

# Endangered **MADE IN CANADA** brand destined for extinction here at home

BY D'ARCY JENISH

## NEW LABELLING REQUIREMENTS JULY 1

Canadian manufacturers generally have enough challenges to keep them fully occupied — foreign competitors, global supply chains and the value of the dollar, to name a few — but the federal Competition Bureau has added to the list with new labelling requirements that came into effect July 1.

Representatives of the bureau insist that they are simply trying to add clarity for consumers in an era when many sophisticated products contain a mix of domestic and imported components. But spokespersons for industry associations contend that the new rules may lead to confusion rather than clarity and could strip domestic firms of their competitive advantage with consumers who wish to buy Canadian.

Furthermore, they argue that the transition period of six-months — in which manufacturers must re-label their products in order to comply with the new regulations — is far too short. “If you look at previous labelling changes in Canada and around the world, the transition is normally two to three years to allow you to sell existing product,” says Derek Nighbor, senior

vice-president of public and regulatory affairs with the Toronto-based Food and Consumer Products Association of Canada. “A lot of these decisions have to be made by packaging departments in global or North American companies located outside this country. This makes it very, very challenging to meet the new regulations so quickly.”

According to Brent Homan, assistant deputy commissioner in the bureau's fair business practices branch, the existing regulations had been in place since at least the early 1980s. They stipulate that products described as “Made in Canada” must contain at least 51 per cent Canadian content. That hasn't changed, but manufacturers are now required to add qualifying statements such as “Made in Canada with imported parts” or “Made in Canada with domestic and imported parts.” They can be even more specific, if they wish, by adding information to the effect that a product is “Made in Canada with 60 per cent Canadian content and 40 per cent imported content.” The bureau has also introduced a new labelling category — “Product of Canada” — but such goods must be at least 98 per cent Canadian.

“We want to ensure that consumers have accurate information upon which to base their purchasing decisions,” says Homan. “As well, these new requirements will allow businesses to develop messages that ensure they do not contravene the false and misleading representation provisions in the *Competition Act*.”

Homan adds that the bureau introduced the new labelling regulations for non-food products to ensure that they were aligned with a similar regime for foodstuffs adopted by the Canadian Food Inspection Agency. The government decided to overhaul the labelling requirements after a number of product recalls in December 2007 involving goods such as tainted pet food, contaminated toothpaste and unsafe children's toys. Health Canada and the Canadian Food Inspection Agency held public consultations and technical information sessions for key stakeholders in early 2008. The government announced the new regulations on July 15, 2009 and they came into effect December 31, 2009.

Nighbor says that agricultural organizations and food industry stakeholders were almost unanimously opposed to the 98 per cent threshold for the “Product of Canada” claim and recommended that it be set at a more



PRODUCT OF CANADA



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attainable 85 per cent. “It’s a great mystery to us how they came up with that number for ‘Product of Canada,’” he adds. “All the manufacturing groups on the food and non-food side are singing out of the same book. The 98 per cent is not workable.”

The Competition Bureau released its draft guidelines for non-food products on December 22, 2009.

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Jean-Michel Laurin, CME’s vice president, global policy, argues that the new regulations will adversely affect Canadian manufacturers in several ways. Foreign companies shipping their products to Canada are subject to labelling requirements set through international trade agreements and, in most cases, must only specify country

of origin. “They don’t have to follow the same guidelines to sell in our market,” says Laurin. “The Chinese don’t have to say ‘Made in China from Vietnamese components.’”

Likewise, Canadian companies selling into foreign markets need only state that their product is made in Canada. But they can’t make that claim at home unless they add additional information about the origin of imported parts and components.

“It dilutes the value of the ‘Made in Canada’ brand,” he says. “You’re saying it’s made here but not really. Consumers do shop and compare when they’re buying. They ask whether a product was made in Canada or another country.”

Along with eroding the competitiveness of Canadian industry in the long run, the new regulations will impose high costs in the short term.

Retailers and manufacturers may have to destroy or re-label millions of dollars worth of existing inventory that is sitting in warehouses when the

transition period began. Inventory on the shelves may have to be pulled or existing country of origin claims will have to be covered manually with updated and compliant information. Existing supplies of packaging and labelling will have to be replaced by newly prepared materials that comply with the regulations.

Many manufacturers will have considerable difficulty creating accurate qualifying statements to go along with their “Made in Canada” claims because of the complexity of their supply chains and production processes.

They will have to determine the origin of various parts and components and then determine what percentage of the complete product they represent.

In some cases, it may be less expensive and more efficient simply to remove the made in Canada claim – for domestic purposes at any rate.

That would be a real shame, says Laurin.

“Some of our companies are among the world’s leading manufacturers and they use some of the best technology available,” he notes.

“When people see Made in Canada, they expect higher levels of quality and excellence,” Laurin adds. “That’s why companies use that label when they are selling domestically.” 20/20