

CHAPTER 11
HAND TOOLS

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INTRODUCTION

The integrated, competitive business environment created by NAFTA should stimulate trade in the hand tools industry. The reduction or elimination of tariffs between the three NAFTA countries will allow for easier access to each others' market.

The Canadian hardware industry manufactures a wide range of hand tools. Imports make up almost two-thirds of the Canadian market, with an increase in low-cost products of this sector. This has resulted in rationalisation of domestic manufacturers as low-end production has shifted to low cost foreign manufacturers. The majority of firms are small, family-owned businesses. The demand for these products follows the growth of activity in the construction industry and home renovations market. The largest growth in this sector in recent years is the do-it-yourself retail market, supplied increasingly with imports from low-cost countries.

The Mexican market for hand tools is dependent on the continued growth of housing construction and renovation. It is a highly fragmented, competitive industry. A recent anti-dumping ruling in Mexico shows the extent of competition in this industry, as well as the importance placed on maintaining the indigenous industry.

In the United States, the hand tool industry is recovering from the recession, helped by increased new residential construction and higher expenditures for home improvement and repair. The outlook for this industry is sensitive to sales of new and existing residential units, as well as expenditures for home improvement, maintenance, and repair. Such expenditures are expected to increase. Contributors to growth include an expansion in the number of do-it-yourselfers, and increased expenditures for residential upkeep and renovations.

CANADA

Tariffs (%)

<u>Items:</u>	<u>MFN</u>	<u>GPT</u>	<u>US/Mexico</u>
Agriculture, horticulture, forestry:			
Spades, shovels, forks	8.6	6	2.7-3.6
Picks, hoes, rakes, axes	9	6	2.8-3.6
Shears and pruners	0	0	0
Hand saws	10.4	7	3.3-5.6
(BPT = 10)			
Hand-operated spanners, wrenches	10.5	7.5	3.3-4.5
(BPT = 10)			
Hammers and sledge hammers	10.5	7.5	3.3-6
(BPT = 10)			
Planes, chisels, wood working tools	10.2	7	3.2-4.2
(BPT = 10)			
Screwdrivers	10.5	7.5	3.3-4.5
(BPT = 10)			
Household tools	9.5	6.5	3-3.9
Vices, clamps	9.7	6.5	3.1-5.2
Two or more tools, in sets, for retail sale	9.7	6.5	3.1-3.9

Standards

The Canadian General Standards Board (CGSB) is responsible for voluntary standards for this product group. Since the standards are numerous and varied, please consult with the CGSB, under Section III of this guide, for more information specific to your product.

Labelling

Instructions accompanying **pre-packaged** hand tools 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 these requirements may be obtained from the Office de la Langue Française, 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.

Packaging

For **pre-packaged** products, 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

National distribution centres are located in southern Ontario. These are concentrated among few buying groups and speciality retail chains.

The consumer do-it-yourself retail outlets represent a dynamic part of the Canadian distribution channels for hand tools, as the largest growth sector in the last few years has been the do-it-yourself market. This market has been supplied increasingly by imports from low-cost countries.

The latest available data suggests that the import market for hand tools into Canada is US \$219 million.

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 his 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 Custom 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 certain hardware 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. Please verify with a Canada Customs office concerning your product's marking requirements.

Trade Associations

Canadian Hardware & Housewares Manufacturers' Association
Scarborough, Ontario Tel. (416) 282-0022
Fax (416) 282-0027

Canadian Retail Hardware Association
Mississauga, Ontario Tel. (416) 821-8946

Trade Fairs

Canadian Hardware/Housewares/Home Improvement Show
February
Toronto

The Western Show
October
Vancouver

World Trade
October
Toronto

MEXICO

Tariffs (%)

<u>Items:</u>	<u>General</u>	<u>US/Canada</u>
Agriculture, horticulture, forestry:		
Spades, shovels	20	B/C
Forks	15/20	B
Picks, hoes, rakes, axes	20	B/C
Shears and pruners	20	B
Hand saws	10/15/20	B/C
Hand-operated spanners, wrenches	10/15/20	C
Hammers and sledge hammers	20	C
Planes, chisels, wood working tools	10/20	B
Screwdrivers	10/20	B
Household tools	10/20	A/B
Vices, clamps	10/20	A-C
Two or more tools, in sets, for retail sale	20	C

A - duties fully eliminated on January 1, 1994

B - duties removed in five equal stages of 20% annually to full elimination by 1998

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

Standards

There are no mandatory Mexican standards certification requirements for hand tools. However, due to the changing nature in voluntary and mandatory standards requirements, 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, if applicable (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).

