shopped at a grocery store in the U.S. Nearly 30 percent of the Hamilton residents and almost half of the Toronto residents who shopped in the U.S. within the last year did not shop at a grocery store.

In June, 1991, two of Canada's largest grocery chains, IGA and Food City, announced the elimination of 300 jobs because of the worsening economic recession and cross-border shopping [*Buffalo News,* Jun. 28, 1991, p. B10]. Most of the job losses occurred in metropolitan Toronto and the remainder occurred in St. Catharines and Niagara Falls.

3b) Are there any other grocery stores that I haven't mentioned? < NO PROMPT GIVEN >

Table 8 - Other supermarkets in the U.S. visited by Canadians

	number
Florida grocers	9
Winn-Dixie	4
convenience/drug stores	3
Freddy's	2

Slipco's, and a supermarket in Detroit, North Carolina, and Arkansas were also mentioned once.

3c) Do you know what city or cities the grocery stores you listed (in question 3a) are in? < NO PROMPT GIVEN >

Table 9 - Urban locations of supermarkets visited by Canadians

location	number	location	number
Niagara Falls	101	Detroit, MI	2
Buffalo area	63	Lockport, NY	2
Florida	11	North Carolina	2
Rochester, NY	3	Springville, NY	2

The following places were mentioned at least once as a place in which a respondent had grocery shopped: Canandaigua, Corfu, Depew, Eggertsville, Liverpool, Olean, and Youngstown in New York State, and Arkansas and Pennsylvania.

4a) Have you purchased any of these items in the U.S. within the last year? < PROMPTED WITH NAMES OF ITEMS LISTED >

Table 10 - Items purchased by Canadian shoppers

	% of all respondents	number	% who cross-border shop Tor.	Ham.	Niag.
gasoline	46.4	156	74.1	80.8	84.1
groceries	43.5	146	48.1	68.5	93.9
clothing	44.6	150	81.5	87.7	59.8
electronics	12.8	43	14.8	24.7	24.4
small appliances	9.2	31	11.1	15.1	18.3
large appliances	1.2	4	3.7	2.7	1.2
linens, draperies, or bedsheets	19.6	66	33.3	35.6	32.9
no items	40.5	136	3.7	1.4	0

Overall, more Canadians purchased gasoline than any other item listed in the survey (see Figure 17). However, gasoline is not the most frequently purchased item by residents who cross-border shop within each of the three regions of the survey. More Niagara Region residents who have crossed the border to shop buy groceries than any other item. Clothing is purchased by more residents of both Hamilton and Toronto than any other item listed in the survey. Gasoline is the second-most purchased item in each of the three areas among residents who have crossed the border to shop. About one third of the cross-border shoppers from each of the three regions have purchased linens, draperies, or bedsheets in Western New York within the last year. It is estimated that Toronto is losing 9 percent of its linen-towels-drapery market to Buffalo [Winter, Apr. 4, 1991, p. 13].

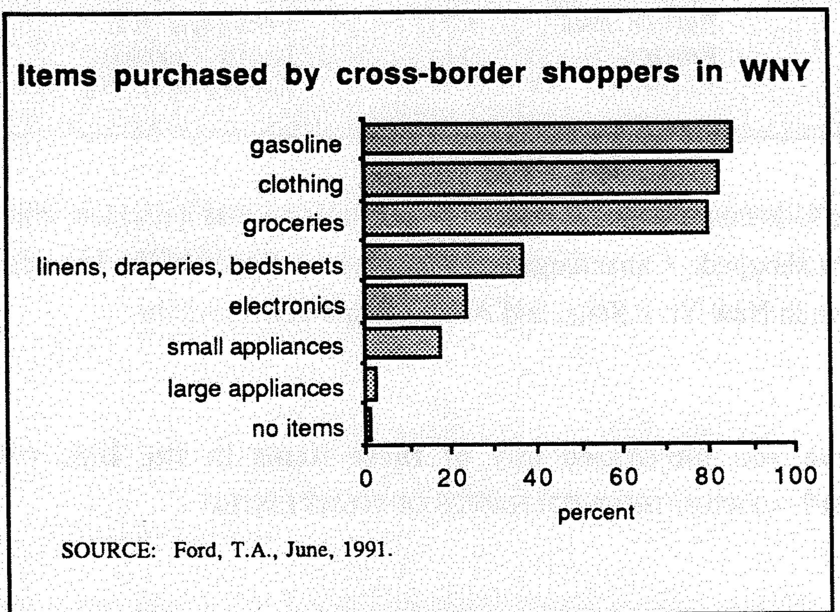


Figure 17

An informal survey conducted by the *Buffalo News* found that popular grocery purchases were dairy products, candy, coffee, cereal, pet food and cleaning fluids [Okun, Jul. 1, 1991, p. C1]. These items were found to be relatively cheaper in the U.S. in the Niagara Falls' supermarket price comparisons conducted in June, 1991 [Ford, 1991]. The Goods and Services Tax Consumer Information Office reported that the price of chocolate bars should have fallen slightly after the implementation of the GST. Instead prices have risen by 12 percent in some areas of the country. Candy bar prices varied from 60 cents to 89 cents across Canada and within cities [Kidd, Jul. 25, 1991, p. B7].

Although large appliances were not popular purchases by the respondents in this survey, some of the respondents did indicate that they were planning to buy a large appliance item in the U.S. soon. Because the interest in purchasing appliances in the U.S. by Canadians seems to be growing, Western New York entrepreneurs are responding to the potential demand. The CanAm Shoppers Express is a new company which formed in the summer of 1991 in response to cross-border shopping. The company will transport and deliver purchases made by Canadians in Western New York to destinations across the border for a fee [Madore, Sep. 18, 1991, p. C3]. The company will pay the appropriate duties and taxes of the goods for the customer. Larry Griffiths, one of the founding members of the company, has reported that Canadian consumers who purchase an item in a store in the U.S. and leave it with that retailer for delivery by CanAm Shoppers Express, avoids paying New York State sales tax on the item. Other stores in Western New York have similar services offered by CanAm Shoppers Express. For example, Factory Sleep Shop outlets in the Buffalo area began free delivery to Canadian customers in mid-1991.

