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9.5.1

**Halifax Regional Council**  
**January 10, 2005**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**

*Sheila Fougere*

Councillor Sheila Fougere, Chair  
Bikeways Advisory Committee

**DATE:** December 12, 2005

**SUBJECT:** **Proposed Federal Surtax on Imported Bicycles**

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**ORIGIN**

A motion was passed at the November 17, 2005 meeting of the Bikeways Advisory Committee to request that Halifax Regional Council write a letter to the Federal Minister of Finance in opposition to the proposed surtaxes on imported bicycles.

**RECOMMENDATION**

It is recommended that Halifax Regional Council write a letter to the Federal Minister of Finance in opposition to the proposed surtaxes on imported bicycles.

**BACKGROUND**

The proposed Federal 30% surtax on imported bicycles was first discussed by the Bikeways Advisory Committee on October 19, 2005. A motion was passed at the November 17, 2005 meeting of the Bikeways Advisory Committee to request that Halifax Regional Council write a letter to the Federal Minister of Finance in opposition to the proposed surtaxes on imported bicycles.

**DISCUSSION**

Local bicycle retailers, Members of Parliament, and the media have voiced concerns regarding a proposed surtax on imported bicycles. The District of West Vancouver has passed a motion to inform the Federal government of its opposition to proposed surtaxes on imported bicycles. The City of Vancouver has also passed a similar motion, highlighting the importance of cycling as an environmentally friendly mode of transportation and as a means of decreasing childhood obesity.

A surtax on imported bicycles would be contrary to Municipal, Provincial, and Federal initiatives to promote healthy, active lifestyles, foster a free trade partnership with China (the largest exporter of bicycles to Canada), reduce greenhouse gas emissions and promote environmentally friendly means of transportation. A surtax on imported bicycles would also significantly increase the cost of bicycles, affecting bicycle retailers and consumers searching for an affordable means of transportation at a time of record high gas prices.

**BUDGET IMPLICATIONS**

There are no budget implications associated with this report.

**FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

**ALTERNATIVES:**

Council may choose not to inform the Federal Government of its opposition to surtaxes on imported bicycles. This is not recommended.

**ATTACHMENTS:**

1. Extract from October 19, 2005 Bikeways Advisory Committee minutes.
2. Extract from November 17, 2005 Bikeways Advisory Committee minutes.
3. Information package distributed to Committee members, including:
  - (a) Editorial entitled “Deflating the Case For Bicycle Tariffs” by John Ibbitson, Globe and Mail.
  - (b) Article entitled “WV Opposes Bike Surtax” by Yumimi Pang, North Shore News.
  - (c) Correspondence from the Honourable Judy Sgro, P.C., M.P., to the Honourable Ralph Goodale, P.C., M.P., dated October 3, 2005.
  - (d) Correspondence from Ted Menzies, M.P., to Kona Bicycles, dated October 18, 2005.
  - (e) Email correspondence from Mark Beaver, Cyclesmith Inc., to Councillor Sheila Fougere, dated November 1, 2005.

Additional copies of this report, and information on its status, can be obtained by contacting the office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Jennifer Weagle, Legislative Assistant

Report Approved by: Councillor Sheila Fougere, Chair, Bikeways Advisory Committee

### **7.1.5 Proposed 30% surtax on imported bicycles**

The Committee discussed the issue of a proposed Federal 30% surtax on imported bicycles. Councillor Fougere suggested, that if a quorum is reached at the next meeting of the Bikeways Advisory Committee, the Committee make a motion recommending to Council to send a letter to the Federal Government in opposition to the proposed surtax on imported bicycles. This item will be added to the agenda for the November 2005 meeting.

### **5.1 Proposed 30% surtax on imported bicycles**

- An information package including correspondence from Members of Parliament and newspaper articles, was before the Committee.

Councillor Sheila Fougere advised the Committee that she had spoken with a Federal Minister regarding the 30% surtax on bicycles imported to Canada, which is being proposed by the Federal Government. Correspondence from Members of Parliament and a local bicycle shop owner opposing the surtax, a national newspaper editorial also opposing the surtax, and an article regarding recently passed motions in Vancouver opposing the surtax were reviewed and discussed by Committee members. The Committee discussed the proposed surtax, during which the following was noted:

- The surtax may have negative impacts on efforts to promote bicycle use as a means of environmentally friendly transportation and to reduce greenhouse gas emissions as per Canada's Kyoto commitments.
- The surtax would be contrary to HRM's Active Transportation Plan, promoting healthy, active lifestyles.
- The surtax may also have negative impacts on efforts to foster a healthy trade relationship with China, which is the largest importer of bicycles to Canada.

