Canadian Paint and Coatings Association

Association canadienne de l'industrie de la peinture et du revêtement

Canada-United States Regulatory Cooperation

Securing $2 Billion per Day in Trade

CPCA ISSUE BACKGROUNDER

The Canada Context

As a trading nation, international trade is vital to Canada's economic prosperity and quality of life. There is no more important trading partner than the United States. The Canada/U.S. trade relationship is the largest in the world and highly integrated with a web of cross-border supply chains. Forty per cent of the nearly $2 billion dollars of capital, products, and services cross the border daily is intra-firm. This is one of the main reasons both countries signed the Canada-United States Regulatory Cooperation Agreement in 2011 and continues working on greater alignment between the largest trading block in the world.

CPCA has advocated for greater regulatory cooperation and alignment with strategic trade markets to strengthen the competitiveness of Canada's manufacturing sector, while maintaining protection for human health and the environment. In 2017, Canada's Pest Management Regulatory Agency (PMRA) took final decisions regarding three registered biocides used as preservatives in water-based paint. That decision will severely restrict the substances from their normal and effective use levels in Canada, while remaining available for use in the U.S. as the US EPA has not taken the same position. While addressing this issue domestically with PMRA, CPCA in collaboration with the American Coatings Association, submitted a formal proposal to the Canada-U.S. Regulatory Cooperation Council to include the alignment of chemical assessment and risk management regimes in their Work Plan. CPCA and ACA requested that the RCC:

- Develop an Assessment Collaboration Framework to increase alignment on the evaluation and re-evaluation review process for biocides/pesticides between the two countries and the related decisions
- Ensure further alignment and flexibility mechanisms are in place between U.S. and Canada policies for "treated articles"

CPCA also included these recommendations in its submission to the House of Commons Standing Committee on Finance related to its study on Budget priorities for 2018-2020, advocating for an increase in Canada's economic competitiveness.

Win-Win

Both countries have greatly benefited under NAFTA with the removal of tariffs for paint and coatings. As a result, significant industry consolidation has occurred, affecting small- and medium-sized enterprises (SME) including established Canadian brands and larger multinational companies with manufacturing facilities in Canada. Some of these acquisitions have led to plant closures, job losses and the relocation of corporate head offices to parent companies based in the United States.

Domestically manufactured paint and coatings account for half of the Canadian market, a 15 per cent reduction from a decade ago. Those products once manufactured in Canada are now imported from plants in the United States. While there is little to no disruption to consumer choice, there is significant disruption in the Canadian manufacturing base for coatings. The priority for CPCA has always been to ensure that these products continue to be produced in Canada by Canadian and multinational companies.

Consequently, decisions on coatings manufacturing are increasingly made in the United States by multinational or US corporations, which represent the majority of coatings products now sold in Canada. These decisions address a number of factors including the local business environment and barriers to entry related to various types of federal and provincial regulations.

Regulation as a Trade Barrier

The most efficient regulations ensure the protection of human health and the environment, while supporting economic growth and a level playing field. Such an approach will help align regulatory requirements and timelines with priority markets across multiple jurisdictions. Inefficient regulations undermine competitiveness, stifle innovation and lead to unnecessary, job-killing regulatory burden.

The paint and coatings industry is one of the most highly regulated industries in Canada, subject to numerous acts and thousands of regulations such as, but not limited to, the Canadian Environmental Protection Act, the Canadian Consumer Products Safety Act, the Hazardous Products Act, the Transportation of Dangerous Good Act, and the Pest and Control Products Act. The United States has a similar suite of legislative and regulatory measures in place, but with different timelines and compliance requirements.

Regulatory compliance is at the core of CPCA's mandate and crucially important to its members who spend hundreds of millions of dollars annually on research and development to improve the safety, performance, and sustainability of their products and processes. These companies operating on both sides of the border are subject to two sets of regulations. Canadians and Americans breathe the same air, drink the same water, and consume each other's products and services. It is only logical that both countries take a similar approach to regulating the things we share. While much has been achieved on regulatory alignment, much more action is required to meet the econcomic sustainability needs of Canada's paint and coatings industry.

A comparative analysis of Canadian and U.S. regulatory frameworks for risk assessment of existing chemicals was completed in August 2015. It investigated similarities and differences in critical aspects of assessment such as: regulatory authority, timelines, priority setting, information gathering, science-based risk assessments, science policy, and public consultation. Opportunities for improved alignment and future collaboration were identified such as data gathering and sharing, and guidance documents for risk assessment using common terminology. Potential challenges to alignment were identified, including the ability to share confidential business information (CBI). Other challenges include the inability to assess certain chemicals that are regulated under other federal statutes or that fall outside the regulatory scope of the Canadian Environmental Protection Act, 1999 (CEPA 1999) or the Toxic Substances Control Act (TSCA). The inclusion of occupational risks within the scope of assessments under TSCA, but not under CEPA 1999, also pose challenges.

Negative Impacts for Paint and Coatings

CPCA has a proven track record in minimizing regulatory impact on the coatings industry. Decisions that are not aligned with other jurisdictions or result in negative decisions by governments with respect to chemicals in commerce and product stewardship lead to negative impacts for thousands of products such as:

- trade disruptions and difficulties in the management of stocks for North American trade
- elimination of products with high penetration in the Canadian marketplace
- reformulations required for products with substitutes that are not always available or cost-effective
- extensive testing, re-labelling and special precautions with respect to transportation of goods
- Canadian restrictions of use and/or misalignment with U.S. and international regulatory measures for substances
- creating a negative image for the industry leading to loss of Canadian sales and the reputation of established brands

Industry wants none of these negative impacts to become a reality in Canada. That is why the major paint and coatings companies operating in Canada, and many of their suppliers and distributors, have been longstanding members of CPCA.

About CPCA

Since 1913, the Canadian Paint and Coatings Association (CPCA) has represented Canada's major paint and coatings manufacturers, and their industry suppliers and distributors in three primary product categories: architectural paints, industrial products and automotive coatings. In Canada, CPCA members have more than 261 paint manufacturing establishments, own more than 3,000 retail outlets, supply products to another 5,000 retail stores and more than 7,500 auto body shops. This represents annual retail sales of more than $12.3 billion, employing directly and indirectly 86,300 employees.

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