When used, warranties have to be in accordance with the above Ley, 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

Tools in Mexico are a fragmented market. The top lines are imported from the United States, Germany and Sweden. Buyers display significant brand loyalty. Chinese tools compete directly with Mexican and Taiwanese tools in the more economical but lower quality tool segment where there is little brand allegiance.

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 with 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;
- freight and insurance charges;
- price and total value of shipment;
- signature (manual), 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

Asociacion de Ferreteros de Mexico

(Mexican hardware association)

Mexico City Tel. (5) 687-4639, 687-4675

Fax (5) 669-4532

Trade Fairs

Expo Nacional Ferretera

(Mexico hardware show)

September

Guadalajara

UNITED STATES

Tariffs (% except where \$/each and \$/kg)

<u>Items:</u>	<u>General</u>	<u>GSP</u>	<u>CBI</u>	<u>Canada/Mexico</u>
Agriculture, horticulture, forestry: Spades, shovels	3	0	0	0-1.2
Forks	2.8	0	0	0-1.1
Picks, hoes, rakes, axes	0-6.2	0	0	0-2.4
Shears and pruners	\$0 -0.02/ea + 5.1%	0	0	\$0-0.008/ea. +2%
Hand saws	0-7.2	0	0	0
Hand-operated spanners, wrenches	9	0	0	0-3.6
Hammers and sledge hammers	2.1-6.2	0	0	0-2.4
Planes, chisels, wood working tools	6.2-7.2	0	0	0-2.8
Screwdrivers	6.2	0	0	0-2.4
Household tools	3.7%- \$0.022/kg+5%	0	0	0-2.1%
Vices, clamps	5	0	0	0-2
Two or more tools, in sets, for retail sale	- the rate of duty applicable to that article in the set subject to the highest rate of duty -			

Standards

There are, at present, no mandatory standards for tools. Please consult with the National Institute for Standards and Technology, in Section III of this guide, for the most current information in this area.

Labelling

The Federal Trade Commission has general requirements for consumer product labels, or packages of products, 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. Therefore, 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 corresponding package.

Marketing and Distribution

The market for these products should have as the main impetus the expansion in the number of do-it-yourselfers, and increased expenditures for residential upkeep and renovations.

The retail environment for hand tools consists of large home centres (which are gaining market share), traditional hardware stores, and mass merchants. Membership home clubs compete with mass merchants and home centres as outlets for power tools. Home centres draw increasing business from contractors and woodworking professionals, as they opt for the convenience of home centres over traditional industrial distribution channels.

The size of the import market into the United States for hand tools is approximately US \$2.4 billion.

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); and
- 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 manufacturer should check with US Customs to verify which situation applies to his product.

Trade Associations

American Hardware Manufacturers Association
Schaumburg, Illinois Tel. (708) 605-1025
Fax (708) 605-1093

Hand Tools Institute
Tarrytown, New York Tel. (914) 332-0040
Fax (914) 332-1541

International Hardware Distributors Association
Chicago, Illinois Tel. (312) 644-6610
Fax (312) 321-6869

National Retail Hardware Association
Indianapolis Tel. (317) 290-0338
Fax (317) 328-4354

National Wholesale Hardware Association
Philadelphia Tel. (215) 564-3484

Trade Fairs

Hardware Distributing Company Hardware Show
August
Tacoma, WA

Hardware Distributors Annual Trade Show
September
Grand Rapids, Michigan

Hardware Wholesalers Market
May, October
Indianapolis

National Hardware Show
August
Chicago

SOURCES OF INFORMATION ABOUT THIS SECTOR

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

“Industry Profile: Hardware”, Industry Canada, 1990.

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

“US Industrial Outlook. Chapter 16: Metalworking Equipment”, US Department of Commerce, International Trade Administration, 1993.