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Report Shows Canadian Land Border Duty Free Stores Unable to Compete with U.S. Due to Unnecessary Red Tape

OTTAWA, February 13, 2025 – Today, on Parliament Hill, representatives from the Frontier Duty Free Association (FDFA) released a report showing that Canadian land border duty free stores are unable to compete with U.S. retailers due to unnecessary red tape, unfair regulations, and misapplied policies. The association is calling for urgent government action to level the playing field, remove the regulatory burdens, and safeguard the survival of these vital businesses. Immediate steps can be taken to support the industry and ensure its competitiveness.

"The Canadian land border duty free industry plays a pivotal role in supporting border communities, promoting Canadian-made goods, and contributing to Canada's economy," said Tania Lee, President of the Frontier Duty Free Association. "However, our businesses are at a distinct disadvantage due to domestic policies that are not similarly applied to U.S. duty free stores and U.S. retailers. By taking immediate action to eliminate red tape and adjust regulations, our businesses could compete with and thrive like our American counterparts."

Key Challenges

- **Misapplication of Domestic Policies:** Unlike U.S. competitors, Canadian land border duty free stores are burdened with red tape and policies intended for domestic markets, which make us less competitive than U.S. counterparts.
- **Pandemic Recovery and Border Restrictions:** The 20-month closure of the Canada-U.S. border during the pandemic devastated the duty free sector, with sales plummeting by 95%. While the border has reopened, reduced cross-border travel continues to hamper business, and the burden of misapplied domestic regulations further hinders recovery.
- **Reduction in Cross-Border Travel Due to Tariff Threats:** The looming threat of U.S. tariffs is already contributing to a decline in cross-border travel, further exacerbating the challenges faced by Canadian land border duty free stores.

Canadian land border duty free stores are key drivers of local economies, especially in rural and border communities. These uniquely Canadian businesses not only provide jobs and support local businesses, but also offer the last opportunity to keep money within Canada that would otherwise be spent in the U.S. By promoting Canadian-made products like maple syrup, craft beer, and other distinctive Canadian goods, they play a critical role in the economy.

"We're asking for our highly-regulated businesses to be put in a position to compete with our only competitor –U.S. retailers," said Barbara Barrett, FDFA Executive Director. "Level the playing field by cutting the red tape. The government can take immediate, revenue-neutral steps to help us compete, especially as we continue recovering from the unprecedented border closure and current declines in cross-border travel."

The FDFA is calling for a number of key actions to make Canadian stores competitive:

1. **Reaffirm the Export Status of Canadian Land Border Duty Free Stores:** Canadian land border duty free stores are defined and regulated as export businesses under the Customs Act and CBSA D-memos. To ensure clarity and consistency, a clear directive across federal ministries is required

to uphold the export status of these businesses and to prevent the misapplication of domestic policies upon this industry

2. **Cut Red Tape:** Streamlining the regulatory environment and eliminating unnecessary compliance costs will help Canadian businesses operate more competitively, aligning them with the favourable conditions enjoyed by U.S. retailers.
3. **Fair Taxation Policies:** The government must adjust tax policies to reflect the export status of Canadian land border duty free stores. Reducing or eliminating excise taxes will help these businesses remain competitive and retain valuable economic activity in Canada.
4. **Align Policy with Economic Growth Opportunities:** Fostering a competitive duty free sector should be an integral part of Canada's broader economic strategy. Aligning federal policies, such as those from **Destination Canada**, with the growth opportunities in border communities will ensure that these regions can capitalize on cross-border tourism and trade.

Canadian land border duty free stores are integral to the health of Canada's economy, particularly in rural and border regions, and play a key role in the tourism industry. The current government has an opportunity to make quick, revenue-neutral changes that could save this vital industry. By eliminating red tape, reaffirming their export status, these uniquely Canadian businesses can be positioned to recover and thrive. The FDFA urges the government to take swift, decisive action to level the playing field and ensure that these businesses can compete with U.S. counterparts and continue to contribute to Canada's economic prosperity.

For a detailed analysis of these challenges and proposed solutions, read the full FDFA Competitiveness Report here: [FDFA Competitiveness Report](#).

Watch the full press conference [here](#).

-30-

The FDFA is the national association representing Canada's 32 land border duty free shops. Our mandate is to promote the development and success of the land border duty free sector by acting as a voice, advocate, and business resource for members.

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