

Brief on the Potential Free Trade Agreement Between
Canada and Mercosur
To Global Affairs
and the
House of Commons' Standing Committee on International Trade
Submitted by: Redline Communications
May 1, 2018

Redline designs and manufactures wireless technology for customers wishing to build private networks to support a variety of applications. Our markets consist of Natural Resources, Service Providers and Government Agencies. The technology is designed and developed in Markham Canada, manufactured in Mexico and distributed globally using our 3PL partner based in Mississauga. The technology is a software defined broadband radio that can operate a wide array of frequencies, from 470Mhz to 6Ghz. These features enable Redline to easily adapt to the country specific spectrum allocations granted by a telecommunication regulatory authority. The technology incorporates advanced security and as such we are subject to export control restrictions to many countries and are very diligent in securing the appropriate export documentation.

The nature of our customer engagements require us to have a local presence to work with potential and existing prospective customers. We often need to send experts from our head office to assist in these engagements so the easy flow of people is critically important to a company such as Redline.

Once a project has been initiated, products must be shipped from our 3PL into the country with the hope that prolonged delays are minimized. Often our ability to adhere to customer timelines is challenged by unpredictable customs clearance regulations. As a result we have typically avoided undertaking projects in countries where these challenges exist.

Once a project has been implemented, it is occasionally necessary to return a defective component for repair. In some cases, this simple process is mired in high cost with import and export duties being applied on the goods being returned, resulting in significant repair costs to the customer.

Our ability to conduct business in most countries globally is not limited by technology, but rather by barriers that impede our ability to conduct profitable business relationships with customers. Redline strongly supports the easing of trade between Canada and Mercosur by establishing a bi-lateral free trade agreement.

Amongst the Mercosul partner countries, Redline currently conducts a significant amount of business in Argentina, however we are limited to the oil and gas market only due to the excessive tariffs imposed on incoming goods. These tariffs currently make our solutions too expensive in other markets.

Although we see a significant opportunity in Brazil particularly in Mining and Transportation, it is difficult to enter this market due to the high tariffs imposed on software and technology. For a smaller company like Redline, the costs to support the local content requirements for electronic equipment creates an economic barrier for working in the country.

In addition to the import/export challenges noted above, Redline sometimes struggles with timely payment of customer invoices at the conclusion of a sales transaction, due to the various country-specific taxation rules. As an example, as part of the Canadian-Argentina Tax agreement, and to avoid double taxation, Argentina customers require Redline to provide an annual Certification of Residency. This includes receipt of a tax compliance letter from the Canada Revenue Agency that then requires authentication and legalization by the Argentina Embassy. Typical timing is 7-9 weeks and cost is approx. \$1K, providing no real value to either the Customer or Redline.

Recommendations Redline would like to see addressed as part of a free trade agreement with Mercosul:

- Elimination/reduction of tariffs on import of electronic & telecommunications equipment
- Elimination of local content requirements for telecommunications equipment which gives unfair advantages to local producers
- Recognition of Canadian Safety Standards eliminating repetitive homologation requirements
- Elimination of import/export tariffs and Simi process for goods being returned for repair
- Replace visa requirements with reciprocal electronic travel authorization
- Simplify type approval process for telecommunications equipment and eliminate need for a local applicant
- Streamline taxation requirements between Canada and the participating countries.

Redline Communications Group Inc. (TSX: RDL) is a Canadian company incorporated in 1999. Redline designs and manufacturers wireless communications products and solutions for markets such as Mining, Oil & Gas, Telecom Service Providers and Governments. Customers in these markets have very demanding requirements and rely heavily on their wireless network to deliver high performance and secure communications over extended periods of time. Redline's products and services create the communication foundation necessary to deliver enhanced applications and services for its customers. Redline's solutions enable reliable and mission-critical voice, data, video, Machine-to-Machine ("M2M") and IoT applications, anywhere where people and machines might be located, even in very remote or hard to reach areas.

As part of designing and delivering mission-critical networks, Redline provides support for its customers by providing Advanced Services for network design, planning, and project management. Redline has invested in its Advanced Services capabilities to ensure that the solution exceeds the expectations of our customers.