

September 4, 2020

International Trade Policy Division (U.S. 232 Retaliation Consultations),  
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**Retail Council of Canada (RCC) comments on the Government of Canada’s notice of intent to impose countermeasures against the United States.**

Retail Council of Canada appreciates the opportunity to provide comments to help inform the Government of Canada’s decisions on retaliatory measures in response to the United States Government’s imposition of tariffs on imported Canadian aluminum. We expect that these comments will lead to further discussion both prior to and after the imposition of any retaliatory measures.

Unsurprisingly, retailers are concerned with the current state of trade relations with the United States. Retailers are strong supporters of free and fair trade generally, of the CUSMA agreement and were actively engaged on both sides of the border in pressing for renewal of the previous NAFTA on fair terms. RCC deplores what we see as the U.S. Government’s election-period tactics including the imposition of tariffs on Canadian aluminum exports to the United States.

While it might perhaps be expected that retailers’ sole concern would be the potential impact of retaliatory Canadian tariffs, that is not the case. RCC understands the need for Canada to respond assertively to the U.S. Government’s imposition of Aluminum tariffs. We recognize that the Canadian government is striving to act within a contained list of goods and that its goal is to avoid a broadening of the dispute and work toward a return to normalcy in Canada-U.S. trade relations. RCC nevertheless has concerns about the potential imposition of tariffs on several of the identified categories, as follows:

**9406.90.90 *Prefabricated buildings, other than of wood.***

We presume that this inclusion is targeted at trailers, sheds and the like manufactured of aluminum but as currently phrased in the consultation document, the retaliatory tariff would also apply to resin sheds, which contain either no aluminum or negligible amounts of aluminum. Given the government’s stated purpose of “[imposing] surtaxes against imports of aluminum and aluminum-containing products from the U.S.”, the inclusion of resin sheds would seem counter to purpose and insupportable.

If the government still wishes to include aluminum prefabricated buildings, it could instead choose to impose surtaxes against U.S.-manufactured goods falling under HS Code 9406.90.90.10, which would then specifically capture “Prefabricated buildings. – Other – Other – Of aluminum” and would exclude resin sheds.

### **8450.11, 8450.12     *Household Washing Machines***

Retail Council members make the overwhelming share of large appliance sales in Canada and for that reason, RCC was approached in 2019 by Environment Canada’s Pan-Canadian Framework Implementation Office and by Natural Resources Canada’s *EnergyStar* unit to help coordinate their efforts to deliver a point-of-sale tax rebate in order to encourage customers to buy *EnergyStar* appliances, with the goal of lower energy consumption, leading to better environmental outcomes.

That program, announced on August 27, 2019, committed \$200 million from the Government of Canada to fund retailer-administered rebates in Ontario (which had not signed on to the Pan-Canadian framework, hence the direct support for Ontario residents). Because applications to the program have closed, with all funding now fully committed, it might be thought that the program has run its course. In fact, successful retail applicants with locations in five or more municipalities can provide rebates up until September 30, 2020. Successful applicants, typically smaller businesses, with locations in one to four municipalities can provide rebates up until March 31, 2021.

If the Government does impose surtaxes on household washing machines, it would find itself in the odd circumstance of concurrently providing rebates and imposing tax surcharges on many of the same items. RCC recognizes that not all *EnergyStar* rated washing machines are U.S. manufactured, but the U.S. manufacture of many appliances from Electrolux, Frigidaire, Whirlpool, Maytag and General Electric, among others, means that a substantial majority of such products emanates from the United States.

RCC is well-aware of the location of President Trump’s announcement of the tariffs on Canadian aluminum and of the presence of washer-manufacturing facilities in electorally important locations in Ohio, North Carolina and Iowa. Nevertheless, we believe that surtaxes on items that concurrently generate Government of Canada-funded rebates would send a conflictual “push-me-pull-you” message about public policy and would also be detrimental on the environmental front.

### **9506.99, 9506.31     *Sports Equipment and Golf Clubs***

The third and last RCC observation on the pending retaliatory measures pertains to sporting equipment. During the depth of the COVID-19 pandemic, sports, especially team sports, were one of the hardest-hit areas of the Canadian economy. This affected not only operators of sporting

venues but also those who sold sports equipment, who faced collapsing demand due to physical distancing requirements. The market for sporting goods has rebounded this summer as restrictions have been lifted but the three months March, April and May 2020 saw year-over-year declines of 20%, 64% and 24% respectively, representing \$1.18 billion in lost sales.

**Retail trade sales: Sporting goods, hobby, book and music stores**

Geography	Feb-20	Mar-20	Apr-20	May-20
	(\$million)			
Canada	1,071,592	817,657	371,689	765,583
percentage decline from pre COVID-19 period (Feb 2020)		23.7%	65.3%	28.6%
percentage decline from pre COVID-19 period (same month 2019)		19.5%	64.3%	24.7%

Source: Statistics Canada Table: 20-10-0008-01

Though other areas of the economy have undoubtedly been negatively affected by COVID-19, retail, and sporting goods retail in particular, have been especially hard-hit and we would caution against the imposition of surtaxes that would have a negative effect during the recovery.

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Retail Council of Canada would be pleased to answer questions on the comments above or to facilitate further discussions between the Government of Canada and potentially affected retailers. Please feel free to contact me at [klittler@retailcouncil.org](mailto:klittler@retailcouncil.org) or by telephone at (416) 906-0040.

Regards,



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## **About Retail Council of Canada (RCC)**

As the Voice of Retail™ in Canada since 1963, Retail Council of Canada (RCC) represents over 45,000 independent, regional, national mass and specialty retail businesses and online merchants in general merchandise, drug and grocery.

Our mission is to advance the interests of the retail industry through effective advocacy, communications and education. We are proud to represent the country's largest private employment sector – engaging over two million Canadians in our workforce and contributing to the economic health and well-being of our communities from coast-to-coast with sales (ex. vehicles and gas stations) of \$385.3 billion in 2019 and total compensation exceeding \$80 billion.

RCC has offices in Vancouver, Winnipeg, Toronto, Ottawa, Montreal and Halifax.