



Message from the Canadian Construction Association re: How to mitigate risk caused by tariffs

On July 1, Canada implemented tariffs on a list of steel and aluminum products in response to a unilateral decision by the U.S. to impose its own tariffs under section 232 of the Trade Act of 1962. As we said in our [press release](#), trade wars have negative effects on both sides of the border, and we understood that the Canadian government had to take prompt and decisive action to defend our industry and its workers.

The Canadian Construction Association (CCA) has long advocated for reciprocity and the establishment and maintenance of a free-flowing international system of trade, both in terms of goods as well as services. CCA supports international free trade agreements, including provisions respecting government procurement.

This situation has created a lot of uncertainty for our members - in terms of accurately pricing their projects and estimating timelines with concerns around shortages of material.

On August 13, the Government of Canada, in response to concerns from Canadian steel producers, initiated a short 15-day consultation period to get the industry's reaction to potential new tariffs, quotas or combination of both on the import of steel into Canada.

This new development further creates uncertainty and risk for the industry across the country and would fundamentally alter supply chains if implemented. CCA will prepare a submission to the government. In the meantime, please share with your members how they can mitigate some of these risks.

Recommendations

For signed contracts:

- Review your contract to determine if there are provisions that provide for price adjustment due to changes in taxes and customs duties, e.g. Conditions 10.1 of CCDC 2 'Stipulated Price Contract' and CCA 1 'Stipulated Price Subcontract' ("Duty Provisions").
- If your contract does not include such duty provisions, you may be liable for covering the increased cost. CCA urges all owners to be fair to contractors caught in this situation and give sympathetic consideration to requests for price adjustment where the contractor has been hit with cost increases that could not be reasonably foreseen.

For new contracts:

- If the contract of a potential project does not have duty provisions, particularly if you are aware of proposed new or increased taxes and customs duties that are to be implemented, you should formally raise this to the owner and encourage the owner to include such duty provisions or address that in the bid documents.

Other considerations

- You may want to use the general argument that you cannot anticipate new or increased taxes and customs duties and therefore the increase in cost is recoverable. This may be difficult without duty provisions as the general rule is that the contractor bears the risk of loss in a situation like this.
- If a change, delay, or suspension in the work of an ongoing project causes delays in the purchase of materials that have escalated in price, then, in some circumstances, the contractor may be entitled to recover the increased cost.

CCA is proud to be supported by its 20,000 members and will continue to defend the industry's best interests. In the meantime, if you have any questions about the steel and aluminum tariffs, please contact our vice-president of public affairs Rodrigue Gilbert at 613-808-7435 or rgilbert@cca-acc.com.

Regards,



Mary Van Buren, MBA, CAE

President

[Canadian Construction Association](#)