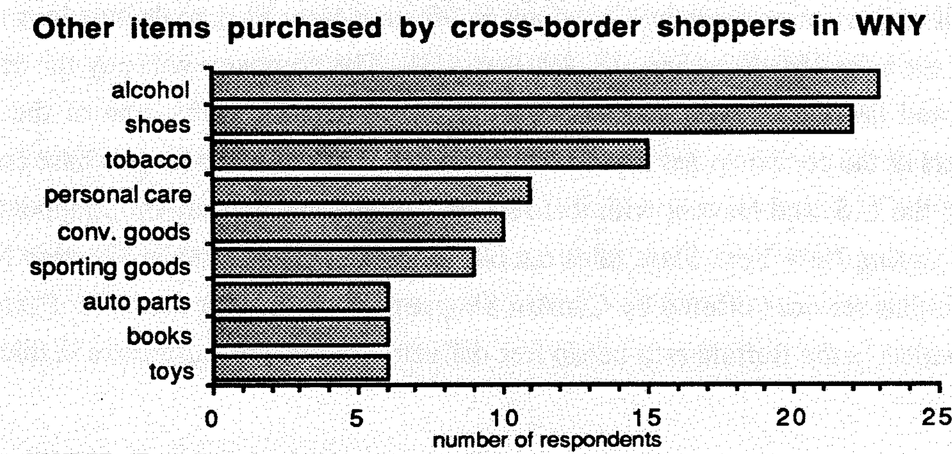
4b) Are there any other items that I haven't mentioned? <NO PROMPT GIVEN>

Table 11 - Other items purchased by Canadian shoppers

item	number	item	number
beer, liquor, wine	23	toys	6
footwear	22	dishes/glassware/ Corning ware	4
cigarettes, tobacco	15	restaurants	4
personal care items, cosmetics	11	records/cds	4
odds & ends, convenience goods (batteries,candles)	10	crafts	3
sporting goods (bikes, golf clubs, skate board)	9	jewelry	2
automobile parts	6	pet food or pet supplies	2
books	6	pharmacy goods	2

The following items were mentioned once: baby needs, chocolates, the dentist - orthodontist, furniture, a lawn mower, the movies, a musical instrument, plumbing fixtures, souvenirs, a telephone, and tools.

It is not surprising to see that alcohol and tobacco products ranked highly on the list of items that Canadians mentioned they had purchased in the U.S. within the last year (see Figure 18). These items are heavily taxed in Canada and it is widely reported that Canadians purchase these items in the U.S. Fines and penalties for smuggling alcohol and tobacco products over the border have been increased and strengthened [Kidd, Jun. 11, 1991, p. A1]. Cigarette smuggling has been regularly reported in the newspaper [See the



SOURCE: Ford, T.A., June, 1991.

Figure 18

Jun. 11 and 19, and the Jul. 23, 1991 *Globe and Mail*; and the Jun. 25, Aug. 23, Sep. 22, and Nov. 24, 1991 *Buffalo News*.]. In October, 1991, the Toronto-based Brewers Retail, a company owned by some of the largest beer makers in Canada, announced plans to close 8.3 percent of its shops in Ontario [Madore, Oct. 29, 1991, p. D6]. The president reported that the company had lost a 5 percent market share or $12 million dollars over the last three years to cross-border shopping.

Many studies have also found that Canadians often buy footwear in the U.S. John Winter estimated that 5 percent of the expenditures, an estimated $9 (Can) million, made by residents of Toronto in the U.S. in 1990 were on footwear [Brown, Nov. 11, 1991, p. B12]. Shoes have also been found to be a popular item for small-scale smuggling across the border. *Business Week* reported that shoe stores were closing at the rate of about one per day in Canada [Symonds, *et al*, Jun. 24, 1991, p. 66]. The article noted that Canadian retailers must pay 50 percent more than U.S. retailers for imported shoes. From the year cross-border shopping began to 1988, the year it became widespread throughout the country, the top 25 most-heavily populated metropolitan areas in Canada lost 47 shoe stores [Statistics Canada, 1990]. The number of shoe stores in the following urban areas fell between 1987 and 1988: Calgary, Halifax, Hamilton, Kitchener, London, Regina, St. Catharines - Niagara Falls, St. John, Sudbury, Thunder Bay, Toronto, Victoria, Windsor, and Winnepeg. Ten of the top 25 metropolitan areas are located in Ontario; 8 were on the list with shoe store losses. The only two metropolitan areas of the top 25 from Ontario that did not lose any shoe stores were Oshawa and Ottawa, where no gains or losses in the number of shoe stores were recorded.

At least one shoe store chain has decided to more aggressively compete. The Bata Shoe Organization, a supplier of low-priced footwear with 200 stores in Canada and several hundred more outside of Canada, has begun a $1-million advertising campaign, unlike anything the company has done in its 97-year history [Enchin, Jul. 9, 1991, p. B1]. In its multi-media campaign, the company claims that its prices are equal to or lower than those in the U.S. The company has been lauded for its aggressive approach to keep Canadian shoppers at home.

Other studies have also found a broad range of goods being purchased by Canadians in the U.S. In the Thunder Bay outshopping study completed by Ernst & Young, Thunder Bay residents were found to be purchasing a wide variety of products in Duluth, Minnesota [Ernst & Young, Nov. 14, 1989].

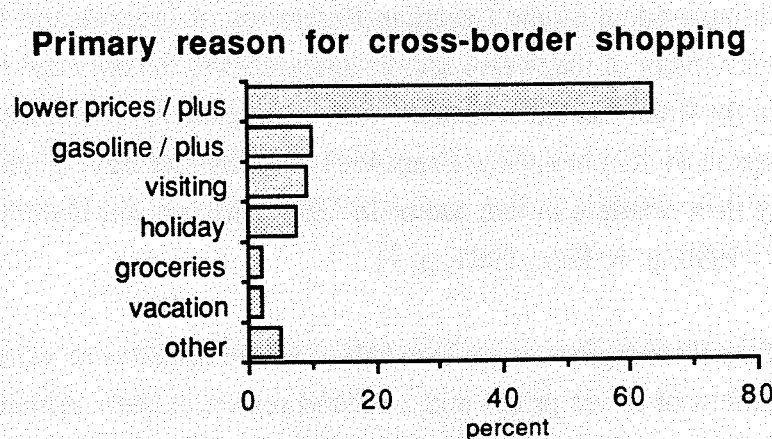
The Federation of Automobile Dealers of Canada said that many Canadians were shopping for lower-priced automobile parts and auto repairs in the U.S. [Romain, Aug. 19, 1991, p. B3]. Automobile parts were one of the items mentioned by respondents as purchases made in the U.S. within the last year. The federation has urged the federal government to include the automobile industry as one of the industry studies it has plans to conduct to determine the status of Canadian competitiveness. In the studies comparing the retail tax structure undertaken by the Canadian Federation of Independent Business, the motor vehicles repair sector of the twelve sectors analyzed was the only one found to have a lower tax burden for small Canadian retailers than U.S. retailers. Small Canadian motor vehicle repair shops in St. Stephen, New Brunswick and Thunder Bay, Ontario have been taxed less heavily than retailers in that sector in Calais, Maine and Duluth, Minnesota, respectively [Oct., 1990, p. 6; Feb., 1991, p. 7].

