

March 28, 2024

Department of Finance Canada
90 Elgin Street
Ottawa, ON
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Subject: Retail Council of Canada's Submission on Counter-Tariff Measures

Via e-mail: consultations@fin.gc.ca

Retail is Canada's largest private-sector employer with over 2 million Canadians working in our industry. Retail impacts hundreds of thousands of related jobs in wholesale, transportation, information technology, legal and accounting professions. The sector annually generates over \$85 billion in wages and employee benefits. Retail Council of Canada (RCC) members represent more than two-thirds of core retail sales in the country. RCC is a not-for-profit industry funded association that represents small, medium, and large retail businesses in every community across the country. As the Voice of Retail™ in Canada, we proudly represent more than 54,000 storefronts in all retail formats, including grocery, pharmacy, specialty, department, discount, independent retailers, online merchants and quick service restaurants.

The Retail Council of Canada (RCC) appreciates the opportunity to provide input on the Federal Government's plan to counter unjustified tariffs imposed by the United States on Canadian goods. As the national voice of retailers across the country, RCC represents a vast network of businesses, from small independent stores to large multinational chains, all of whom are deeply affected by these escalating trade measures. The imposition of retaliatory tariffs, while necessary to defend Canada's economic interests, has significant downstream effects on our industry and, by extension, Canadian consumers.

This list would mark Canada's third counter-tariff response, and with each iteration, the burden on our industry grows heavier. Tariffs inevitably increase costs for retailers, disrupt supply chains, and create price volatility that ultimately impacts Canadian families. RCC and its members remain committed to working collaboratively with the government to navigate these complex challenges and ensure that retail businesses can continue to operate efficiently while maintaining access to the products that Canadians rely on.

RCC would also like to note that many of our members have submitted individual lists of items with specific HS codes to the Department of Finance and made the case, where applicable, as to why those goods should be removed from the final \$125B counter-tariff list. We support all our members' submissions and echo the concerns they have individually raised with the department. Given the breadth of RCC's membership, and in an attempt not to put individual members at odds by delineating specific products to be excluded, our comments below will focus on general principles we believe Canada's tariff response should take.

Key Principles and Recommendations

Principle 1: Balance Tariffs on Manufacturing Inputs with Finished Consumer Goods

We recognize the government's imperative to design counter-tariff measures that apply pressure on the United States without unduly harming domestic industries. However, in crafting the final tariff list, it is essential to strike a careful balance between protecting Canadian manufacturing and ensuring that Canadian consumers are not disproportionately affected by price increases on everyday goods.

While industrial production inputs are vital to maintaining domestic supply chains, consumer goods must not be overlooked. The retail sector serves as the direct bridge between manufacturers and consumers, and without careful policy consideration, retailers may be forced to pass increased costs on to consumers or remove essential goods from shelves altogether due to supply chain constraints. The government should ensure that any counter-tariff measures are structured in a way that minimizes unnecessary harm to retailers and consumers alike.

Principle 2: Ensure Replaceability of Goods on the Tariff List

The effectiveness of Canada's countermeasures should be guided by a fundamental principle: any tariffed good should be replaceable by either a Canadian-produced alternative or a readily available international substitute. The goal of these measures must be to incentivize supply chain diversification and reduce reliance on American-made goods, but not at the expense of consumer access.

For this strategy to be effective, the government must be responsive to input from retailers who know whether viable alternatives exist, both in terms of availability and scalability. Goods that lack sufficient domestic or international substitutes should either be exempted from the final list or be eligible for prompt remission to prevent undue hardship on businesses and consumers. Supply shortages and unanticipated disruptions in availability could exacerbate inflationary pressures and impact the ability of Canadians to afford essential goods.

Principle 3: Ensure an Efficient and Well-Resourced Remission Process

A well-functioning remission process is critical to mitigating the adverse effects of counter-tariffs. The remission framework should provide businesses with a swift and transparent mechanism for seeking relief when tariffs create undue burdens.

