

August 26, 2013

The Right Honourable Stephen Harper
Prime Minister of Canada
Office of the Prime Minister
80 Wellington Street
Ottawa, ON K1A 0A2

Dear Prime Minister:

On behalf of the members of the Canadian Chamber of Commerce, Canadian Association of Importers and Exporters, Canadian Federation of Independent Business, Canadian Courier and Logistics Association, and Electro-Federation Canada, we are writing to raise awareness and convey our concerns with the state and direction of Canada's tariff and customs policy and administration.

Combined, our organizations represent over 312,000 businesses across the country responsible for producing, sourcing, transporting, distributing and retailing most of the commercial and consumer goods Canadians use today. We are therefore united by a desire for Canada to have tariff and customs policies that achieve their objectives without unduly burdening the very businesses that grow our national economy.

As you enter a new mandate, we believe prioritizing reform in this often overlooked area would reflect well on your government and help accomplish the goals you have defined in Canada's Economic Action Plan.

We believe there are three basic principles that should guide Canada's tariff and customs policy, and certain recent changes illustrate the damage to businesses that can occur when they are not followed.

The first principle is a need for constructive stakeholder engagement with adequate time to provide input and to adapt business practices to policy changes. In the case of the General Preferential Tariff (GPT) changes—the most comprehensive tariff reform in 40 years—a consultation period of 50 days and reliance on paper submissions was inadequate to conduct a rigorous impact analysis. With more time and expert industry input, tariff reforms could have been structured to avoid anticipated supply interruptions and mitigate foreign and domestic workforce impacts.

The measures taken in the 2013 budget will force many Canadian businesses to renegotiate prices with existing suppliers or find new suppliers in countries that remain on the GPT or Least Developed Country Tariff lists. Many of our members indicate their supplier agreements and other contractual obligations could take up to 3 to 5 years to

expire, and they remain understandably concerned at the prospect of facing exit penalties should the scheduled tariff rate increases take effect in 2015.

Second is transparency and predictability. To optimally structure their international supply chains, businesses must have a clear understanding of requirements and fees applicable to cross-border trade. In a dramatic shift, recent actions by CBSA imply that consumer goods imported into Canada and sold at the retail level require the importer of record to acquire end-use certificates from the consumers, and to have those records in their files to substantiate the use of the end-use provisions at the time of import—or otherwise face substantial duties. This is despite the fact that importers have written rulings to the contrary and that this requirement has never been enforced in the past.

The third and final principle is policy coordination and coherence. Our members note with increasing frequency the independent actions being taken by departments and agencies that work at cross purposes. For instance, the reduction in tariffs on hockey equipment and baby clothes announced in the 2013 budget was a measure aimed at reducing the Canada-U.S. price gap and continues to receive media attention. Yet the tariff hikes as a result of GPT graduation dwarf these reductions and may even exacerbate the price gap as noted in recent media reports.¹

To be clear, we recognize that some of the GPT measures in the 2013 Federal Budget would confer negotiating leverage for Canada's trade discussions with countries such as India—as your government has noted. However, this could have been done in a manner that better accommodates the government's stated policy objectives to facilitate a reduction of Canadian retail prices and ensure that manufacturers are able to access low-cost inputs.

These problems demonstrate the need for leadership, by you and your ministers, to procedurally and substantially improve Canada's tariff and customs policy so that it better reflects the principles outlined above.

¹ Feds to track price cuts on imported hockey equipment, *Toronto Sun*. Aug 8, 2013
<http://www.torontosun.com/2013/08/07/feds-to-track-price-cuts-on-imported-hockey-equipment-golf-clubs-and-baby-clothing>

We look forward to working with your government through this process to create a framework that will better facilitate Canadian trade and boost the competitiveness of the Canadian economy.

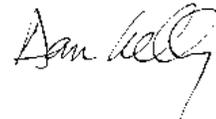
Sincerely,



The Honourable
Perrin Beatty
President & CEO
Canadian Chamber
of Commerce



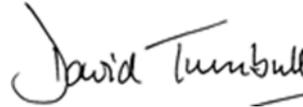
Joy Nott
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Jim Taggart
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David Turnbull
President & CEO
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cc: Hon. Jim Flaherty
Hon. Steven Blaney
Hon. Ed Fast