In each of the three regions, more than half of all the respondents who cross-border shop give lower prices or lower prices and a second reason as their primary reason for shopping in the U.S. Besides lower prices being the overwhelming response as the main reason for cross-border shopping, there are marked differences between the three regions in their other responses (see Figures 19 and 20).

5) **What is your primary reason for shopping in the United States?**
< NO PROMPT GIVEN >

Table 12 - Primary reason for outshopping provided by Canadians

	% of all respondents	number	% who cross-border shop Tor.	Ham.	Niag.
do not shop in the U.S.	37.8	127			
lower prices	29.2	98	37.0	54.8	51.2
lower prices and another reason	7.7	26	22.2	13.7	9.8
holiday, shopping is secondary	6.8	23	22.2	11.0	0
visiting, shopping is secondary	6.3	21	7.4	13.7	4.9
gasoline and another reason	3.0	10	0	0	12.2
gasoline	2.4	8	0	0	9.8
groceries	1.2	4	0	0	4.9
live in U.S. part of the year	1.2	4	0	0	0
get away, vacation, leisure	1.2	4	0	4.1	1.2
it's different from Canada	0.6	2	3.7	1.4	0
depending on the sales	0.6	2	3.7	0	1.2
other	2.1	7	3.7	1.4	4.8



SOURCE: Ford, T.A., June, 1991.

Figure 19

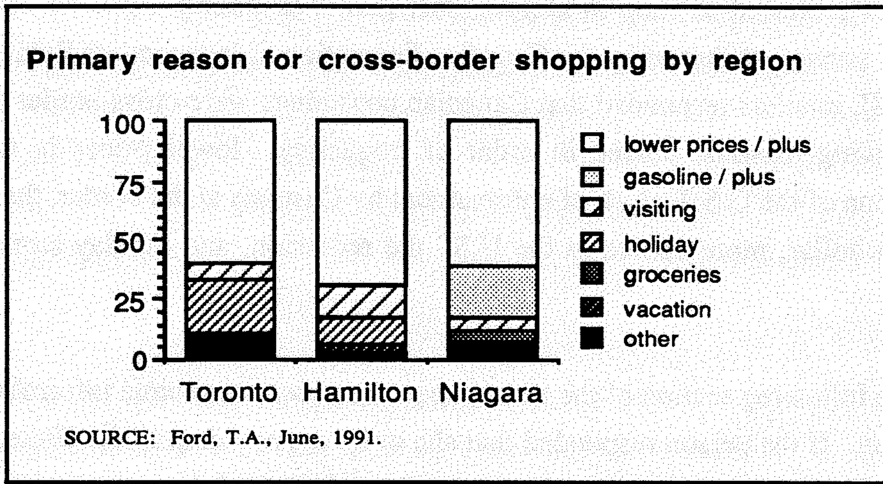


Figure 20

In the Niagara Region more than one quarter of the respondents who cross-border shopped in the U.S. within the last year stated that their primary reason was gasoline, gasoline and a second item, or groceries. None of the respondents from the Hamilton Region or the Toronto metropolitan area offered these responses as their reasons for cross-border shopping. Other surveys have found that the price of gasoline was the primary reason for Canadians in border communities to shop in the U.S., such as the Agriculture Canada study in two Northern Ontario border communities [Freeman, May 13, 1991, p. B3]. In a survey conducted by James Buchanon of Ernst & Young, respondents in Sault Ste. Marie were asked, "If gas prices were comparable, would you buy other things in the U.S.?" Sixty-eight percent said, "No" [Brown, May 19, 1991, p. A8 and Winter, Apr. 4, 1991, p. 16]. Hendershot, the acting mayor of Niagara Falls, Ontario, told federal and provincial government officials at the July "Shopping Summit " that when the price of gasoline in Canada drops below 50 cents per liter, Ontario residents shop at home [Brown, Jul. 21, 1991, p. B14].

In contrast, only 5 percent of the Niagara Region respondents claimed that shopping was secondary to visiting or going on a holiday in the U.S. as their main reason to shop in the U.S. One quarter of the Hamilton residents and nearly 30 percent of the Toronto residents cross the border for a visit or on holiday and conveniently shop while they are in the States. However, they are not in the U.S. for the sole purpose of shopping.

In the Thunder Bay outshopping study, Ernst & Young found that lower prices, better service, greater variety, and Sunday shopping in the U.S. were the reasons consumers preferred to shop in Duluth, MN [Ernst & Young, Nov. 14, 1989]. In the telephone survey conducted by the Canadian Federation of Independent Business [Jun. 26, 1991, p. 3], retailers responded that Canadian consumers were cross-border shopping for the following reasons, ranked in order of frequency: lower prices in the U.S., the introduction of the G.S.T., lack of enforcement by Customs at the border, the value of the Canadian dollar, more choice in the U.S., the recession, and Sunday store closings in Canada.

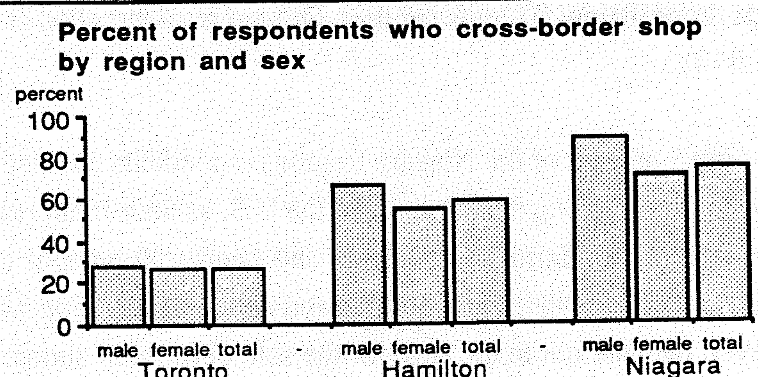
The following section of the survey requested socio-economic information from the respondent. If the person responded that she or he did not shop in the United States then the interviewer skipped questions 2 through 5 and continued the questionnaire at question 6.

6) Sex < DETERMINED BY THE INTERVIEWER WITHOUT ASKING >

Table 13 - Sex of respondents in cross-border shopping survey

	% of all respondents	number	% who cross-border shop
female	69.3	233	53.2
male	30.7	103	56.3

Although more women than men answered the questionnaire, about the same percentage of women and men who responded to the survey shopped in the United States within the last year (see Figure 21).



SOURCE: Ford, T.A., June, 1991.