**MOVED BY Mr. John Smith, seconded by Ms. Candace Stevenson, that the Bikeways Advisory Committee request that Halifax Regional Council write a letter to the Federal Minister of Finance in opposition to the proposed surtaxes on imported bicycles. MOTION PUT AND PASSED UNANIMOUSLY.**

# Deflating the case for bicycle tariffs



**JOHN IBBITSON**

**T**here are about 600 workers in two Quebec factories who should start looking for other jobs. Two Canadian bicycle manufacturers, Raleigh Canada Ltd. and Groupe Procycle Inc., have spearheaded a campaign to impose punitive penalties on the import of Chinese and other Third World bicycles.

They met success at the Canadian International Trade Tribunal, which recommended last month that the federal government impose an "emergency" 30-per-cent surtax on the import of foreign bikes, to prevent the imminent extinction of what is left of Canada's bicycle manufacturing industry.

The two factories where the bikes are built are located in Quebec ridings: One is held by a Liberal, and the other the Liberals would very much like to win.

So there is considerable political pressure on the Paul Martin government to impose the surtax and save the jobs at the two factories. But even in the run-up to a federal election, a survey of informed sources suggests that the Liberal government isn't willing to raise the tariff wall. The jobs in St. Georges de Beauce and Waterloo are probably doomed.

The Canadian bicycle manufacturing industry, at least at the low

end, is really an assembly industry — the parts are shipped in from China and elsewhere. The industry is already heavily protected by tariffs and anti-dumping duties. Nonetheless, Raleigh and Procycle can't compete against the Chinese. In the past four years, the Canadian-made share of the domestic bicycle market has declined from 58 per cent to 30 per cent. The Chinese (and the Thais, Filipinos and Vietnamese) are taking over.

If the Liberal cabinet were to implement the CITT regulation, then the price of imported low-end bicycles (retailing under \$700) would increase sharply, at the very time that governments are encouraging bicycle use as a cheap, healthy and environmentally friendly alternative to cars.

The Chinese, who are following the issue closely, would wonder about a country that claims it wants to expand trade with China, and then promptly slaps tariffs on one of its major exports. Manufacturers of everything from barbecues to blouses who are also seeking more tariff protection would demand equal treatment.

And the American lumber industry would react with glee. After all, this bears many similarities with the softwood-lumber dispute. In that case, a small group of powerful producers has persuaded the American government to impose duties on our lumber exports, leading to higher housing costs and damaging America's reputation as a fair trader.

Now Canada is considering imposing duties on bicycle imports to satisfy a small industry with

political clout, which would lead to higher bicycle costs and damage Canada's fair-trading reputation.

That's why Jacques Saada, the Liberal minister responsible for economic development in Quebec, and Jean Lapierre, the Quebec lieutenant in cabinet, oppose the tariffs. Finance Minister Ralph Goodale and International Trade Minister Jim Peterson are ardent free-traders and would certainly oppose them as well.

There is word that senior officials have been ordered to bring forward alternatives that would help the domestic industry without penalizing imports. Something face-saving may be cobbled together, for electoral purposes. (We can only hope it involves retraining for the workers.) But anything that would offend the Chinese or delight the Americans will not be brought to cabinet, which in any case is unlikely to consider the matter before next month at the earliest. If an acceptable alternative can't be found, the matter could be put off until after the spring election.

There's irony here: Canada is respected internationally as a designer and manufacturer of high-end (\$3,000 and up) performance bicycles. Companies such as Cervelo, Guru, Kona and Argon 18 figure prominently in international competitions. (Cervelo made a particularly good showing at this year's Tour de France.) Our bicycle industry's future is actually bright. Winners don't need tariffs. And losers don't deserve them.

*jibbitson@globeandmail.ca*

# WV opposes bike surtax

Yumimi Pang

*reporters@nsnews.com*

**DISTRICT of West Vancouver council unanimously passed a motion to inform the federal government of its opposition to proposed surtaxes on imported bicycles during a council meeting on Oct. 17.**

Earlier this month, the City of Vancouver passed a similar motion, which highlighted the importance of cycling as a medium for transportation, a key factor in decreasing childhood obesity, in addition to being environmentally friendly.

The issue of the proposed surtax arose in response to a complaint filed by the Canadian Bicycle Manufacturers Association, which claimed that the import of bikes and frames could threaten Canadian bicycle manufacturers. Others believe that the surtax will harm cycling activity on the North Shore as well as independent bike stores.

Coun. Pamela Goldsmith-Jones submitted the motion.



