

October 7, 2013

The Honourable Jim Flaherty, PC, MP
Minister of Finance
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The Honourable Ed Fast
Minister of International Trade
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Via email: jflaherty@fin.gc.ca

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Re: Canada's trade shipment de minimis level

Dear Ministers:

On behalf of the members of the undersigned associations representing Canadian businesses engaged in cross border and international trade, we are writing to request your support to modernize Canada's customs import de minimis level to bring it in line with Canada's international competitors.

In short, the de minimis level is the maximum threshold for waiving customs duties on imports, which in Canada currently sits at \$20. As such, all products entering Canada with a value above that threshold are automatically assessed duties and taxes, while all products below that level the duties and taxes are waived. At \$20, Canada's current de minimis level is among the lowest and most punitive in the world and is out of step with modern trade realities. For example, the US currently has a \$200 de minimis level (with proposals to increase the threshold to as high as \$800), while proposed trade partners in the Trans-Pacific Partnership (TPP) have thresholds that including Australia at \$1,075 (in USD), New Zealand at \$320, Japan at \$122.

The impact of the de minimis differential is that Canadian importers – both consumers and businesses – who rely on trade to source components and products are paying significantly more in customs, duties, taxes and inspection fees than their counterparts in other countries.

Increasing the de minimis level supports the following priorities of the Government of Canada:

Strengthening North American and International Supply Chains:

The current de minimis level creates a barrier to North American supply chains and negatively impacts the efficiency and competitiveness of our inter-dependent businesses. Specifically, Canadian companies that rely on the purchase of low value goods for production from the US must carry the added administrative and financial burden of ensuring compliance to customs regulations. And in many cases the administrative burden and costs carried by the importer includes the request for tax refunds following import.

Narrowing the Price Gap with the US:

A recent Senate report entitled "*The Canada-US Price Gap*" highlighted testimony from Canadian businesses, consultants and consumer advocates indicating the impact of the de minimis, along with duties and customs clearance processes artificially raises consumer prices in Canada. In fact, it is estimated that the fees associated with tax, duty and customs clearance service for imported goods add on average an additional 30% to the cost of imported goods for Canadians.

More Resources for Security, Targeting and Enforcement:

A higher de minimis threshold reduces and streamlines the workload on customs processing by adopting a more focused approach towards higher risk shipments. The higher level would allow customs to focus more on security, targeting and enforcement activities. Officers will dedicate more time to review shipment data, risk assessment, more productive and focused inspections, and countering duty evasion instead of the collection of small duties.

Increasing efficiency for Government Operations and Canadian businesses:

As Canada has re-affirmed its commitment to make the government more efficient, lean, and responsive, it is important to consider the cost vs. the return of assessing customs and tax submissions for low value shipments. Like Canadian businesses, currently the Canada Border Services Agency (CBSA) must invest resources in a monthly review and processing of thousands of customs submissions and tax refunds for low-value, low-risk goods.

The recent increase and harmonization of the low value shipment program limit to \$2,500 USD/CAD is an excellent example of how harmonized customs policies can simplify administrative work for importers and exporters while improving their speed to market and motivating higher levels of trade.

Supporting the critical progression of bilateral relations and trade partnerships:

The Government has stated the importance of businesses not remaining complacent and has aggressively taken several concrete actions to support global business opportunities. This includes the Canada-US Economic Cooperation and Perimeter Security initiative as well as the recently concluded Canada/European Comprehensive Economic and Trade Agreement. These agreements were in essence about eliminating technical barriers to trade and reducing the cost to business in doing business internationally. The de minimis is another additional cost of business that acts a barrier to global trade. While it was not addressed in these earlier agreements, we believe that the current Trans-Pacific Partnership (TPP) negotiations offer an excellent opportunity to address it comprehensively across multiple countries simultaneously.

Thank you in advance for considering this proposal. We would be pleased to meet you're your offices to discuss the issue in greater detail at any time.

Sincerely,

Agricultural Manufacturers of Canada (AMC)
Automotive Parts Manufacturers Association
Canadian American Business Council
Canadian American Border Trade Alliance
Canadian Association of Importers & Exporters
Canadian Courier and Logistics Association
Canadian Chamber of Commerce
Canadian Consumer Specialty Products Association
Canadian Manufacturers & Exporters
Canadian Paint and Coatings Association
Canadian Steel Producers Association
Canadian Vehicle Manufacturers Association
Electro-Federation Canada
Pacific Northwest Economic Region
Railway Association of Canada