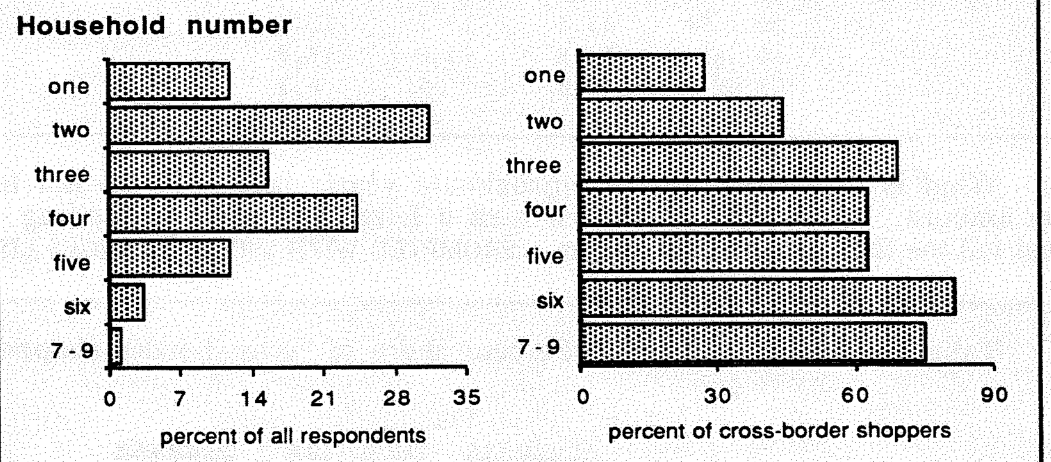
Figure 21

7) How many people live in your household? < NO PROMPT GIVEN >

Table 14 - Household numbers: Percent share of cross-border shoppers by region

	Toronto	Hamilton	Niagara
one	3.7	9.6	3.7
two	22.2	16.4	35.4
three	25.9	19.2	18.3
four	33.3	30.1	24.4
five	7.4	17.8	12.2
six	7.4	5.5	3.7
seven to nine	0	1.4	2.4

More than two-thirds of the people who answered the survey with three or more people in their households cross-border shop. On the other hand, only 40 percent of the one- or two-person households cross-border shops (see Figure 22). Many of the single-person households are made up of senior citizens who are the least-likely age group to cross-border shop (see Figure 23).



SOURCE: Ford, T.A., June, 1991.

Figure 22

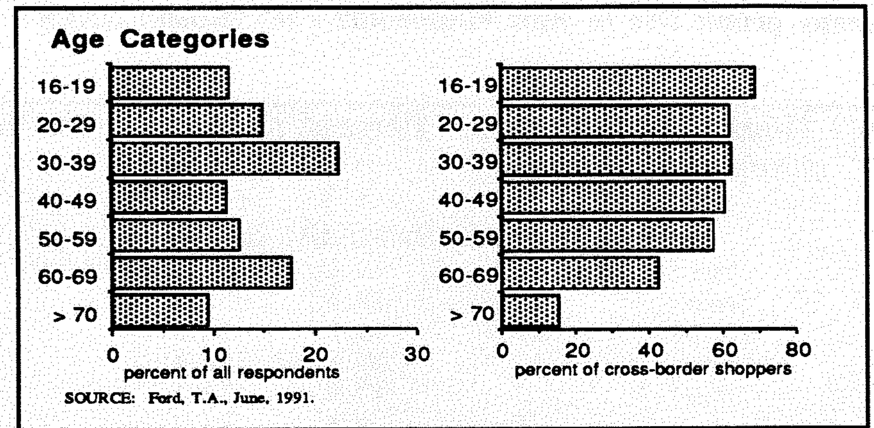


Figure 23

8) What age category do you belong to? < PROMPTED WITH AGE CATEGORIES LISTED >

Table 15 - Age categories: Percent share of cross-border shoppers by region

	Toronto	Hamilton	Niagara
16 - 19	22.2	15.1	12.2
20 - 29	18.5	21.9	12.2
30 - 39	29.6	26.0	24.4
40 - 49	3.7	12.3	15.9
50 - 59	11.1	13.7	13.4
60 -69	14.8	11.0	15.9
70 or over	0	0	6.1

9) What is your household's approximate yearly income? Do not tell me the amount. I will read you a list with a letter and a corresponding range. Just tell me the correct letter please. <PROMPTED WITH INCOME RANGES LISTED >

Table 16 - Income ranges: Percent share of cross-border shoppers by region

	Toronto	Hamilton	Niagara
a. below 15,000	14.8	12.3	11.0
b. 15 to 30,000	3.7	13.7	19.5
c. 30 to 45,000	14.8	31.5	28.0
d. 45 to 60,000	29.6	11.0	18.3
e. 60 to 75,000	11.1	6.8	3.7
f. over 75,000	22.2	11.0	4.9
g. not available	3.7	13.7	14.6

Less than half of the respondents with household incomes under $30,000 (Can) and 63 percent of those people interviewed with household incomes over $30,000 (Can) cross-border shop. The data suggest that cross-border shopping is a predominantly middle-class, especially upper middle-class, phenomenon (see Figure 24). A higher percentage of the people who do not cross-border shop refused to respond to this question than those who have cross-border shopped within the last year.

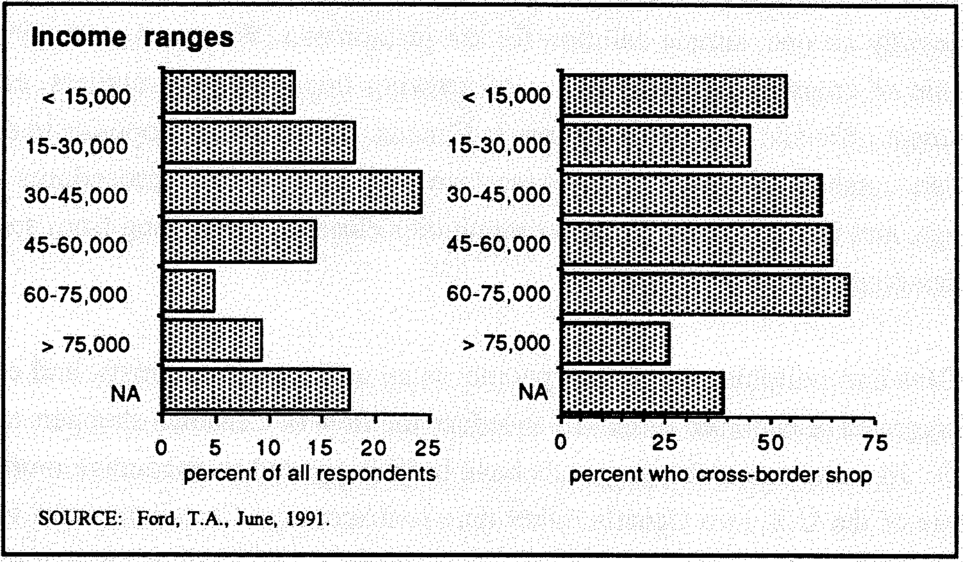


Figure 24

10) That is the end of the survey. Do you have any questions for me or any comments you would like to make about cross-border shopping?
< NO PROMPT GIVEN >

Many of the respondents who offered comments provided statements of justification for cross-border shopping. Several people who were not cross-border shoppers remarked that they supported cross-border shoppers; others said that they were planning their first cross-border shopping trip soon. Some commented on the controversial issues surrounding cross-border shopping, such as Sunday store closings, customs' inspections, taxes, and/or government. Many expressed outrage about taxes and about the various levels of governments and government officials. On the other hand, many commented that they were not in favor of cross-border shopping and that Canadians should spend their Canadian dollars at home. Some stated that Canadian taxes were paid for good reasons such as health care and education. In some cases, people remarked that they did not shop in the U.S. or that they were not cross-border shoppers, when the other data that they provided in the formal survey indicated otherwise.

