



CANADA

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Association of Home Appliance Manufacturers

2021 Federal Pre-Budget Consultation

Recommendation 1: That the Federal government develop a plan for a gradual restarting of non-COVID-19 regulatory activity so that cumulative regulatory burden is minimized so that the appliance industry and other stakeholders are able to respond adequately to consultations and that all regulations requiring reformulation of products have reasonable timeframes for compliance.

Recommendation 2: That stimulus efforts include a focus on empowering Canadians to replace appliances that are under abnormally high stress or are broken. Such a stimulus will help jumpstart the recovery and provide much-needed assistance to both retailers and consumers.

Recommendation 3: That the Federal government collaborate with the Provinces and Territories as well as internationally with the United States and Mexican government to have a unified approach to the designation and implementation of essential sectors. The designation of essential sectors and services must be aligned to avoid significant supply chain disruptions and ensure that Canadians continue to have access to appliances and necessary repair parts.

About Us

The Association of Home Appliance Manufacturers (AHAM) represents manufacturers of major, portable, floor care home appliances and suppliers to the industry. AHAM's membership includes over 150 companies throughout the world. In Canada, the economic impact of the appliance industry is close to 6 billion dollars annually.

Impact of COVID-19

The economic challenges posed by the pandemic are unprecedented in our country's history, as are the devastating impacts felt by Canadian businesses. Social distancing measures and lockdowns have closed businesses and put many Canadians out of work. The home appliance industry has been greatly impacted by the current crisis resulting in significant financial losses, employee layoffs and job loss. Major appliance shipments (refrigerators, ranges, dishwashers, clothes washers and dryers) declined by close to \$200 million in the months of April (decrease of 35.1 percent) and May (decrease of 21.2) compared to the previous year. Prior to April 2020, major appliance shipments were up 10.8 percent in value year-to-date, compared to the previous year. Although the provinces are at various stages of re-opening, the pandemic will continue to create major operational hurdles for businesses well into the future.

Recommendation 1:

Canada is a net importer of home appliances with the United States and Mexico being the predominant trading partners. Manufacturers design appliances for a single North American market. This larger market increases consumer choice, drives down costs and maximizes economies of scale. The Government of Canada has made a number of commitments that would require appliance manufacturers to reformulate their products numerous times over the next few years for the Canadian market only. These commitments will put Canada out of step with what is happening in the United States, Mexico, and in Europe. Canada needs to do a better job assessing industry and consumer impacts and economic costs of these commitments and communicating them to the public. Should these commitments be implemented Canadians may experience a significant reduction in products that are available.

Energy Star Mandatory

The Minister of Natural Resources mandate letter contains a commitment to “make Energy Star Certification Mandatory by 2022.” However, The ENERGY STAR brand is owned and trademarked by the United States Environmental Protection Agency and is a voluntary program that makes it easy for consumers to identify energy-efficient products. It is intended to highlight the top 25-30 percent – or best in class – of energy efficiency. This competition motivates manufacturers to find new innovations. Manufacturers in turn make significant investments to qualify for the program.

If the Government moves forward with this commitment, Canada will be an outlier in the North American marketplace. Regulatory alignment is critical to avoid unnecessary double testing, barriers to trade, and it maximizes consumer product choice. More importantly, Canadians will experience a significant reduction in products that are available on the market including entry-level models that are more likely to be purchased by low income Canadians. In fact, a staggering 41% of what is currently sold in Canada will no longer meet these requirements. More specifically, 71% of top-load washers and 50% of top-freezer refrigerators will be non-compliant and removed from the market. AHAM has been a strong advocate for advancements in energy efficiency standards - but making ENERGY STAR mandatory undercuts the very essence of the Appliance Standards program and will have negative consequences for Canadians.

In Canada, the Federal, Provincial and Territorial governments all have important roles to play in setting energy efficiency standards and this promise could lead to barriers to internal trade. Making ENERGY STAR levels mandatory is also in stark contrast to the Government’s approach to energy efficiency harmonization with the United States through the work of the Regulatory Cooperation Council. In 2018, the President of the Treasury Board noted that aligning energy efficiency standards was the best way forward because it could save Canadians about \$1.8 billion in energy costs by 2030. Rather than making ENERGY STAR Mandatory, the Federal government should look to expand the opportunities for regulatory cooperation.

Mandating Recycled Plastic Content

Canada adopted a target of at least 50% recycled content in plastic products by 2030. The appliance industry uses plastic in a wide range of engineered applications and must comply with specific product safety regulations. There is no single recycled content target that is applicable to all appliances and circumstances. Setting an arbitrary and capricious blanket target can compromise the product function and negatively impact the health and safety of Canadians who use these. Appliance manufacturers must adhere to technical and safety requirements when designing products, and recycled plastic resins often do not have the same physical properties as virgin plastic. Product safety must be considered paramount when setting specific standards to avoid issues such as electric shock, injury, risk of fire, potential flooding in the home, and/or contamination through food contact. Any regulations regarding packaging materials made of plastic should receive separate consideration from those for engineered plastic applications in appliances due to distinct technical and safety requirements for appliances, as well as their long operational lifespan. Finally, recycled plastic resins are not readily certified and available in the quantities that the industry needs to meet the proposed target.

