



# Tariff Implications and Budget Timelines

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# Overview of US-Canada Tariffs

2025

months

## february

					01	02
03	04	05	06	07	08	09
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

FEBRUARY 1, 2025

The United States declared tariffs on Canadian goods (25% general, 10% on energy) under Executive Order: Imposing Duties to Address the Flow of Illicit Drugs Across Our Northern Border

FEBRUARY 10-11, 2025

The United States disclosed plans to reinstate tariffs on steel and aluminum imports, setting the rate at 25% for both, with enforcement commencing on March 12, 2025

## march

					01	02
03	04	05	06	07	08	09
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

MARCH 4, 2025

The newly announced U.S. tariffs on Canadian goods took effect. Canada enacted the first phase of reciprocal tariffs and announced intentions for a subsequent phase following a 21-day consultation

MARCH 12, 2025

Reintroduced U.S tariffs focusing on steel and aluminum

MARCH 13, 2025

Expanded scope of phase one 25% reciprocal tariffs enacted by the government of Canada

## april

	01	02	03	04	05	06
07	08	09	10	11	12	13

APRIL 2, 2025

Anticipated date for the U.S to initiate reciprocal duties affecting its trade partners, end of consultation of Canada's phase two reciprocal tariffs



# Tariff Concerns, Risks and Challenges

## Tariff Concerns

- Evolving political dynamics between Canada and the US
- Concerns about proposed retaliatory tariffs
- The reciprocal tariffs dated March 4th and 13th, target import codes related to firearms, ammunition, and Taser CEWs



## Police Exemptions:

- Tariffs without exemptions could impact public safety and place financial burdens on the Board
- Provincial policies specify certain models of firearms and CEWs, complicating substitutions due to specific training and regulatory requirements



## Challenges

- Training for new equipment could remove officers from active duty, causing operational challenges
- Alternative manufacturers or equipment to undergo health and safety approval processes