PROPOSALS TO CURB CANADIAN OUTSHOPPING

John Winter summarized cross-border shopping in a two-sentence opening synopsis in his April, 1991 presentation to an Ontario legislative committee. "Cross-border shopping is a problem without a panacea. There is no one reason behind the trends and consequently no one, simple solution for the phenomena [Winter, Apr. 4, 1991, p. 1]." The issue of cross-border shopping is of growing importance to retailers, consumers, government officials, and policy makers in Canada. Some of the proposals to discourage Canadian outshopping may affect American retailers, customs procedures at border crossings, and the American border communities currently benefiting from spending by Canadian consumers.

Canadian politicians, business people, retail analysts, economists, and consultants have suggested or endorsed proposals to reduce the flow of Canadian shoppers traveling to the U.S. In some cases, the proposals have been suggested to encourage more visits by residents of the U.S. into Canada rather than to discourage Canadians from visiting the U.S. Most of the proposals are resolutions involving the direct participation or intervention of the federal or provincial governments. Most of the actions taken to-date are local-level or community-based initiatives. Some of the administrative costs of the proposals may admittedly outweigh any additional revenue and some of the Canadian actions may trigger U.S. reactions [McCracken, *et al.*, 1991, p. 3]. A sampling of some of the proposals are described below.

The imposition of a $5 or $10 fee at the border for entrants into Canada has been frequently suggested as a remedy to curtail cross-border shopping. McCracken and Jacobson have suggested that Canadians and U.S. citizens entering Canada, except frequent cross-border travelers, should be charged the processing fee [McCracken, *et al.*, Feb., 1991, p. 3]. It is believed that a $5 or $10 fee would raise the cost of a shopping trip and therefore discourage frequent cross-border trips. John Winter contends that such a fee would deter the frequent trips made by Canadians who live within 15 minutes of the border [Kidd, Apr. 5, 1991, p. B1]. McCracken and Jacobson believe the fee is appropriate given the experimental fees the U.S. is charging at selected border crossings with Canada and Mexico. In November, 1990 the U.S. also began requiring a landing-fee for foreign air travelers into the U.S.

The experimental express border-crossing lanes, also known as the PACE project, was explained at the second meeting of the National Task Force on Cross Border Shopping (NTFCBS) in Niagara Falls, Ontario. Revenue Canada defended the project as a method of reducing congestion and increasing duty collection and described it as the "only solution for major productivity gains" [NTFCBS, Apr. 22, 1991, p. 1]. However, concerns lingered by many members of the Task Force over the desirability of more efficient border enforcement because of fears that it would only promote more cross-border shopping [NTFCBS, Apr. 22, 1991, p. 5].

An express border-crossing lane has been established at a British Columbia-Washington State border crossing since May 1, 1991. For a $10 annual fee and a sticker in the car window, Canadians have been issued forms for declaring goods purchased in the US. A drop-off box for the forms has been constructed in the express lane at Customs. The duties and taxes are automatically charged to their credit cards. Nothing-to-declare lanes were set up at the Peace Bridge joining Buffalo, NY and Fort Erie, Ontario in mid-June, 1991. Up to half of all the lanes on the Canadian side of the bridge could be used as special lanes [Warner, Jun. 14, 1991, p. C5].

Ontario Revenue Minister Shelley Wark-Martyn formally proposed to the federal government that Customs collect an 8 percent provincial tax in addition to the federal taxes and duties collected at the border [Madore, May 7, 1991, p. B7]. Mayors from Ontario border communities have lobbied in favor of her proposal. Although Ontario residents are already required to pay Ontario sales taxes at the border on items purchased while outside of the country, the collection system is a voluntary one and most shoppers from Ontario are either not aware of the provincial taxing process or choose not to participate [Fagan, May 9, 1991, p. B8].

In mid-May the Canadian government announced its refusal to have customs collect the sales tax for Ontario unless the province harmonized its tax system with the newly initiated federal goods and services tax (GST) [Morrison, May 18, 1991, p. A1]. The federal Revenue Minister claimed that collecting both taxes would be too cumbersome unless they applied to the same goods. New Brunswick and British Columbia are also negotiating with Revenue Canada to find a method of collecting the provincial taxes without harmonizing provincial and federal tax systems [Freeman, Jun. 18, 1991, p. A4].

Saskatchewan will begin to integrate its provincial tax system with the federal government's system in return for Customs collecting the Saskatchewan sales tax from returning residents making shopping trips to the U.S. [Fagan, May 9, 1991, p. B8]. Quebec also agreed to harmonize its tax system with the federal government's and at a later date requested that the federal government collect the provincial tax at the border. Beginning January 1, 1992, both provinces will have their provincial tax collected by customs at the border [Freeman, Jun. 18, 1991, p. A4].

The Royal Bank of Canada has recommended that provinces integrate their tax systems with the goods and services tax system of the federal government [Feb., 1991, p. 24]. The Retail Council of Canada has recommended that Ontario harmonize its tax with the federal government's GST [Retail Council of Canada, Apr. 4, 1991, p.13].

At the July, 1991 "Shopping Summit" meeting, it was decided that the federal government would assist in the collection of Ontario's sales taxes from returning Canadian shoppers [Brown, Jul. 19, 1991, p. 1]. Customs officials will provide lists of the Canadian shoppers and the goods that they have declared to the provincial government. The Ontario government will, in turn, send postcards notifying shoppers that they owe provincial sales tax on the goods that they purchased out of the country. The new cooperative system will begin sometime in 1992 [Kidd, Jul. 19, 1991, p. 1]. The amount of goods on which to collect the taxes and the penalties for those who do not respond with payment have yet to be determined. The Ontario Ministry of Industry, Trade and Technology has reported that the new method would generate between $140 (Can) million and $300 (Can) million in tax revenues [Brown, Jul. 19, 1991, p. 1]. Five million dollars of the tax collected would be earmarked for a special fund for border communities supporting local initiatives to curb cross-border shopping [Kidd, Jul. 19, 1991, p. 1].

