

CHAPTER 5

BICYCLES AND BICYCLE COMPONENTS

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INTRODUCTION

Trade liberalisation as a result of NAFTA allows each of the three countries preferential access to each others' sporting goods market. NAFTA's tariff provisions give each member country price advantages over non-NAFTA products, especially in the Mexican market.

The Canadian market for sporting and recreational equipment is a large market, heavily dependent on trade. Imports make up 58 % of the market. Bicycle equipment manufacturers are competitive, although somewhat vulnerable to manufacturing operations in low-wage countries, due to cost disadvantages. Imports are predicted to grow at an average annual real rate of 7-9 % over the next few years as Canada recovers from the recession and bicycling continues to be a popular recreational activity in Canada. Imports of bicycle parts should grow in the next few years as a result of the anticipated higher levels of production of Canadian bicycles. As with the consumer product sector generally, sales of sporting goods are extremely sensitive to changes in economic conditions, interest rates, personal disposable incomes, exchange rates, and lifestyles.

Mexican bicycle production is significant and dominates the domestic market, producing well known brands. Mexican production is not expected to keep pace with the growing domestic demand for outdoor and recreational products. Despite Mexico's abundance of labour at relatively low wages, production is hindered by low productivity, shortages of up-to-date technology and a concentration on less complex goods. This may change as the labour force becomes more skilled, marketing techniques become more sophisticated and foreign investment in Mexico increases. The Mexican market for sports and recreational equipment is expected to grow as sports and fitness programs continue to be popular in Mexico.

In the United States, foreign producers make up about half of the domestic bicycle market. This market is growing, based, as with consumer durables, on a positive outlook for the domestic economy. Bicycling is the third most popular sporting activity in the country.

Since many bicycle components are no longer made in the United States, domestic producers must import parts to maintain or increase production. Imports of parts, which generally have reflected the growth of domestic production, have grown. Imports of bicycles and parts will increase by almost 5 % as foreign manufacturers continue exporting more competitively priced mountain bikes to the United States.

CANADA

Tariffs (%)

<u>Items:</u>	<u>MFN</u>	<u>GPT</u>	<u>US/Mexico</u>
Bicycles	13.2	8.5	4.3-6.8
Bicycle parts	9.5	6.5	3-3.9

Standards

There are presently no mandatory requirements for the manufacture of bicycles or bicycle parts. Please verify with the Standards Council of Canada, found under Section III of this guide, for the most current information in this regard.

Labelling

Instructions accompanying bicycles and bicycle parts sold in Canada must comply with Canadian packaging and labelling requirements as prescribed by Industry Canada, under the Consumer Packaging and Labelling Act and Regulations for pre-packaged non-food consumer products.

There are three mandatory statements which must appear on the label:

- product identity
 - the product's name;
- product net quantity
 - expressed in metric units in volume, weight or numerical count, according to the type of product;
- dealer's name and principal place of business
 - identity and principal place of business of the person for whom the pre-packaged product was manufactured or produced for resale
 - when imported, substitutes to the requirement include (a) name and address of a Canadian dealer preceded by the words "imported by"; (b) the statement of origin located immediately adjacent to the name and address of a Canadian dealer; or (c) the name and address of the dealer outside Canada.

All mandatory label information must be shown in English and French, except the manufacturer's name and address which can appear in either language. Other supplemental, non-mandatory label information does not have to be bilingual, but manufacturers are encouraged to include this in a bilingual format, if possible. However, the province of Quebec has additional requirements concerning the use of the French language on all products marketed within its jurisdiction. Information on French requirements may be obtained from the Office de la Langue Francaise, found in Section III of this guide.

All non-mandatory label information on a pre-packaged product must not be false or misleading to the consumer; it must conform with any label claims made which may relate to type, quality, performance, function, origin, or method of manufacture, for example.

Replacement parts for bicycles are exempt from these requirements, if they are not displayed to the consumer.

Packaging

According to the Consumer Packaging and Labelling Act and Regulations, all packages must be manufactured, constructed, or displayed in such a manner that a consumer may not reasonably be misled with respect to the quality or quantity of the product it contains. Labels on pre-packaged products must show:

- the identity and principal place of business of the person by or for whom the pre-packaged product was manufactured or produced for resale;
- the identity of the pre-packaged product in terms of its common or generic name or in terms of its function;
- such information respecting the nature, quality, age, size, material content, composition, geographic origin, performance, use or method of manufacture or production of the pre-packaged product as may be prescribed.

