House of Commons
Chambre des communes
Canada

House of Commons Standing Committee on Finance – Pre-budget Consultations 2013

This brief is submitted by:

(•) **an organization** **Organization name:** Danier Leather, Inc.(Contact:Brian Tatoff, CFO, SVP &Secretary)

or

( ) **an individual** **Name:** _____

Topic: Trade and investment

*Recommendation 1: Please provide a short summary of your recommendation.

To achieve the government's commitment to make Canada a tariff-free jurisdiction of manufacturers by 2015, Danier Leather recommends that the government revise the tariff schedule to address competitive disadvantages experienced by Canadian manufacturers, retailers and exporters relative to their competitors in the United States.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

unknown

5 or more years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

This recommendation does not require any direct outlay of federal funding, but could have an impact on government revenues. That said, Danier believes that revenue lost would be recouped, at least in part, through the increased income taxes collected as a result of manufacturing investment, profits and jobs creation.

Additionally, the foregone revenue that would result from a failure to maintain or enhance our competitiveness with the US would be significant. Recent reports have concluded that cross-border shopping costs the Canadian economy $20 billion each year and this could be mitigated.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

Canadian consumers will benefit through competitive pricing and a related increase in consumer choice.

Canadian retailers will benefit through the mitigation of cross border shopping and increased sales due to competitive pricing.

Canadian manufacturers will benefit through competitive input costs allowing them to expand operations and further develop export opportunities.

Government revenues will be enhanced through greater economic and manufacturing activity being captured in Canada.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

The implementation of this recommendation would complement and supplement the governments substantial efforts to reduce the cost of goods to Canadians, assist manufacturers lower input costs, increase both Canadian retailer and exporter competitiveness, and create jobs while reducing taxes.

Topic: Please select from the pull-down menu

Recommendation 2: Please provide a short summary of your recommendation.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

Please select from the drop down menu

Please select from the drop down menu

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Topic: Please select from the pull-down menu

Recommendation 3: Please provide a short summary of your recommendation.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

Please select from the drop down menu

Please select from the drop down menu

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Please use this page if you wish to provide more explanation about your recommendation(s).

Established in 1972, Danier Leather has established itself as both Canada's and North America's leading vertically integrated designer, manufacturer and retailer of quality leather and suede for women and men. We currently have 89 retail outlets across the country and employ more than 1,000 Canadians, including many who are involved in our domestic manufacturing operations.

This government has made substantial efforts to enhance the competitiveness of manufacturers by eliminating tariffs on thousands on manufacturing inputs. Moreover, Minister Flaherty has stated that he aims to make Canada tariff free for manufacturers by 2015 and we applaud this goal.

The impact of tariffs on Canadian consumers was a focal point in the Senate Standing Committee on National Finance's study into the causes of price differentials between Canada and the United States. The committee heard testimony that 78% of dutiable products imported into Canada had a higher tariff rate than the United States. The committee recognized the causal effect of this and recommended that:

"[The] Minister of Finance conduct a comprehensive review of Canadian tariffs, keeping in mind the impact on domestic manufacturing, with the objective of reducing the price discrepancies for certain products between Canada and the United States."

In Budget 2013, Minister Flaherty responded by reducing tariffs on a number of consumer products including sporting gear and baby clothing. We applaud this important change which will benefit Canadian consumers and families."

As a manufacturer and retailer, the costs of both inputs and finished consumer goods for resale have a substantial impact on profitability. As the government continues to review and adjust Canada's tariff regime, we believe they must take a broad approach. In the current economy, and considering the complexity of global value chains, even small adjustments can have substantial impact.

By 2015, the duty rates on some of our inputs and imports will rise to 13%, which is more than double the 6% duty levied by the United States on those same goods. This will significantly worsen the existing competitive disadvantage we have relative to our U.S. competitors.

As Danier prepares to make decisions about both our domestic manufacturing needs as well as our plans to enter new export markets, this competitive disadvantage is particular acute and will necessarily impact our future plans.

Where Canadian companies, like Danier, are forced to reduce their margins below that of U.S. competitors to maintain market share, we are left with less capital to invest in growth.

Danier Leather therefore recommends that Canada should strive to ensure that certain specified MFN tariffs are either aligned with or lower than those in the United States in order to make Canada a more competitive environment for manufacturing investment and benefit Canadian consumers.

*Please note that at least one recommendation must be provided