In mid-July 1991, border-community mayors, provincial and federal government ministers, representatives of three major unions, consumer and tourism groups, the Ontario Chamber of Commerce and the Canadian Automobile Association met for the first time to discuss cross-border shopping issues [Brown, Jul. 19, 1991, p. 1]. The meeting has been referred to as the "Shopping Summit". Although there were many critics of the meeting and its final initiatives, federal Revenue Minister Otto Jelinek stated, "I think we've gone beyond anybody's expectations" [Kidd, Jul. 19, 1991, p. 1]. Terence Corcoran of *The Globe and Mail* wrote the day after the meeting "It is difficult to evaluate all elements of the communique, but over time it may become apparent that the most important element in the summit's statement is a declaration of industry-government-labour co-operation on a "Welcome Back" program for Canadians returning to Canada after spending hundreds or thousands of dollars shopping in the United States" [Corcoran, Jul. 19, 1991, p. B2].

Other initiatives agreed upon at the meeting include developing a consumer awareness campaign, marketing border communities to U.S. shoppers, establishing advisory committees made up of local labor, business, and government groups in border towns, financing a major study of Canada's distribution system, and improving customer service in Canada [Kidd, Jul. 19, 1991, p. 1].

Some studies have criticized customs for allowing Canadian shoppers to cross the border without paying duties and taxes on many items. A group of grocers sought a court order to force Customs to increase enforcement at the border. However, a Vancouver judge ruled against the grocers [Urquhart, Nov. 23, 1990, p. A2]. Risk analysis performed by Customs Canada has consistently shown an infraction rate of less than 8 percent [National Task Force on Cross Border Shopping, Oct. 24, 1990, p. 5].

One of the proposals suggested by McCracken and Jacobson has been to alter the current focus of practices by Customs away from reducing drug smuggling and other illicit activity [McCracken, *et al,* Feb., 1991]. Instead, they would like enforcement focused in certain areas, at random times, or for particular commodities. Another proposal suggested by McCracken and Jacobson was to require proof that all the contents of the car, including its baggage, clothing, and the gasoline in the gas tank were purchased in Canada [McCracken, *et al,* Feb., 1991, p. 3]. McCracken and Jacobson admitted the costs of such a practice may outweigh the revenue benefits.

In early June, 1991, Otto Jelinek announced that the Revenue Department planned to monitor select border points. Additionally, the Revenue Minister announced that the fines for smuggling would increase. Instead of basing the amounts of fines on the amounts of duties and taxes evaded, the penalties would range from 25 to 80 percent of the value of the smuggled goods. They have broadened the rules to seize the vehicles in which the goods were smuggled if fines have not been paid. Fines range up to $40 for each undeclared carton of cigarettes and up to $12 for each undeclared liter of alcohol and the goods would be confiscated [Kidd, Jun. 11, 1991, p. A1, A2]. Most of the cigarettes smuggled into Canada are actually produced in Canada, exported to the U.S. and then brought back into Canada [Freeman, Jun. 19, 1991].

One of the outcomes of the July "Shopping Summit" in Toronto was the agreement that the federal government should include $8.5 (Can) million in its budget for 10 additional customs officers and computerized information systems [Brown, Jul. 19, 1991, p. 1].

Border communities have also sought tax alleviation. Gerry McCartney, general manager of the Sarnia Chamber of Commerce, recommended to an Ontario legislative committee that a zoning formula be used to reduce gasoline taxes in border areas [Tobin, Apr. 12, 1991]. The plan suggested by the Ontario Border Communities Task Force on Cross Border Shopping would reduce gasoline taxes by 10 cents per liter on the Canadian side of the border and would rise 2 cents per liter for each 10 kilometers away from the border for five zones. The price differential between gasoline in the U.S. and Canada has been described as the "loss leader" that initially attracts Canadians to the U.S. [The Chamber of Commerce Niagara Falls, Ontario, May, 1991, p. 2]. By establishing the zones of tax reduction, the task force has attempted to determine the threshold and the range for gasoline and has recognized the distance decay effects of cross-border shopping.

The southern Ontario mayors who have banded together to find a solution to cross-border shopping requested tax relief on gasoline, alcohol, and tobacco in border communities [Brown, Apr. 7, 1991, p. A4]. In an announcement following the mayors' request, Treasurer Floyd Laughren replied that there would not be tax breaks on these items in the next budget [Canadian Press, Apr. 5, 1991, p. B16]. Instead, the Ontario government raised taxes on gasoline, alcohol, and tobacco in its new budget which was announced a few weeks later [Brown, Apr. 30, 1991, p. A8]. Laughren claimed that the solution to the cross-border shopping problem was not through the tax system. Additionally, he said that there would be a problem in providing tax relief to border communities, because it was too difficult to define the geographical limits of the border shopping area, especially when residents of Toronto frequently drove across the border to shop [Brown, Apr. 30, 1991, p. A8]. However, McCracken and Jacobson [Feb., 1991, pp. 3-4] noted that in the past, Quebec has lowered gasoline taxes for service stations affected by competition from neighboring provinces.

Lifting the ban on Sunday shopping has also been suggested as one of several remedies to mitigate outshopping from Ontario. Sunday shopping rules vary across the Canadian provinces [Corelli, Apr. 29, 1991, p. 46]. British Columbia, Alberta, and Saskatchewan give local municipalities the authority to regulate store hours. In Manitoba and the four Atlantic provinces, only drugstores, service stations, and certain designated stores are allowed to open on Sundays. Ontario and Quebec have similar laws that, with few exemptions, do not allow most retail establishments to open on Sundays. Premier Bob Rae along with labor unions, church groups, and community organizations support the ban on Sunday store openings in Ontario. The mayors from border cities contend that the Sunday shopping ban has cost Canadian retailers millions of dollars [Canadian Press, Apr. 5, 1991, p. B16].

The Ontario government has distributed a how-to marketing package to help Ontario businesses advertise their products in the U.S. [Madore, Oct. 4, 1990, pp. C7, C10]. The marketing plan has been developed as a generic plan for communities to perform self assessment and planning [National Task Force on Cross Border Shopping, Oct. 24, 1991, p. 2]. Provincial funds were provided to Cornwall, the Niagara Peninsula, and Sault Ste. Marie to apply the marketing plan to their communities during the pre-Christmas shopping season in 1990.

However, many groups and individuals including the Canadian Federation of Independent Business, have criticized the government for focusing on the issue of Canadian retailers more aggressively marketing their products in the U.S. to solve the problems associated with cross-border shopping for Canadian retailers [Canadian Federation of Independent Business, Oct., 1990].