Questions on the Act may be directed to the Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

Production and shipments of sporting goods in Canada are divided according to seasonal sporting activities for which the products are produced, in this case, summer. Most parts imports are destined for final assembly into products manufactured in Canada, thus, bicycle manufacturers in Canada may be prospective customers. Suppliers of bicycles and

bicycle parts may use several approaches to enter the Canadian market, including selling through manufacturers, distributors, or direct sales to retailers.

The latest available data suggests that the import market for bicycles into Canada is US \$85 million.

Canadian market demand for bicycles should remain good for the next few years as bicycling continues to be a highly popular recreational activity in Canada. Best prospects for sales are in specialised mountain/hybrid bicycles which currently represent 70 % of the bicycle market. The growing concern among Canadians for product safety and performance standards means that suppliers should emphasise these features in their advertising and marketing strategies.

Documentation

Goods imported into Canada have mandatory documentation requirements. These are:

- Form B3, Canada Customs Coding (two copies required for an automated Customs office, three if not). It is important to fill in this form properly, especially since it is here where the importer shows the tariff treatment for the goods;
- cargo control document - manifest, waybill or other approved document that must be obtained from carrier or forwarder (two copies);
- commercial invoice, indicating the buyer and seller of the goods, price paid or payable, adequate description, including quantity, of goods contained in the shipment, together with a Canada Customs invoice containing the remaining required data (two copies), or a fully completed Canada Customs invoice, or an invoice containing all data listed by Customs.

Revenue Canada requires that bicycles imported into Canada be clearly labelled as to their country of origin, in English or French; this must be clearly located on the product. If the consumer will ultimately buy the good in a container, then it is acceptable that the container only be marked. Canadian importers are responsible for ensuring that the goods they are importing comply with the marking requirements at the time they import the goods.

Trade Associations

Canadian Sporting Goods Association
Montreal, Quebec Tel. (514) 393-1132
Fax (514) 393-9513

Velo Quebec
Montreal, Quebec Tel: (514) 847-8356
Fax: (514) 847-0242

Trade Fairs

Canadian Sporting Goods Association
Annual Fall Market, Toronto
August

Canadian Sporting Goods Association
International Convention and Exhibition
Montreal
February

MEXICO

Tariffs (%)

<u>Items:</u>	<u>General</u>	<u>US/Canada</u>
Bicycles	20	A/C
Bicycle components	15	A

A - duties fully eliminated on January 1, 1994

C - duties removed in ten equal stages of 10% annually to full elimination by 2003

Standards

Only tricycles are subject to Mexican standards certification requirements. Companies wishing to export these types of products must obtain a standards certificate from SECOFI prior to exporting the products. The exporter is strongly urged to contact the Direccion General de Normas at SECOFI, the relevant Mexican sector association, or a knowledgeable Mexican importer, about the most current standards applicable to his product.

Labelling

According to Mexico's Ley de Proteccion al Consumidor (consumer protection law), all information contained on a consumer product or its labels, containers and packages must be in Spanish. These labelling requirements will be enforced at the border, meaning that compliance is effectively the responsibility of the exporter; full original Spanish labelling is to be affixed at the point of origin.

Labels must contain specific information such as:

- name of the product or good (including a product description, if not described in the name of the product or good);
- name or trade name and address of the importer and exporter (this information may be displayed on a separate label and may be added after importation);
- country of origin of the product;
- net contents in accordance with Official Mexican Standard NOM 030-SCFI-1993;
- warnings or precautions in the case of dangerous products; and

- instructions for use, handling, and assembly of the product (instructions may be on the label or in a separate booklet, and there must be a notice advising the consumer to read the instructions; instructions for use and assembly must be in Spanish).

Warranties have to be in accordance with the above consumer protection law, specifying the location of service centres in Mexico. During the term of warranties, manufacturers or importers are required to replace “any damaged piece or component” free of charge. Instructions, manuals and warranties must be “incorporated to the product” before sale, but they will not be required for customs clearance.

The labels must be legible. The label will normally be affixed to each individual package offered for sale to consumers.

Packaging

There are no official packaging requirements for imported products to Mexico. Please check with your Mexican broker or importer for developments in this area.

