



March 16, 2012

Bob Hamilton
Senior Associate Secretary
Treasury Board of Canada
Regulatory Cooperation Council Secretariat
155 Queen Street
Ottawa, Ontario K1A 0R5

By electronic transmission to bob.hamilton@tbs-sct.gc.ca

Dear Mr. Hamilton:

We, the undersigned, are writing to express our ongoing concern with the United States' implementation of the *Lacey Act* provisions mandated by the 2008 Farm Bill. We are requesting that you include this issue as part of the Regulatory Cooperation Council's Action Plan and in so doing spare Canadian exporters from millions of dollars in compliance costs and unnecessary regulation.

As you know, Canada is the largest supplier of plant and plant products to the United States. The Animal and Plant Health Inspection Service (APHIS) of the U.S. Department of Agriculture currently requires Canadian firms exporting HTS Chapter 44 et al goods to the U.S. to submit an import declaration outlining the quantity and species contained in the shipment. The Act mandates that these provisions eventually cover all (including non-agricultural) imports containing plants and plant products. Also, given that there are no de minimis provisions the scale, scope and compliance costs of this regulatory action will balloon as other HTS chapters are implemented.

To date, the imposition of this requirement on shipments from Canada has caused considerable disruption and has imposed unnecessary compliance costs. APHIS receives approximately six thousand import declarations every month and approximately 90% of these are filed by shippers from Canada. Each of these represents an unnecessary, incremental direct cost to Canadian exporters. The direct costs pale in comparison to the in-house, corporate cost of completing, reconciling, matching and storing the required declaration information to the shipment destined to the United States.

In addition, and what is of most concern to our manufacturing sector, the information is now being requested by companies across the manufacturing supply chain (e.g. a greeting card company in Montreal asking for Lacey data from a Canadian paper company in anticipation of APHIS expansion of the Lacey product coverage). Even more egregiously, the card company is unable to segregate their U.S.-bound shipments from domestic retail products and therefore, is being forced to seek Lacey data from all paper suppliers. This will reoccur in the years ahead if we do not act now. Already, companies in the auto and auto parts sectors, the chemical and plastics industries, the bioproducts industry sector and even the nutrient supplement industry, are expressing worry about

how to comply with such a blunt import requirement when dealing in a highly integrated cross-border supply chain.

This is not simply a lumber industry problem. Take for instance the auto sector. The Lacey Act provision has caused the auto parts sector concern given the growing importance of Bio-Fiber usage in the Auto Industry. The base starting point for bio-fiber materials is wood fiber. The rising cost of a barrel of oil has caused rising resin prices for plastic components. When combined with the growing concern over recyclability of automotive vehicles in end-of-life scenarios, a door has opened for bio-fiber based components that are cost-effective and recyclable. Recent R&D has allowed the industry to engineer out the historic weaknesses of bio-fiber components and thus they have become increasingly popular for interior component applications, cargo management and trunk applications, and even some engine compartment trim components and insulation related materials.

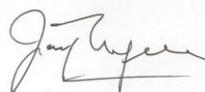
We believe that a bilateral approach is necessary, one that would exempt shipments from Canada from this onerous import declaration. The 2008 action was intended to protect fragile rain forests and species – hardly a concern when it comes to Canadian forestry management. Yet our members are disproportionately saddled with the high cost and logistical nightmare the import declaration presents.

It is important to note here that our members support the objectives of the 2008 Farm bill and the *Lacey Act* itself. Canadian companies want (and need) to comply with U.S. import regulations – one-third of our companies are U.S. importers of record. But we cannot comply with a requirement that is impossible to manage. Much of the Lacey information required is already provided to U.S. Customs and Border Protection.

Furthermore, under the Beyond the Border Working Group, we could envision APHIS and NRCAN/DFAIT working more collaboratively against third country enforcement concerns at our perimeters – an initiative that will surely help achieve the Lacey objective more effectively than imposing an unnecessary import requirement on the largest trading relationship in the world - and from a country with world-leading sustainable forest management practices, like Canada.

For these reasons, we would ask you to include this issue in the Regulatory Cooperation Council Action Plan as a specific and near-term “deliverable” and to work with your government colleagues in Ottawa to outline a strategy of engagement with the U.S. Administration. You will have our full support and our industry expertise in this effort – one which we feel is a sleeping giant that will have long-term and crippling consequences if we do not act in a timely manner.

Sincerely,



Jayson Myers
President & CEO

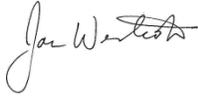
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David Andrews
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Paper Packaging Canada

cc: Hon. Tony Clement, President of the Treasury Board
Robert Carberry, Assistant Secretary, Regulatory Cooperation Council Secretariat
Treasury Board of Canada Secretariat
David Moloney, Senior Advisor to PCO, Privy Council Office