



Canadian Institute of Plumbing & Heating  
L'Institut canadien de plomberie et de chauffage  
A National Voice with Regional Roots | Une histoire régionale, une voix

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**SUBJECT: NAFTA Negotiations**

**Introduction to the Canadian Institute of Plumbing & Heating (CIPH)**

The Canadian Institute of Plumbing & Heating (CIPH) is pleased to submit formal comments regarding the modernization of NAFTA in response to Global Affairs Canada's Consultations on the renegotiation and modernization of the North American Free Trade Agreement where the Government of Canada is seeking the views of Canadians on the scope of the renegotiation and modernization of the existing North American Free Trade Agreement (NAFTA) with the United States and Mexico.

CIPH is the industry association representing manufacturers, master distributors, wholesale distribution, and agents of plumbing, heating, hydronics, and water works equipment. With more than 260 members in Canada, CIPH member companies produce and distribute more than 90 percent of the plumbing and HVACR equipment made in Canada. As such they are major importers and manufacturers within the built environment sector.

As a North American-based trade association, CIPH and its members have a particular interest in U.S.-Mexico-Canada economic relations, and have in place various relationships in both countries. A number of our members have manufacturing facilities in more than one of the three countries.

CIPH's comments are divided into two parts. The first part provides an overview of the considerable involvement of CIPH and its members with Canada, the US and Mexico, organizationally, and in terms of trade significance. The second part identifies and supports CIPH's activities and recommendations for its priorities to improve and modernize NAFTA. These priorities are summarized as follows:

1. Recognize that the plumbing and heating industry has for 20+ years operated, based future business plans, and invested billions of dollars to efficiently execute its business within the context of the existing agreement. Changes to the agreement should aim to improve and make more efficient, not disrupt, the agreement's operation;
2. Eliminate those non-tariff barriers to trade inadvertently permitted by NAFTA, and concurrently work with Mexico and Canada to implement positive downstream effects of amending NAFTA, especially regarding the referencing of consensus-based technical standards and conformity assessment practices for the plumbing and heating industry in national laws, codes, policies and regulations.



## **Relations with the US, Canada and Mexico**

Regulatory alignment and harmonization should remain an objective of the NAFTA revision.

CIPH and its members have a close history of cooperation with its counterparts: Plumbing Manufacture's International (PMI), The Heating, Refrigeration, and Air Conditioning Institute of Canada (HRAI) and the American Air Conditioning Heating and Refrigeration Institute (AHRI). This cooperation means cross-border collaboration on national, state/provincial, and local laws and regulations affecting the plumbing and heating industry to eliminate any trade barriers.

Our organizations collectively encourage cooperation among the federal Canadian regulators, such as Natural Resources Canada (NRCan), and the U.S. federal regulator, the U.S. DOE, especially regarding the harmonization of equipment minimum energy performance standards (MEPS) for regulated HVACR and water heater equipment. The U.S. EPA and Health Canada have worked with industry on low lead approaches, standards and regulatory approaches for plumbing.

Aligning technical standards, CIPH and PMI have led the efforts to binationally harmonize standards for the industry with the development of the UL/ULC S1201- Sensor Operated Backwater Valves standard. This was a direct result of CIPH's white paper exploring the economic impact of fragmented standards development and compliance costs between the US and Canada.

Recently we have begun the work of harmonizing standards with the regulators in Mexico via Asociación Nacional de Normalización y Certificación (ANCE).

Standards harmonization is often the precursor for code and policy alignment . CIPH advocates harmonization of the standards used to accredit and certify plumbing and heating products, which lays the foundation for regulatory harmony in many other important ways, as noted in CIPH's recommendations.

### **CIPH's Top Three Recommendations**

#### **Recommendation # 1: Revise NAFTA without Commercial Disruption**

Revise and modernize NAFTA to reflect advancements in technology since 1994 and more importantly in a way that does not disrupt the current trade infrastructure of plumbing and heating manufacturers and suppliers.

Since 1994, the U.S. plumbing and heating manufacturers and their attendant supply chains and channels, adjusting to NAFTA, have built a manufacturing, supply chain, and distribution infrastructure to meet NAFTA's requirements and opportunities. This effort, costing billions of dollars, ensures the consistent, reliable and steady flow of our members' products among the Parties' consumers. This existing system, reflects the requirements of NAFTA, and is a logical, cost-effective basis for our members' future business planning in North America. The continued growth of the plumbing and heating industry in North America for CIPH members assumes an improved and modernized NAFTA environment, and an environment where needed changes to NAFTA will be feathered into a time frame allowing industry adjustments and no disruption of commerce during these uncertain economic times.