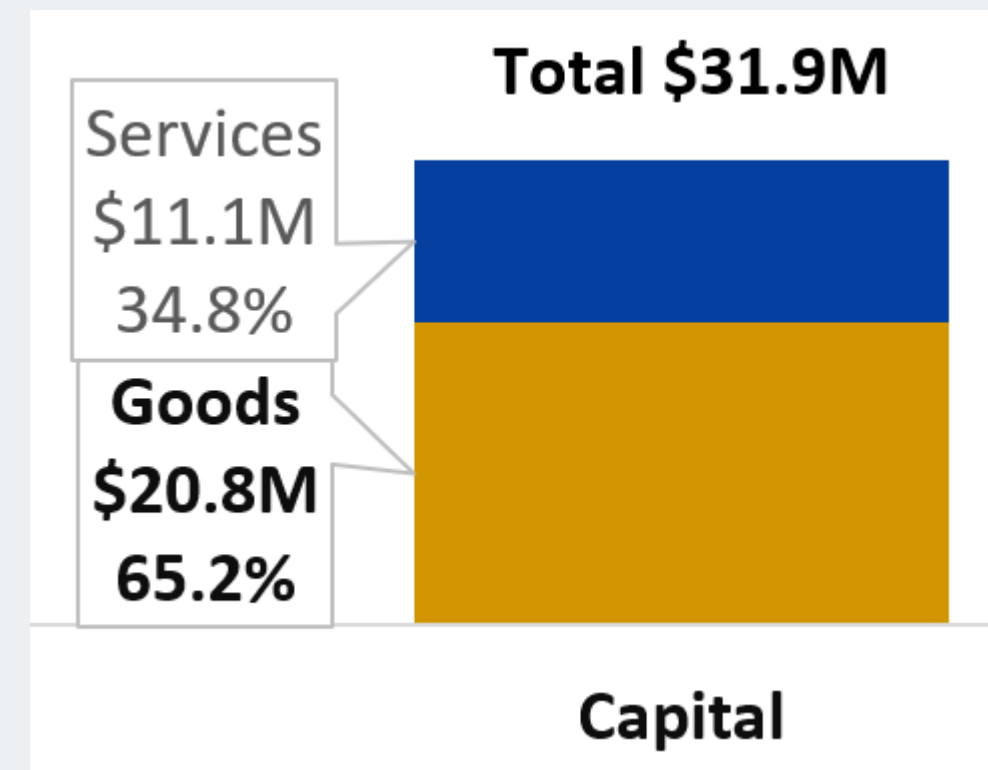
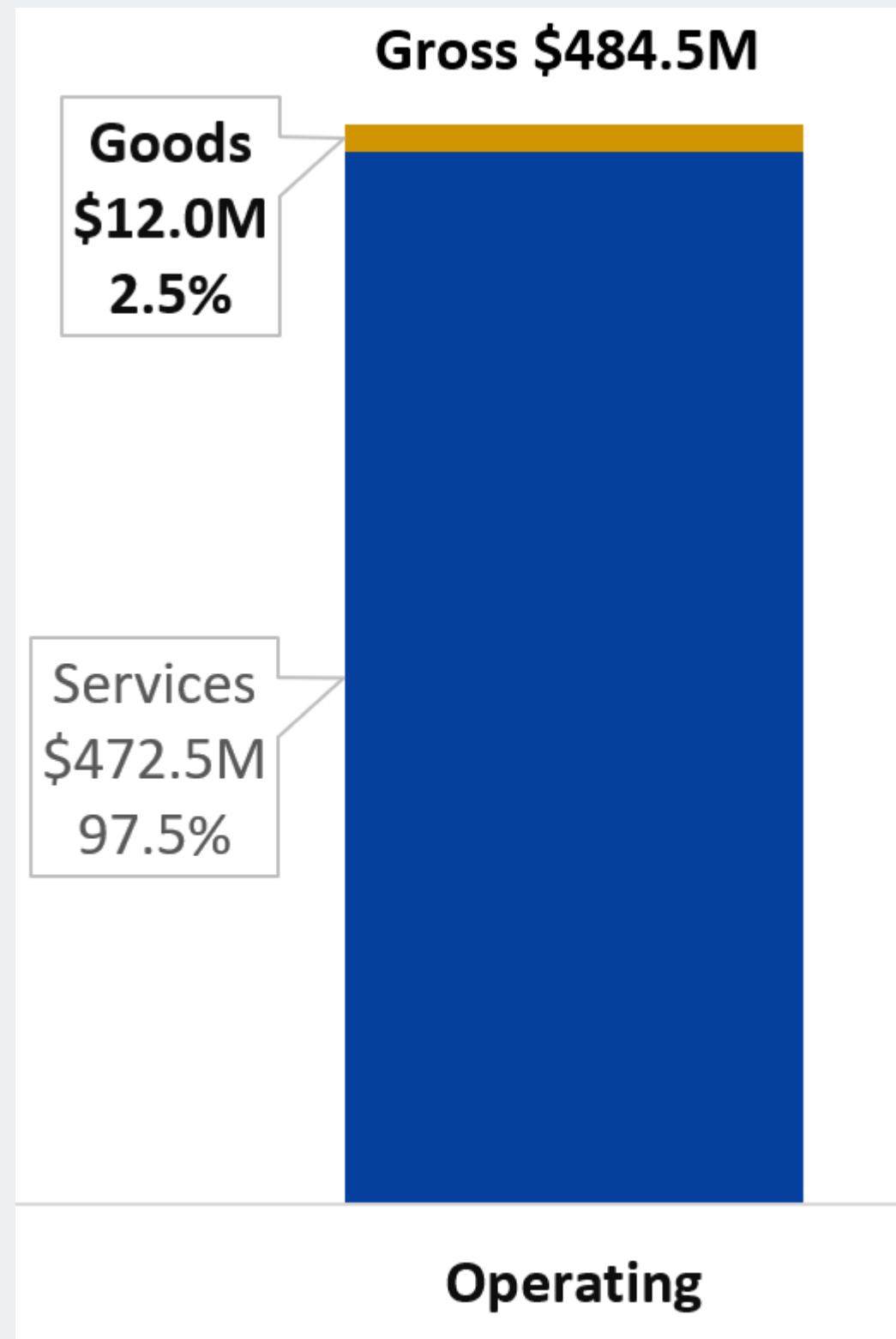
## Risks

- Financial strain or operational risk if using outdated equipment to avoid tariffs
- Pressure on YRP to absorb a 25% tariff with potential impacts on device lifecycle and safety





# 2025 Budget for Goods Totals \$32.8M





# Canada's Reciprocal Tariff Response

## PHASE ONE

**25% tariffs effective March 4th and 13th**

Ammunition

Firearms and Conductive Energy Devices

Vehicle tires, motor vehicle parts and accessories, front & rear windows

Uniforms, multiple components

Remote Piloted Aircraft

Telephone sets, cell phones, surveillance cameras

Motorcycles

Envelopes, notebooks, letter pads, binders, staples

Printers

Cleaning products

**TARIFF COSTS** (without intervention):

**\$0.37M to \$0.65M**

## PHASE TWO

**Consultation period until April 2nd**

Vehicles

Vehicle parts

**TARIFF COSTS** (without intervention):

**>\$2.22 Million**



# Opportunity to Diversify the Supply Chain

01

## Foster Canadian, Asian and European Suppliers

- Investigate local manufacturers and distributors to identify potential partnership opportunities
- Identify country of origin and to facilitate logistics solutions where appropriate