Marketing and Distribution

With sports and fitness programs continuing to be popular in Mexico, its market for outdoor and recreational equipment should provide importers with increasing opportunities over the next decade. There are especially good sales prospects for mountain bicycles.

Government entities make up approximately 10 % of total demand, with consumers making up the rest. Most sports and recreational goods are distributed by a small group of companies, with the largest sports equipment retailer, Grupo Marti, holding the majority of the sports equipment market in the country. Other important distributors are major department stores and small independent retailers. The greatest consumers of non-durable goods are in the cities of Mexico, Guadalajara, Monterrey, Puebla, Leon, Tampico, and Culiacan.

Mexican retailers regard price, quality, credit terms, product availability, and timely delivery as important to their import decisions.

Documentation

Goods imported into Mexico must be accompanied by standard documentation, as follows:

- commercial invoice (in Spanish, if prepared in English, the Spanish translation may follow original text on invoice or translation may accompany invoice), with original and several copies;
- packing list (if more than one package shipped) with at least four copies;
- bills of lading, including one original for importer and one for customs broker.

The invoice must be complete and accurate. It must include:

- place and date of issue;
- complete name and addresses of the buyer or importer in Mexico, and the exporter;
- description of merchandise, including marks, numbers, types, and quantities;
- price and value of shipment;
- freight and insurance charges;
- signature, name and title of exporter; and
- shipper's invoice number and customer's order number.

The invoice should be sent ahead to the importer/broker/agent, in order to obtain special permits (if necessary) if shipped by sea or land, or it should accompany goods if shipped by air.

The packing list includes:

- number of packages, and detailed list of goods in each package;
- net, gross, and legal weight of each package and total shipment, in metric units, along with volume or measurements of each package and total shipment.

The bill of lading has information such as:

- types of packages in shipment and their weights and measurements;
- names and addresses of the shipper and importer, or customs broker;
- ports of origin and destination;
- description of goods;
- list of charges, including freight;
- number of bills of lading in full set; and
- carrier's official acknowledgement of receipt on board of goods for shipment.

Trade Associations

Camara Nacional de la Industria del Embellecimiento

(Physical fitness industry national chamber)

Mexico City Tel. (5) 533-2707

Fax (3) 208-7828

Asociacion Nacional de Importadores y Exportadores de la Republica Mexicana

(Mexican association of importers and exporters)

Mexico City Tel. (5) 564-9379

Fax. (5) 584-5317

Trade Fairs

Deporte

July

Guadalajara

Deportexpo

May

Guadalajara

Expo Deporte

dates to be announced

Mexico City

Mexiplast

November

Mexico City

Sede del Deporte

August

Mexico City

UNITED STATES

Tariffs (%)

<u>Items:</u>	<u>General</u>	<u>GSP</u>	<u>CBI</u>	<u>Canada/Mexico</u>
Bicycles	5.5-15	0-15	0	0-13.5
Bicycle components	4.9-10	0-10	0	0-9

Standards

The Consumer Product Safety Commission (CPSC), a US federal regulatory agency, enforces bicycle regulations, a set of requirements with which bicycles must comply. These requirements include specifications for the braking system, steering system, pedals, drive chain, protective guards, tires, wheels, wheel hubs, fork and frame, seat, reflectors, mechanical operations and others. Compliance test procedures are available from the CPSC, as classified by visual, simple, and laboratory tests. It is suggested that the manufacturer obtain a copy of the Regulation from the CPSC or the National Institute of Standards and Technology, whose addresses are listed in Section III of this guide.

Labelling

According to the CPSC bicycle regulations, bicycles must have instruction manuals attached to their frame or included in the package, containing the following:

- operations and safety instructions describing operation of the brakes and gears, cautions concerning wet weather and night-time operation, and a guide for safe on-and-off road operation;
- assembly instructions;
- maintenance instructions; if the manufacturer feels this maintenance is beyond the consumer's capability, specifics regarding locations where maintenance can be obtained;
- a less than fully assembled bicycle shall have on display materials and outside packaging a list of tools necessary for accomplishing assembly and a drawing with the minimum leg-length of the rider;
- minimum leg-length dimension readily understandable and adhering to specifications;

- a label “Meets US Consumer Product Safety Commission Regulations for Bicycles” if it meets the requirements and is introduced into interstate commerce; the label must be legible and conspicuous on packaging cartons; and
- secure label on frame identifying name of manufacturer or private labeller, and marking which indicates to the manufacturer or labeller the month and year of manufacture.

