



CAPITAL RETAIL REPORT

June 26, 2009

"GRA and you, together we make retail work."

CAP AND TRADE BILL CONSIDERED IN CONGRESS

OBAMA SIGNS TOBACCO BILL INTO LAW

SENATE'S HEALTHCARE DRAFT CALLS FOR MOST TO BUY INSURANCE

U.S. AND CANADA SIGN AGREEMENT ON ORGANIC FOOD STANDARDS

QUOTE TO PONDER

Cap and Trade Bill Considered In Congress

H.R. 2454, the American Clean Energy and Security Act of 2009 (ACES), also known as the Waxman-Markey bill is being discussed in the U.S. House of Representatives, and it has the potential to be an economic disaster for retailers.

Retailers already are among those who pay the highest prices for energy. We believe that H.R. 2454 would raise those costs even more.

Specifically we are concern that H.R. 2454 would be:

- A huge pork barrel bill, with lawmakers carving out allowances -- offering up billions of dollars in free emission credits to favored industries. Washington's pork propensity could turn well-intentioned policy into a special interest bonanza at the expense of retailers, the environment and even American families.
- Subject to the same Wall Street financial meltdown which we have recently experienced. That meltdown, brought about by unaccountable, non-transparent trading of complex derivatives, could reoccur with cap and trade if the market for carbon was to be handed over to the same Wall Street banks that got us into this mess.
- Difficult to manage, since cap-and-trade doesn't offer much transparency, it opens the door for a great deal of closed-door dealings. And that will likely make for a pork-laden policy. The Waxman-Markey bill hasn't even passed out of committee, and lawmakers are already offering up billions of dollars in free emissions credits to favored industries. The emissions trading system could drive the creation of risky financial tools like the derivatives, hedges, credit default swaps that led to our recent economic crisis and the scandals associated with it.
- Unacceptable with the government regulating the trading of carbon dioxide (CO2) emissions.
- Subject to manipulation - both the president's plan and the Waxman-Markey bill – would create a carbon marketplace that is susceptible to manipulation.
- A detriment to economic recovery - a recent CRA International analysis, commissioned by the National Black Chamber of Commerce, determined that the federal cap-and-trade system outlined in the Waxman-Markey bill would reduce national GDP roughly \$350 billion below the baseline level, cut net employment by 2.5 million jobs (even after accounting for new "green" jobs), and reduce annual earnings for the average U.S. worker by \$390 by 2030. (CRA International is a leading global consulting firm that provides economic, financial, strategy, and business management advice to law firms, corporations, accounting firms, and governmental organizations.)
- An excessive burden on the American consumer – the CRA study also found a growing body of evidence that demonstrates cap-and-trade would make American consumers poorer and the products they buy more expensive. Moreover, there will be little, if any, environmental impact to



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justify the high price U.S. families will have to pay, since the trading system will deliver virtually negligible changes in global CO2 emissions.

- Unfairly administered. By giving away some 85 percent of emissions permits to favored industries for free, the Waxman-Markey bill would profit special interests at the expense of hard-working families.
- Unfair - Government should not be in the business of choosing winners and losers among America's businesses.

We do not believe that the bill has been fully vetted through the regular order of the House, and as written, would harm the American economy tremendously. The bill should be rejected as a rushed, pork-laden menace to our economy.

Please contact the following people with your objectives to H.R. 2454:

- Hill Thomas in Representative John Barrow's office at 202-225-2823 or hill.thomas@mail.house.gov
- Alysson Vogt in Representative David Scott's office at 202-335-2039 or alysson.vogt@mail.house.gov
- Jonathan Halpern in Representative Sanford Bishop's office at 202-225-3631 or jonathan.halpern@mail.house.gov
- Tim Nelson in Representative Jim Marshall's office at 202-225-6531 or tim.nelson@mail.house.gov

Your prompt action is critically important!

Obama Signs Tobacco Bill into Law

President Barack Obama on Monday, June 22, 2009 signed legislation giving the FDA regulatory control over the tobacco industry. The new law gives the government control over tobacco advertising and will require more prominent warning labels for tobacco-product packages.

The law means the government will have the power to decide how cigarettes are advertised and monitor how they're promoted to young people. It means cigarette makers will be required to include new, larger warning graphics with more health information on their products and will be prohibited from using words like "light" and "low tar" in their marketing.

While the law does not have the power to ban cigarettes and nicotine outright, it does allow the FDA to reduce nicotine levels and harmful chemicals in tobacco products.

Senate's Healthcare Draft Calls for Most to Buy Insurance, Nixes Obama's 'Public Option'

A draft proposal on healthcare reform that was distributed among Senate Finance Committee members this week omits the public health insurance option sought by President Barack Obama and instead outlines a co-op approach. The proposal also imposes taxes on employees' health benefits, endorses expanded Medicaid coverage and suggests scaling back middle-class beneficiaries eligible for a tax credit formulated to lower insurance costs.

The draft proposal would overhaul the nation's healthcare system and would require that most people buy health insurance. It would also authorize an expansion of Medicaid coverage and create consumer-owned cooperative plans instead of the government coverage that President Obama is seeking.



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The absence of a "public option" marks perhaps the most significant omission. Obama and many Democrats had sought a public option to ensure affordable, universal coverage, but as many as 10 Senate Democrats have protested the idea as unfair to private insurers. In its place, the draft circulated yesterday outlines a co-op approach modeled after rural electricity and telecom providers, subject to government oversight and funded with federal seed money.

In the House Democrats are exploring a range of funding options, including a surtax on the rich and an increase in the payroll tax imposed on all U.S. workers. The list also includes new taxes on sugary drinks and alcohol, along with broader levies, such as a national value-added tax of up to 3 percent.

The Senate's preferred option -- taxing the health benefits that millions of Americans receive through their employers -- is also on the House list. So is Obama's favorite idea: limiting the value of itemized deductions for the nation's wealthiest 3 million taxpayers.

The expansion of health coverage is expected to cost more than \$1 trillion over the next decade.

The draft in the Senate committee spells out one possible solution: It would require employers to pay 50 percent of Medicaid costs for workers enrolled in the low-income program and 100 percent of the cost of health insurance tax credits for eligible employees. Workers could forfeit employer coverage only if the cost exceeds 12.5 percent of their income.

U.S. and Canada Sign Agreement on Organic Food Standards

An agreement between the U.S. and Canada permits each nation's certified organic products to be purchased in either nation with the organic label. The deal is expected to help organic farmers in both countries. The equivalency agreement, which is the first for the organic industry worldwide, allows certified organic products from either country to be sold on the other side of the border with the organic label.

Sen. Patrick Leahy, a Democrat from Vermont, who helped write the 1990 Organic Foods Production Act and is the senior member of the Senate Agriculture Committee, said the agreement will strengthen the organic industry across the country.

QUOTE TO PONDER

"Governments can't even count votes accurately – or deliver the mail efficiently. Yet now, somehow, government will run auto companies and guarantee us healthcare better than private firms? And the public seems eager for that!" **John Stossel**

Thank you,

John C. Heavener, MSM, CAE
President, Georgia Retail Association



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About GRA: The Georgia Retail Association, with membership that comprises all retail formats and channels of distribution including department, specialty, discount, catalog, Internet, independent stores, and grocery stores has been serving the state's business community since 1961. The Georgia Retail Association represents an industry with more than 71,300 retail establishments, and more than 715,000 employees - about one in five of Georgia's workers – with annual sales of more than \$115 billion.