

ATTENTION CVR CUSTOMERS

US-CHINA TARIFFS WILL IMPACT CANADIAN MODELLERS

The US Government has announced additional tariffs on goods made in China effective September 1st. This 10 percent tariff will include all model railroad related products manufactured in China. You may be wondering since Credit Valley Railway Company is a Canadian business why this would be of any concern. Here's why -

Many of the brands we carry are US based companies (ie Walthers, Atlas, Scale Trains etc) who manufacture a substantial amount of their products in China. When completed these products are shipped from various factories in China back across the Pacific Ocean to those US based companies. The products are then sent across the Canadian border by the US manufacturers through their distribution network and arrive on our shelves for you to purchase.

Even though these new products are heading to our shop in Canada, they will be hit with the tariff the moment the US manufacturer lands them in the United States as first stop in their North American distribution chain. In contrast, a Canadian manufacturer such as Rapido Trains ships product from China and lands it first in Canada where there is no tariff. Even if a US manufacturer was to change their distribution set up and land product in Canada first, they would still be faced with the US tariff as soon as they moved their products across the Canadian border into the US. That's because Made in China is the deciding factor on whether the tariff applies.

To be clear a tariff is an additional cost to a manufacturer that is reflected in the final price of a specific product. It's not a tax that can be rebated at a later date when the item is shipped out of the US to Canada.

We have been in very close touch with all of our suppliers, trying to get a sense of just how they plan to handle this cost increase. Several of them have indicated they simply can't afford to absorb the entire 10 percent increase. They will be raising their prices anywhere from a few percent to the full 10 percent. Several manufacturers have already posted policy statements on social media on how they plan to handle the tariff.

Like most small businesses across this country, we will do our best to make our customers happy. But we simply don't have the financial ability to absorb the full impact of the new tariff and unfortunately that will be reflected in price increases in some products.

Products made in other countries (Japan, European Union countries etc) remain unaffected by the tariff at this time.

The Trump administration has been unpredictable in their trade negotiations. There is always a chance the tariff could be delayed, the percentage changed or the whole thing could be called off before the September 1st deadline. If it's all called off, we won't be facing the price increases we just outlined.

August 13th Update – Office of the US Trade Representative has announced these tariffs will be delayed until December 15th, 2019

We very much appreciate your business.

The Credit Valley Railway Company