We strongly urge Finance Canada to ensure that the remission process is adequately resourced, both in terms of staffing and funding, to allow for timely and efficient adjudication of requests. In past instances, such as the 2019 tariff disputes, businesses faced prolonged delays in obtaining remission approvals, leading to significant financial strain and supply chain challenges. To prevent a recurrence of these issues, we recommend the following measures:

- Establishing clear service standards for processing remission applications, with transparent timelines for decision-making.

- Implementing a fast-track mechanism for high-impact cases where tariffs are demonstrably causing significant consumer price increases or supply shortages.
- Providing a dedicated point of contact within Finance Canada to liaise with affected retailers and address concerns in real time.
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Principle 4: Reduce Regulatory Barriers to Maintain Supply Chains

In addition to direct tariff relief, the government should take complementary measures to enhance supply chain flexibility and reduce unnecessary regulatory hurdles. These measures could include:

- **Temporary Regulatory Waivers:** The Canadian Food Inspection Agency (CFIA) should consider temporarily easing labelling and certification requirements for goods sourced from trusted international suppliers, allowing retailers to rapidly secure alternative sources of supply. This should be done with the understanding that retailers will work with new suppliers to achieve full compliance within a reasonable timeframe.
- **Tariff Reductions on Non-U.S. Imports:** To offset the impact of our countermeasures, the government should explore reductions or eliminations of existing tariffs on goods imported from non-U.S. countries. This could include essentials such as baby clothing, household goods, and consumer staples.
- **Simplification of Domestic Sourcing Approvals:** Heritage Canada's current approval process for the use of the maple leaf logo on Canadian products creates unnecessary delays. Temporarily waiving this requirement would allow retailers to more efficiently promote and identify Canadian-made goods as an alternative to U.S. products.
- **Minimization of Interprovincial Trade Barriers:** The federal government should continue its work with its provincial and territorial counterparts to reduce barriers to interprovincial trade, permanently wherever possible, so as to encourage companies to source from other Canadian provinces. While food has been largely absent from the lifting of interprovincial trade barriers thus far, its inclusion where practicable is encouraged. A commitment from the government to making these changes permanent where possible would allow retailers to confidently adjust their supply chains and buying processes.
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Principle 5: Provide Assistance to Impacted Companies and Consumers

Given the inevitable financial strain that tariffs impose on both businesses and consumers, RCC strongly recommends that the government implement targeted support measures to cushion the impact of rising costs.

- **GST/HST Holiday for the Duration of the Tariff Crisis:** Implementing a temporary suspension of the Goods and Services Tax (GST) or the Harmonized Sales Tax (HST) on affected goods would help mitigate cost increases and provide direct relief to consumers. This measure would also stimulate retail spending, benefiting businesses that are already struggling with inflationary pressures.
- **Expansion of Business Support Programs:** Current financial assistance programs are often tailored to export-driven sectors, neglecting industries like retail that are heavily dependent on imports. We urge the government to extend eligibility for financial relief programs to retailers affected by increased costs and supply chain disruptions.

- **Reintroduction of a Wage Subsidy Program:** In light of ongoing economic uncertainty, a targeted wage subsidy for businesses impacted by tariffs would help employers retain staff, support job stability, and prevent further disruptions to the labour market.

Conclusion

RCC remains committed to working collaboratively with the Department of Finance to ensure that counter-tariff measures achieve their intended objectives while minimizing harm to businesses and consumers. We encourage ongoing engagement with the retail sector to ensure that policy decisions reflect the realities of supply chains and consumer demand.

Moreover, RCC member companies will have submitted their own detailed comments, including direct references to impacted HS codes. RCC strongly supports these submissions and urges the government to grant exemptions in instances where the negative impacts on retailers and consumers would be particularly severe. We believe strong cases for exemptions have emerged from the pharma, food, book, quick service, and general merchandise sectors to name but a few, and encourage the department to grant their exemptions.

We appreciate your consideration of our recommendations and look forward to continued dialogue on these critical issues. Please do not hesitate to reach out should further consultation be required.

Sincerely,



Matt Poirier
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Retail Council of Canada