Several retailers have modified their advertising to focus new campaigns on comparative prices with their U.S. competitors. The Bata Shoe Organization has claimed that its prices are lower than, or the same as, prices in the U.S. [Enchin, Jul. 9, 1991, p. B1, B2]. Bay Bloor Radio in Toronto has advertised that it has lower prices than its competitors in the U.S. on some items [Gibbon, Jun. 25, 1991, p. B4]. Ramsays Bike & Ski in Mississauga, Ontario, has compared prices with New York stores in its advertisements. The Cohoes chain of stores, based in Montreal, has planned a fall advertising campaign that names specific retailers in the U.S. and the prices on items in the named U.S. stores comparing them with the prices of Cohoes. The retail sales supervisor at *The Gazette* newspaper of Montreal has reported that several firms were now using the cross-border theme in their advertising - not only comparing prices but also attempting to appeal to national unity.

The Retail Council of Canada has suggested that the Ontario and Ottawa governments could assist in solving the problem of cross-border shopping in two ways [Retail Council of Canada, Apr., 1991, p. 13-15]. First, the Council has recommended that the provincial government regain control of its fiscal policy by controlling spending and refraining from tax increases. Secondly, the government should alter the regulatory and administrative burdens placed on the private sector. They cited price controls, production regimes and minimum wage laws as measures that prevent markets from operating rationally.

The Canada Council of Grocery Distributors also presented a brief in mid-April to the Ontario legislative committee set up to investigate cross-border shopping [Kidd, Apr. 19, 1991, p. B7]. The Council blamed government regulations and the marketing boards that set food prices for the higher Canadian food prices with respect to prices in the U.S. In the brief, the Council requested a government review of the regulatory burdens it imposes.

Several lobbying groups and organizations trying to find a solution for Canada's outshopping dilemma have emerged. A 12-member Ontario legislative committee has been meeting retailers, border-city mayors, and other affected groups to find solutions to the problem [Jenish, Apr. 29, 1991, p. 39]. A 15-member group of border-community mayors in Ontario has been established to lobby for changes at the provincial and federal government levels [Jenish, Apr. 29, 1991, pp. 36-39]. In addition, provincial chambers of commerce in Manitoba and New Brunswick have established task forces to study the problem.

The Committee for Fair Shopping , a group of supermarket chains, has been fighting for Sunday store openings [Brown, Mar. 21, 1991, pp. A1, A8; Clark, Mar. 24, 1991, pp. B11, B18]. Another group of Niagara-region merchants have banded together to discourage excessive cross-border shopping. Shop Ontario, as the group is called, has worked on a regional advertising campaign appealing to national unity [Thomas, Dec. 24, 1990, p. 12].

The National Task Force on Cross Border Shopping (NTFCBS), whose informal membership is represented by private- and public-sector interests, was established in October, 1990. (The name of the group was approved at its third meeting. [NTFCBS, Jun. 17, 1991, p. 3]). The primary aim of the group is to encourage Canadians to shop in Canada. At least three committees have emerged from the Task Force: the steering committee, the communications committee and the competitiveness committee. The steering committee is responsible for formulating agendas and producing an action plan for the private sector [NTFCBS, Apr. 22, 1991, p. 6]. The competitiveness committee is responsible for determining the analysis that is required to measure and compare the cost burdens between Canadian and U.S. business. During the June, 1991 meeting it was decided that the focus of the study would concern public-sector issues and policies that affect costs and private-sector issues that affect those costs [NTFCBS, Jun. 17, 1991, p. 7]. The group must also provide topics and approaches necessary to identify competitive problems of Canadian businesses. The Retail Council of Canada has stated that the Canadian response to the cross-border shopping problem should be solutions that improve international competitiveness [Apr., 1991, p. 6].

Lowering the value of the "overvalued" Canadian dollar has also been suggested as a way to make Canadian businesses more competitive. In its second-year review of the Free Trade Agreement, the Royal Bank of Canada recommended that the government aggressively reduce its budget deficit [Royal Bank of Canada, Feb., 1991, p. 24]. The Bank noted that government spending increased as a share of gross domestic product (GDP) from 37.6 percent in 1980 to 41.6 percent in 1989. Decreasing government spending would consequently reduce pressure on capital markets and interest rates would likely fall. Following these actions, the value of the Canadian dollar would likely decline.

The group of border city mayors from Ontario has requested that the government consider reducing interest rates so that the value of the dollar could fall [Smith and Savage, Apr. 4, 1991]. The Canadian Federation of Independent Business has claimed that the Canadian dollar has been kept artificially high at the expense of the competitiveness of Canadian business. The Federation has called upon the federal government to loosen its restrictive monetary policy [Jun. 26, 1991, p. 8].

Winter has made several recommendations for Canadian retailers [Winter, May, 1991]. Canadian retailers must become more sophisticated in using the mark-up on comparable, identifiable, brand-name products as a marketing strategy. He noted that retailers had to be careful in choosing the correct blend of mark-ups and that Canadian retailers had to reallocate department store space when a product was not selling because the market was too competitive. Another cautionary note Winter made was that retailers had to rethink strategies of treating each department as a profit center. U.S. retailers price items with little or no mark-ups in certain departments to bring customers into the store.

Winter also found that U.S. retailers gave the impression that they were competitive over their entire range of items. They promote and display better than their Canadian counterparts and attract a regular customer base. An additional recommendation stated simply that costs had to be lowered. Winter concluded that foreign exporters had to be made aware that free trade between the U.S. and Canada established one huge market where both countries had to be offered the discounts that now only accrue to the U.S.

David Jokinen proposed that Americans be allowed to build houses and live in Canada while working in the United States and retaining their U.S. citizenship [Claiborne, Apr. 13, 1990, p. F8]. The money put into the Canadian economy by U.S. citizens purchasing year-round homes in Canada would offset Canadian dollars being spent on shopping trips in the U.S. Jokinen sent his 1990 proposal to mayors throughout Canada; it was rejected by a vote of 9 to 1 by the Windsor, Ontario City Council [Madore, Sep. 1, 1990, p. A9].

Selected Private-Sector Initiatives in Canada

Numerous Canadian private-sector actions have been initiated to reduce outshopping, to attract cross-border shoppers back to their community stores, to draw government attention to the plight of retailers and communities affected by cross-border shopping, or to profit from cross-border shopping. Banks in at least two Canadian border communities have offered their residents low-cost or interest-free loans to shop within Canada [National Task Force on Cross Border Shopping, Apr. 22, 1991, p. 2; Urquhart, Nov. 23, 1990, p. A2].