## **Recommendation # 2: Better Facilitate Harmonization of Product and Performance Standards by Properly Defining an “International Standard”**

The designation of the proper technical standard for testing the efficiency of plumbing and heating equipment is an important issue, and is not currently being adequately addressed in NAFTA, because the treaty inadvertently and incorrectly creates the impression that only certain, European based standards bodies write “international standards.”

It is clear the intent of the agreement was not to designate only those international standards bodies listed as the only sources of international standards. What were listed were obvious at the time, but exhaustive or flexible enough to manage the emergences of more flexible and international/global standards development organizations.

## **Recommendation #3: Align Conformity Assessment Procedures**

Directly relating to CIPH’s second recommendation above, the establishment of “compatibility and equivalence” of technical standards for testing the efficiency of plumbing and heating equipment is the foundation for alignment of conformity assessment procedures. Although Canada and the U.S. have had success in aligning conformity assessment procedures in the plumbing industry, CIPH believes that Mexico has largely maintained a parallel conformity assessment system since the inception of NAFTA, which has led to a technical barrier to trade for Canadian and U.S. companies. CIPH urges the Parties to redouble their efforts to align conformity assessment procedures to prevent such barriers to trade, which have caused small and medium companies (including CIPH members) to exit the Mexican market.

The barriers in question largely stem from duplicative conformity assessment procedures (i.e., testing and certification), which raise the costs of compliance for equipment manufacturers. These costs include those related to equipment testing, the shipping of samples, inventory costs, administrative costs, and certification costs under the parallel and duplicative regime. These costs are first borne by the manufacturer of equipment, and eventually by consumers of the Parties.

As mentioned above, the path to alignment of conformity assessment procedures begins with harmonization of technical standards for testing the efficiency of plumbing and heating equipment. Mexico has created several NOMs for the rating of energy efficiency performance, some of which are based on US/Canadian standards. But even in these cases where a specific NOM is based on an US/Canadian standard, Mexican law dictates that equipment must be tested using the NOM, and a duplicative product performance test is performed, when in fact it is a redundant test, since equipment has already been tested before entering Mexico.

Therefore, we believe that the following should guide the alignment of conformity assessment procedures:

- Harmonization of product and testing standards.
- Mutual recognition of conformity assessment and test reports.
- Equal treatment of conformity assessment bodies from any of the three Parties.
- Equal treatment of standards development organizations from any of the three Parties.



This will facilitate safety and performance tests to be performed in one accredited laboratory, located in and recognized by any of the three countries. This should be a focal point of reform for NAFTA. Currently, the requirements to finalize a Mutual Recognition Agreements (MRAs) between Mexico and the U.S./Canada are onerous. CIPH urges the parties to develop a more streamlined approach to MRAs, similar to the SCC's approach to American SDOs and conformity assessment bodies.

The above tenets should not be subsidiary to current national laws governing standards or intent, notwithstanding those measures in pursuit of legitimate health, safety, and environmental goals. Any such conflicts of purpose and intent should be amended in the respective laws of the Parties to enhance and encourage trade in the region.

**Recommendation #4: Modernize the rules of origin to reflect the more complex supply chains today.**

The original rules of origin set out in the NAFTA was designed for trading relationships as they were understood in the 1990's. Globalization has made this model out of date and is far more complex today. Product descriptions of goods traded over 3 decades ago are no longer adequate for today's complex manufacturing webs of components, assemblies and parts that did not exist at the time the NAFTA was negotiated. Working with out-of-date business understanding and rules of origin has implications for business in how their products are classified, but also on how regional content is calculated. This impacts purchasing and assembly decisions and ultimately, manufacturing productivity in the integrated North American and global supply chains.

Adding clarity to the NAFTA rules of origin will provide greater certainty to Canadian manufacturers and exporters, providing more accurate product descriptions and clearer methods to calculate Canadian content. This should be done in a manner and with the intention of minimizing the commercial disruption.

Given our industry's integration of company supply chains across the borders of the Parties, modernization of the origin rules, the benefits of alignment of standards development and conformity assessment procedures will include greater product choice, lower costs, more effective competition, lower enforcement cost for governments, and less counterfeit products, all of which strengthen the North American plumbing and heating industry. The industry is one of the cornerstones of our built environment and infrastructure development regimes in Canada, the United States and Mexico.

CIPH appreciates the opportunity to provide its members' views on this important endeavor.

Yours sincerely,  
*Canadian Institute of Plumbing & Heating*

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