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

*Hon. Judy Sgro, P.C.  
Member of Parliament  
York West*



October 3, 2005

Hon. Ralph Goodale, P.C., M.P.  
Minister of Finance  
607 Confederation Building  
House of Commons  
Ottawa, ON  
K1A 0A6

Dear Minister Goodale:

As Member of Parliament for York West, I am writing in regards to the Canadian International Trade Tribunal's recommendation that the Government of Canada impose a 30% surtax on certain bicycles. I am pleased to enclose a press release from the Independent Bicycle Retailers of Canada.

They are concerned that higher bicycle costs could discourage a healthy family recreational activity at a time of rising concern over the physical fitness of Canadian adults and children.

They also point out, that given Canada's Kyoto commitments regarding greenhouse gas emissions, environmentally friendly means of transportation should be encouraged, not discouraged. In addition, the document from the Independent Bicycle Retailers of Canada comments that it is unreasonable to impose additional taxes on cycling when rising gasoline prices are making driving unaffordable to many Canadians.

Thank you for your consideration in this matter that is critical to the future of cycling and the bicycle industry in Canada.

Sincerely,

  
Honourable Judy A. Sgro, Privy Council  
Member of Parliament, York West

cc: Independent Bicycle Retailers of Canada  
Constituency Office

2201 Finch Ave. West  
Suite 25

Tel: (416) 744-1882  
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October 18, 2005

Kona Bicycles  
381 Railway Street  
Vancouver, British Columbia  
V6A 1A4

Dear Mr. Heilbron

I wanted to take an opportunity to share with you the Conservative Party's opposition to the recent Canadian International Trade Tribunal (CITT) recommendation to impose a 30% surtax on imported bicycles. It is the view of the Conservative Party of Canada that this situation is the result of 12 years of inaction by the Liberal government to invest in domestic productivity or to establish trade policies in anticipation of continued global competition.

The current bicycle case is not about dumped product coming into Canada under the cost of production. This case is a tactic to mitigate the effect of unsubsidized imports from countries that spent the past 10 years modernizing production beyond low-quality production and can now compete with Canadian products on both price point and niche markets.

Over 10 years, 135 cases, dozens of temporary tariff and safeguard actions were implemented but the Liberals made no move to plan for the future. While trial balloons on productivity policies were floated, they were never introduced and as a result, in 2003 Canada's had a business productivity growth of a shocking 0.1% and no growth at all in 2004.

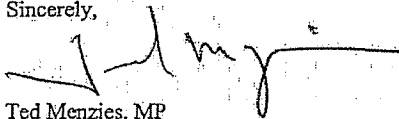
The Canadian bicycle manufacturing industry has operated under protection of tariffs up to 50% for the past 15 years. During that time, manufacturers, such as you, specialized and pursued export opportunities, creating world-class businesses while a small part of the industry followed the Liberal government lead and held on to the status quo.

If the Finance Minister decides to invoke a 30% surtax on imported bicycles, he will confirm a disturbing new trend in Canada's international trade strategy; leave Canada's entrepreneurial exporters to fend for themselves in global markets and build tariff walls at home to protect votes.

A Conservative government would reduce the taxes and red tape that hold back Canadian entrepreneurs, invest in road, rail and border infrastructure and encourage competitiveness so our domestic industry is ready and willing to compete with anyone, anywhere. Canadian industry can succeed at home and abroad but piecemeal tariff protection is not the way for the developed world to deal with globalisation.

Thank you so much for sharing your thoughts.

Sincerely,



Ted Menzies, MP  
Macleod  
Cc: John Reynolds, MP



*Ted Menzies, M.P.*

Macleod

*Constituency*

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**From:** "Cyclesmith" <Ride@Cyclesmith.ca>  
**To:** "Sheila Fougere" <fougers@halifax.ca>  
**Date:** 01/11/2005 6:06:09 pm  
**Subject:** Re: Mark Beaver/30% surtax

Hi Sheila:

Momentum is building across Canada against this proposed surtax. I've attached a couple of press releases about it. Please consider getting Halifax City Council to pass a motion against it as soon as possible. Thanks. (the Vancouver council motion passed unanimously on Oct 11).

Regards,

Mark Beaver  
Cyclesmith Inc.  
6112 Quinpool Road  
Halifax, Nova Scotia, B3L 1A3

tel: (902) 425-1756  
fax: (902) 492-1759  
www.cyclesmith.ca

----- Original Message -----

From: "Sheila Fougere" <fougers@halifax.ca>  
To: <ride@cyclesmith.ca>  
Cc: "Jennifer Weagle" <weaglej@halifax.ca>  
Sent: Monday, October 03, 2005 4:44 PM  
Subject: Mark Beaver/30% surtax

hello Mark:

Thanks for sending me the fax regarding the proposed 30% surtax on imported bicycles. I will put this on the agenda for the next Bikeways Advisory meeting, so that a recommendation can be made to Council.

Regards, Sheila