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Denise Lawson
Chair of the Board of Directors
Mountain Equipment Co-op
149 West 4th Avenue,
Vancouver BC V5Y 4A6

April 29, 2009

Re: Bicycle sales at Mountain Equipment Co-op

Dear Ms. Lawson:

As background the Bicycle Trade Association of Canada is a national trade association whose mission is to promote cycling in Canada through awareness, alliances and partnerships. Our membership includes a wide spectrum of leading manufacturers, distributors, suppliers, and retailers of cycling equipment and services. BTAC engages in market research, member cost saving programs and a national grants program to grow participation in cycling activities in order to promote more environmentally friendly transportation and healthier lifestyles.

The entrance of new bicycle supplier or retailer into the Canadian market is normally something to celebrate – it typically means that the market is growing and has signaled demand for more cycling related products or that there is some market niche that is not being filled by existing market players.

New competitors and competition is a positive force in a market economy - it drives lower costs to consumers and it forces both product suppliers and retailers to continuously innovate with new products and services.

However, to work effectively competition must be fair.

Independent bicycle dealers – our members and the primary channel for the sale of quality bicycles in Canada – compete on a level playing field with each other. They contribute under a common set of tax requirements and must seek resources for capitalization for growth through retained earnings (which are taxed) or from financial institutions (at interest, or in the current economic climate with low interest but with great difficulty).

In Canada taxes are used by democratically elected governments to support infrastructure and services demanded by the electorate. Taxes paid by all independent bicycle dealers are used to support public infrastructure – including bicycle lanes, bike lockers etc.

As a co-operative MEC and its members do not pay corporate tax on patronage returns re-invested in the co-operative. MEC is thus able to re-investment its surpluses into capital projects (new stores, etc.) while paying little or no corporate income tax.

This preferential tax treatment affords MEC a huge competitive advantage that permeates its entire business whether from building new stores to pricing based on ever increasing buying power – it is this preferential tax advantage that poses unfair competition to independent bicycle dealers.

Motivating, Uniting and Inspiring Canada's Cycling Industry

While we appreciate the intent behind MEC's stated objectives to, "...expand the cycling market in Canada and increase our support to cycling communities.", we are perplexed as to how its entry into the bicycle market proposes to do that.

We are of the view that greater public investment in cycling infrastructure such as bike lanes, bike locker facilities and employer cycling amenities such as showers will make for a safer and more convenient cycling experience. These investments will have a return in more Canadians riding bicycles more often thus improving their health and welfare while also improving the environment of our cities.

From a commercial perspective it is these public investments that will create demand for more bicycles thus inevitably "expanding the cycling market in Canada".

As stated earlier, in Canada investments in public infrastructure are made using revenues derived from taxes. So how is it that MEC proposes to, "increase our [its] support to cycling communities", when, unlike other Canadian businesses, it does not contribute an equivalent portion of its revenues to the tax base?

We see no evidence that MEC can demonstrate that its proposed foray into the bicycle market is consistent with its charter mandate to, "...foster change toward environmental, social and economic sustainability in the marketplace."

This leads us to a grave issue that has come to our attention with regard to MEC's claims with respect to the "ethical sourcing" of its bicycles – the allusion that MEC's bicycles will somehow be built to higher "ethical" standards.

On MEC's website a corporate blogger states that, "The bike industry from an ethical sourcing perspective has got to be one of the most backward industry sectors. Ask your local bike dealer under what conditions are their [sic] bikes made and most of them will sputter like a deflating tire."

BTAC's supplier members include icon Canadian bicycle companies such as Argon 18, Devinci, Kona, Norco, Opus, Rocky Mountain etc. These companies design their bicycles and have them produced at highly specialized and extremely sophisticated manufacturing operations in Taiwan (some of which produce products for the North American and European aerospace industry). Some of these Canadian manufacturers assemble their bicycles right here in Canada. In one case the very facility that Mountain Equipment Co-op will be having their bicycles produced at is one utilized by a major Canadian bicycle manufacturer.

We cannot understand why MEC needs to justify its entry into the bicycle sales business by effectively smearing existing Canadian bicycle producers. The inference that because a sales person cannot describe the working conditions in which a bicycle was produced this somehow means that the bicycle in question was produced in a sweatshop is egregious.

MEC acknowledges on its website blog that it, "...is not small and local. In some ways it's similar to a big box operation in terms of its impact on small local outdoor retailers." Given the unfair competition posed by MEC's co-operative tax status and MEC's ongoing attacks on the Canadian bicycle industry using "ethical" and "environmental" hyperbole we suggest that its impacts on independent bicycle dealers will be much worse.

As MEC convenes at its annual general meeting we suggest it revisit its charter provision, "To foster change toward environmental, social and economic sustainability in the marketplace.", and honestly assess whether its foray into bicycle sales really furthers this objective.

We would be happy to meet with MEC's board of directors to more fully discuss our concerns.

Sincerely,



Pete Lilly
Chairman
Bicycle Trade Association of Canada