Single Use Plastic Ban

Appliance packaging consists mostly of renewable materials such as corrugate, boxboard and paper laminates and fully recyclable plastics such as expanded polystyrene and plastic films. Plastic packaging may be used around the exterior of the appliance to protect, preserve, store and transport products. Expanded polystyrene may also be used around the edge of a large appliance to protect it during transport because it is lightweight, will withstand multiple impacts and will maintain its integrity in humid conditions. This polystyrene is necessary to protect worker safety when dealing with large appliances such as refrigerators, freezers, dishwashers, cooking ranges, washers and dryers. After being assembled, major appliances are often packaged and stored and moved and stacked three or four appliances high in very large warehouses or distribution centers. These facilities often have limited climate control and can experience extreme temperature and humidity changes and packages are often tested from (-29°C to 63°C). Low temperatures can cause packaging materials to become brittle while humidity and heat can affect the packaging's structural integrity and limit the effectiveness of adhesives or the strength of products that are made from fiber. Furthermore, these appliances are often moved around by clamp or forklift trucks and in order to be moved efficiently and the packaging must withstand the forces caused by these trucks. Other paper alternatives such as cardboard, molded pulp or honeycomb can only handle a single impact and loses its integrity in hot and humid environments.

Also critically important is protective films on stainless steel appliances to protect them from scratches during manufacturing and delivery. There are currently no viable alternatives available for this purpose.

Any potential bans on plastic packaging must consider if the packaging material is essential to the proper delivery or functioning of the consumer product and if there are any alternatives that will work in all climates and in all circumstances, such as a product being delivered to a home, to a brick & mortar retailer or through e-commerce.

Prohibiting Flame-Retardants

Environment and Climate Change Canada has confirmed that it intends to introduce regulations prohibiting the manufacture, use, sale, and import of two flame-retardants - DP and DBDPE - and all products containing these chemicals as early as summer 2022. This determination has occurred before an overwhelming majority of the 152 signatory nations to the Stockholm Convention have completed their assessments and made any final determination regarding the prohibitions of use. Canada's position is in advance of other Stockholm Convention parties and certainly in advance of its largest trading partners the U.S. and Mexico. ECCC has not released details of their assessment of the economic impacts of this regulatory change, nor how it has considered transition periods, or tried to align Canadian actions with international peers.

It is important for manufacturers that restrictions to the use of chemicals in manufactured products are coordinated across the North American market. It is particularly important that markets like Canada align regulation changes with the United States and Mexico as well as the European Union. An abrupt prohibition on the use, sale and import of all products containing DP or DBDPE could cause serious disruptions for the Canadian industry and will impact consumer choice. Manufacturers will require appropriate lead times to identify appropriate substitutes, secure alternate supplies, modify designs, and secure certifications as necessary. ECCC should coordinate any actions regarding these flame-retardants with the U.S. EPA, Mexico's CICOPAFEST, and the European Chemicals Agency.

Recommendation 2:

At a time when Canadians are working from home, self-isolating, or in quarantine, home appliances are essential to helping families live in clean and sanitary environments, preserve food and medicine, and help to prepare meals. Public Safety Canada's Guidance on Essential Services and Functions in Canada during the COVID-19 Pandemic has recognized the essential role appliances are playing in the lives of consumers.

There has been no other time in modern history that we have relied more upon our home appliances to provide comfort, cleanliness and care. As shopping options are on hold, paychecks shrink or disappear, the need for appliances, both large and small, only increases. Therefore, stimulus efforts should include a focus on empowering Canadians to replace appliances that are under abnormally high stress or are broken. Such a stimulus will help jumpstart the recovery and provide much-needed assistance both to retailers and to consumers.

The home appliance industry is critical to the Canadian economy. An economic stimulus will maintain the appliance industry's ability to continue operating, helping to assure that appliance companies will be there for their employees and communities as the economy recovers.

Recommendation 3:

The Federal government has recognized the critical role appliances play in the lives of consumers during COVID-19 by including appliances in the Federal Guidance on Essential Services and Functions in Canada during the COVID-19 Pandemic. Across Canada, AHAM observed inconsistent provincial application of Public Safety Canada's designation of appliance workers as essential. AHAM member companies found it difficult to navigate through the provincial bureaucracies and interpretations of essential. Therefore, it is critical that provincial governments reference Public Safety Canada's Guidance on Essential Services and Functions in all future emergency orders specifically to allow appliance manufacturing, wholesale distribution, retail, and repair to continue across all jurisdictions.

Although the Mexican federal directive also recognizes the need for food, cleaning products and basic sanitation, factories were forced to close for inconsistent reasons. Manufacturers design appliances for a single North American market with a significant amount of necessary appliance parts and components coming from Mexico. Canada, Mexico and the United States have recognized that certain home appliances are essential, but Mexico's implementation of this has been inconsistent leading to significant disruptions in the supply chain that affect everyone in North America. This has led to a drastic reduction in availability of products and critical repair parts available in the Canadian marketplace.