02

## Compliance with the Canadian European Trade Agreement

- Continue to partner with York Region Legal on trade treaty compliance and strategies to pivot to alternate suppliers

03

## Explore Diversification in Products

- Broaden the product categories sourced from Canadian, Asian and European vendors, looking beyond traditional suppliers

04

## Develop Strategic Partnerships

- Form partnerships with local businesses and industry groups and government initiatives to bolster the domestic supply chain

05

## Increase Flexibility and Adaptability

- Design supply chain strategies that can quickly adapt to changes in supplier availability
- Inventory management practices should focus on maintaining a buffer stock sourced domestically



# Bank of Canada Forecasts



## PASS-THROUGH TO PRICES

- Gradual increase over time
- Initially absorbed by business margins, reduced profit



## ECONOMIC IMPACTS

- Exports to the US decline, reducing GDP growth
- Overall trade balance worsens; depreciation of the dollar
- Business investment declines



## INFLATION DYNAMICS

- Price increases, driven by tariffs, pass-through to inflation
- CPI inflation rises, influenced by higher import costs from the US and currency depreciation



## BUSINESS & CONSUMER IMPACT

- Higher production and consumable costs
- Substitution effects as consumers and businesses opt for non-tariffed goods



## BENCHMARK CALIBRATION

- Assumptions of typical historical reactions to price changes
- Tariff costs passed through consumer prices over three years

## IMPLICATIONS

Tariffs could result in long-term reductions in Canadian productivity, leading to a permanent dip in Gross Domestic Product

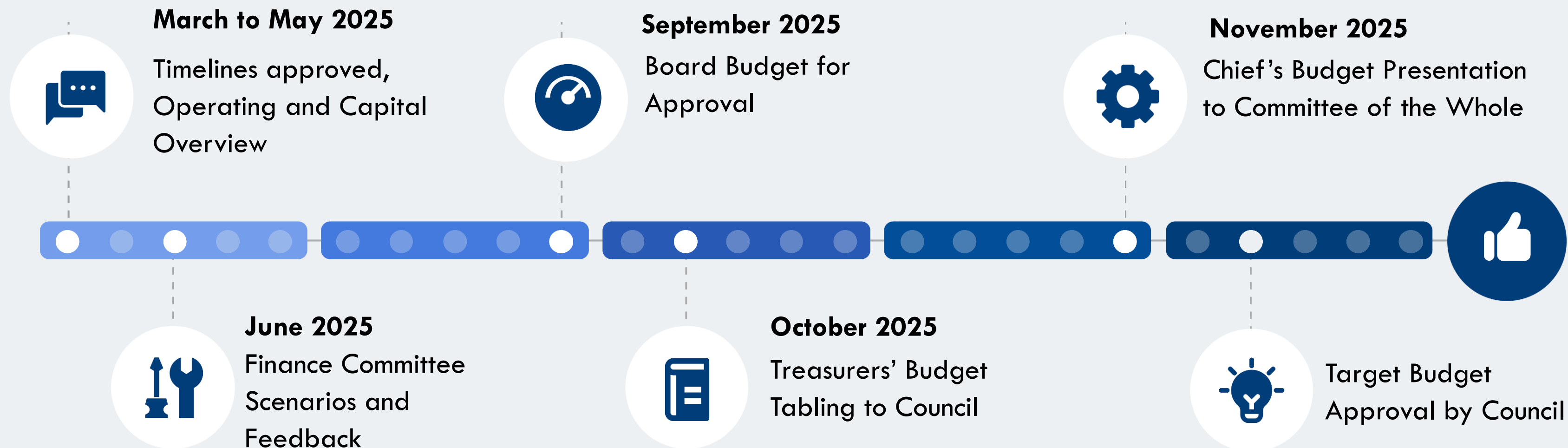
Exchange rates, inflation expectations, and consumer purchasing power can be substantially affected, depending on the specific dynamics of tariff implementation

The broader implications of this scenario involve potential disruptions in international trade structures and economic adjustments through changes in policy responses and consumer behaviors





# Timelines and 2026 Budget Direction



## Committee of the Whole on March 6, 2025:

Recommendation #3 Staff be directed to also prepare a recession contingency Budget for 2026 benchmarked against the levies set in 2021 and 2022



# Thank you



# Questions?