The Retail Council of Canada noted three types of private-sector initiatives in its brief to the Ontario Standing Committee on Finance and Economic Affairs [Retail Council of Canada, Apr., 1991, pp. 11-12]. The first type of response by Canadian retailers to the outshopping trend has been to terminate their business activities and close stores in locations where U.S. competition has been too keen. The second type of initiatives have included attempts to deal with the outshopping problem by attracting Canadians back to retailers within their communities. Public relations programs, promotional events, cooperative advertising, service improvements, and more competitive pricing have been methods by which retailers and communities have tried to battle the cross-border shopping problem. The National Task Force on Cross Border Shopping has encouraged retailers and communities to participate in the types of events noted above and in the following short-term solutions to cross-border shopping: implementing family-shopper programs;

providing interest-free loans; forming citizens advisory groups; distributing comparison shopping charts; providing initiatives for U.S. visitors to shop; and running special events in conjunction with Canadian holidays [National Task Force on Cross Border Shopping, Jun. 17, 1991, p. 5]. The final type of response by Canadian retailers to confront the cross-border shopping problem has been to hasten efforts to control costs, enhance services, and drop prices.

In order to dramatize the influence of cross-border shopping on the downtown business community of Fort Frances, Ontario, two local businessmen concocted a fake obituary notice for the town [Klein, Apr. 25, 1991, pp. 1, 7]. The advertisement in the local newspaper described the unnoticed death of the central business district of Fort Frances and listed businesses that closed recently as pallbearers for the upcoming funeral. The businessmen wanted to get the attention of politicians because they think the government is at fault in making outshopping attractive to Canadians.

A private sector initiative to curb cross-border shopping in Sarnia, Ontario is the "Esso Brings You Home" pilot project developed by Esso Petroleum Canada, Ltd. [Canadian Press, Jun. 20, 1991, p. B4]. Esso service stations in Sarnia-Clearwater will give motorists who buy Esso's gasoline coupons redeemable for purchases made in local, cooperating retail stores. Esso will pay for the upfront costs of the program.

A consumer awareness check list has been produced by the Sarnia Lambton Merchants intended as a document for retail clerks and managers to respond to consumers who question the benefits of shopping in Canada. [National Task Force on Cross Border Shopping, Apr. 22, 1991, p. 3, and attachment]. The check list is titled "A Dozen Good Reasons". Consumers are asked to consider the time costs involved in cross-border shopping, the higher standard of living provided by higher levels of taxation, the local employment created by local spending, and among other considerations the validity of U.S. warranties in Canada.

In St. Stephen, New Brunswick, a group of retailers are considering opening a store on the U.S. side of the border where they would sell five types of commodities at competitive prices: gasoline, alcohol, cigarettes, dairy and poultry products [National Task Force on Cross Border Shopping, Jun. 17, 1991, p. 8]. The items were chosen because they were identified as the five major product categories attracting cross-border shoppers to the U.S. Canadians, however, would receive a further price reduction by submitting discount coupons obtained for transactions in Canadian stores. Sales revenues would be retained by Canadians and greater opportunities for price discounts would encourage Canadian consumers to shop in Canada to receive the vouchers. St. Stephen has been heavily affected by outshopping; twenty stores were reported to have closed because of cross-border shopping and more retailers are expected to close in the coming months.

SUMMARY

Canadian retailers have been frustrated by governmental and legislative actions which seem to augment Canadian outshopping. For example, border mayors and task forces requested lower taxes on gasoline, alcohol, and tobacco and within weeks of their request the Ontario government announced plans to raise new taxes on all of those items in its new budget. Stores had been allowed to open on Sundays in Ontario for 9 months until the court of appeals ruling that compelled stores to close their doors again on Sundays. Consultants have requested easier access for tourists from the U.S. into Canada. Instead, the government began experimenting with express border lanes not only for American tourists but also for returning Canadian shoppers. Retailers have been awaiting the frequently predicted decline in the value of the Canadian dollar. On the contrary, it has continued to rise in value through 1991. Provincial governments are requesting that the federal government collect their provincial taxes at the border, but the federal government has refused unless the provinces harmonize their tax systems with the new, unpopular, federal goods and services tax. Subsequently, some provincial governments have refused to harmonize tax systems.

Surveys and studies on cross-border shopping have been conducted for the past three years. There are several general conclusions emerging from these surveys and studies. First, cross-border shopping is widespread - in terms of the socio-economic backgrounds of Canadian cross-border shoppers, in terms of the origins and destinations of cross-border shopping, and in terms of the types of goods and services being purchased in the U.S. The six provinces bordering the United States have all been affected by Canadian outshopping in various degrees. Second, cross-border shopping is affecting both border communities and distant, non-border communities in Canada and mostly border regions in the United States. National sales losses are estimated to be in the multi-billion dollar range and mounting, and job losses are expected to be in the thousands. Additionally, because the retail sector is linked to many other sectors of the economy, it is believed that cross-border shopping is adversely affecting tourism, manufacturing, and government among other sectors. Third, cross-border shopping is not abating. For the four years since cross-border shopping began in 1987, outshopping has grown about 20 percent annually. Fourth, Canadian actions to curb cross-border shopping seem to have had little, if any, impact. More importantly, from a Canadian perspective, there has not been a feasible, comprehensive remedy for the country's outshopping problem, an indication that cross-border shopping can not be resolved with a single solution or with short-term or reactionary solutions. Again from a Canadian perspective, recent news has been bleak.

Bleak news for Canadian retailers is usually welcome news for retailers in the U.S. close to the Canadian border. If the recent re-evaluation in predicting the direction of the Canadian dollar is accurate, then with all other factors remaining constant, price differentials should continue to favor retailers in the U.S. The Conference Board of Canada has predicted that the Canadian dollar will remain at a value of about 87 cents (US) until at least 1995 [Little, Oct. 2, 1991, p. B1].

Because of this news and other factors, Western New York is likely to continue to benefit from cross-border shopping. Price differentials between Ontario and its bordering states showed the widest variance among the regions studied in an Agriculture Canada study. In a price comparison between items in supermarkets in Niagara Falls, Ontario and Niagara Falls, New York in June, 1991 by the author, overall prices were found to be 33 percent higher in Niagara Falls, Ontario. Furthermore, the annual percentage increase in the number of single-day trips by automobiles by Canadians to Western New York has grown higher than the national rate for 1988, 1989 and 1990 [Retail Council of Canada, Apr., 1991, p. 3]. Additionally, because price is an overwhelming factor in the decision to cross-border shop, factory outlet malls and discount warehouses are popular among Canadian shoppers in Western New York and elsewhere in the U.S. Winter has estimated that Canada is about 10 years behind the U.S. in the development of an off-price warehouse sector [Apr. 4, 1991, p. 12]. Finally, an economist with Management Horizons, a division of Price Waterhouse, has remarked that Western New York is in a position to realize greater gains when the Canadian recession ends [Clark, Jun. 18, 1991, p. B10]. 1992 is likely to be the sixth year of cross-border shopping between Canada and border regions in the United States.

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