

## COVID-19 and Supply Chain Disruption

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While the full extent to which COVID-19 will affect global supply chains on which Canadian industries rely remains unknown, material disruptions are inevitable.

In the near term, it is expected that the cost of supplies from outside Canada will increase. Limited transportation capacity, expedited freight costs, payment premiums to “buy up” the supply chain and the implementation of alternative sourcing strategies will all impact the cost of goods in Canada. In the worst-case scenario, Canadian companies may no longer be able to meet contractual obligations on time.

On March 18, 2020, Prime Minister Justin Trudeau announced that the Canada – United States border would be temporarily closed to non-essential traffic. The closure is expected to take effect Friday night.

Both Canada and the United States reinforced the fact that “key supplies” will still flow between the two countries. Over the next few days, Canada is expected to provide further guidance on how the border restriction will operate. It is anticipated that guidance will also be provided on the definition of “key supplies” as well as direction on how the Canada Border Services Agency (“CBSA”) will manage the border restrictions while facilitating the continuation of cross-border trade.

Over the past few weeks, our team at Tereposky & DeRose has assisted a wide range of companies on the legal consequences of failing to meet contractual obligations due to global supply chain disruptions caused by COVID-19. This includes advice on excusable delay and *force majeure* provisions. Tereposky & DeRose also regularly assists clients dealing with the CBSA.

Should you have any questions regarding these matters or any other cross-border issues, we are at your disposal.

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