It is strongly recommended that exporters consult the specific regulation for more detailed information on bicycle labelling in the United States.

The Federal Trade Commission also has general requirements for consumer product labels, which consist of:

- the identity of the product;
- the name and place of business of the manufacturer, packer or distributor;
- country of origin (US Customs requirement).

Packaging

An important function of packaging is to pack the product in a way to enable US Customs to examine, weigh, measure, and release the goods promptly. Please show the exact quantity of each item of goods in each box or other package, put marks and numbers on each package, and show those marks on your invoice opposite the itemisation of goods contained in the packaged which corresponds.

Marketing and Distribution

Production and shipments of sporting goods in the United States are divided according to seasonal sporting activities for which the products are produced, in this case, summer. The seasonal nature of sales varies from state to state, according to climatic differences in various parts of the country.

The US bicycle industry consists of few major manufacturers of mass merchandiser bicycles, but several smaller manufacturers. Import competition is strong, except in the sales of mountain bikes, where domestic producers are highly competitive. Mountain bikes remain the most popular form of cycling equipment. However, many consumers have purchased a new mountain bike during the past 4 years so the replacement market will not be yet fully developed in the near future.

Since many bicycle components are no longer made in the United States, the imports of parts, which generally have reflected the growth of domestic production, have grown and will continue to do so.

The size of the import market into the United States for bicycles is approximately US \$997 million.

Documentation

Within five working days of the date of arrival of a shipment at a US port of entry, entry documents must be filed, which consist of:

- a commercial invoice, or pro forma invoice when the commercial invoice cannot be produced;
- packing lists, if appropriate;
- evidence of right to make entry (bill of lading, air waybill, shipping receipt, carrier's certificate);
- Entry Manifest, Customs Form 7533; or Application and Special Permit for Immediate Delivery, Customs Form 3461; or other form of merchandise release required by the district director.

A requirement of US Customs is that a good entering the United States, or its container (if the good reaches the final purchaser in a container) must be marked with its country of origin. An exception to this rule is an article which is to be processed in the US by the importer and not intended for sale in its imported form or an article incapable of being marked. The components manufacturer should check with US Customs to verify which situation applies to his product.

Manufacturers, importers, distributors, and retailers are required to report to the Consumer Product and Safety Commission when they receive information that the product fails to comply with a voluntary standard, or creates an unreasonable risk of serious injury or death. Also, manufacturers and importers must report if a particular model is the subject of at least three civil actions filed, alleging that the model was involved in death or injury, and at least three actions result in a judgement within a two year period.

Trade Associations

Bicycle Wholesale Distributors Association
Philadelphia Tel. (215) 564-3484
Fax (215) 564-2175

Bicycle Institute of America
Washington Tel. (202) 463-6622

American Association of Bicycle Importers
c/o 234 Schuyler Avenue
Kearney, New Jersey 07032

Bicycle Manufacturers Association
Washington Tel. (202) 944-9297

National Sporting Goods Association
Mt. Prospect, Illinois Tel. (708) 439-4000
Fax. (708) 439-0111

National Bicycle Dealers Association
Newport Beach, California Tel. (714) 722-6909
Fax (714) 722-6975

Trade Fairs

Super Show
February
Atlanta

Northwest Sports Show
March
Minneapolis

National Sporting Goods Association Management Conference
May
Various

SOURCES OF INFORMATION ABOUT THIS SECTOR

“Encyclopaedia of Associations: National Organisations of the US, Vols. I & II”, Gale Research Inc. (Washington), 1994.

“Industry Profile: Sporting Goods”, Industry Canada, 1991.

“Market Research Report: Canada - Bicycles and Bicycle Parts”, US Department of Commerce, International Trade Administration, 1994.

“Market Study for Sporting Goods and Leisure Products in Mexico”, Department of Foreign Affairs and International Trade”, 1991.

“MEXICO Business, The Portable Encyclopaedia for Doing Business with Mexico”, World Trade Press (San Rafael, California), 1994.

“NAFTA and the Sporting and Recreational Equipment Sector”, Industry Canada, 1994.

“North American Free Trade Agreement Opportunities for US Industries: NAFTA Industry Sector Reports”, US Department of Commerce, International Trade Administration, 1993.

“US Industrial Outlook: Personal Consumer Durables” US Department of Commerce, International Trade Administration, 1993.