



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

June 16, 2025

Hon. Francois-Phillipe Champagne
Minister of Finance and National Revenue
Department of Finance Canada
90 Elgin Street
Ottawa, ON K1A 0G5

Minister Champagne,

I am writing to bring to your attention an urgent matter concerning Canada's land border duty free stores (CLBDFS) and the border communities that depend on their continued operation and success.

These independently owned small businesses are federally regulated by the Canada Border Services Agency (CBSA) and operate under a unique export-driven model. They rely exclusively on travelers exiting Canada to the United States, with no viable alternative markets or business models available. As a result, CLBDFS are especially vulnerable to geopolitical disruptions and cross-border travel fluctuations.

Heightened tensions between the United States and Canada have resulted in a sustained and increasingly severe decline in cross-border vehicle traffic, as evidenced by troubling year-over-year data indicating a month-by-month deterioration. While public advisories encouraging Canadians to avoid travel to the U.S. may be well-intentioned, they are producing devastating unintended consequences for our border communities.

Revenue reports from recent weeks show that many CLBDFS are experiencing losses of 60–80%, threatening their survival after a long road to recovery from the 20-month pandemic-induced closure. These businesses are foundational to their communities, not only as tourism drivers but as major sources of local employment and economic activity.

A central challenge facing these stores is the application of the federal excise tax on tobacco products. In 2023, tobacco accounted for 22.1% of total CLBDFS sales. As excise taxes increase, consumers are discouraged from purchasing regulated products, and total sales decline — for every dollar lost in tobacco sales, total CLBDFS sales fall by \$2.15. This shift drives consumers toward untaxed and unregulated illicit markets, exacerbating public safety concerns and depriving the government of lawful tax revenue.

A recent report by the Frontier Duty Free Association (FDFA) has raised concerns regarding the future viability of Canada's land border duty free sector. The findings indicate that,

without immediate and targeted intervention, Canada could lose up to one-third of its land border duty free stores within the next six months.

These businesses have been an integral part of our economy and tourism industry for over four decades. The potential closure of these small businesses would not only jeopardize regional employment and cross-border economic activity but also result in lasting adverse consequences for Canadian communities reliant on tourism.

Duty-free stores in Canada directly employ approximately 3,000 people, in some communities they are major employers. With the growing economic uncertainty and tariff threats, this calls into doubt the livelihoods of thousands of individuals who depend on our border industries.

Some businesses have already been severely impacted, for instance, the Peace Bridge Duty Free shop in Fort Erie located in my riding was forced into receivership after it became unable to pay overdue debts and rent. If current trends persist, more stores may be forced to shut down, leaving hundreds of Canadians out of work.

Duty-free stores play a vital role in supporting the border communities that depend on their success to drive local economies and sustain regional supply chains. However, rising economic uncertainty, the threat of tariffs, and increasing impediments at our borders have left dozens of small businesses and hardworking Canadians facing uncertainty about their livelihoods. In these unprecedented times, Canadians deserve clarity, stability, and assurance about their economic future.

Minister, I urge you to act decisively in support of Canada's border communities. By promptly addressing this predicament, your office can offer Canadians the tangible relief that they deserve while reinforcing the economic resilience of the thousands of Canadians who depend on it.

Thank you for your attention to this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'Fred Davies', with a stylized, cursive script.

Fred Davies, MP
Niagara South