



National Marine Manufacturers Association

**Written Submission for the Pre-Budget
Consultations in Advance of the Upcoming
Federal Budget**

**By: National Marine Manufacturers Association
(NMMA) Canada**



National Marine Manufacturers Association

Recommendations

- Recommendation 1: That the government not proceed with a 10% luxury tax on recreational boats and instead work directly with our industry to find a better alternative, such as a licencing fee applied to boats on purchase.
- Recommendation 2: That the government substantially increase base annual funding for outdoor recreation and marine infrastructure programs including simple projects like more public boat launches giving Canadians access to our beautiful waterways.
- Recommendation 3: That, should the United States reintroduce tariffs on steel and/or aluminum, the government avoid applying retaliatory tariffs to recreational boats and marine products.

The National Marine Manufacturers Association (NMMA) is the leading association representing the recreational boating industry in North America. NMMA member companies produce more than 80 percent of the boats, engines, trailers, accessories, and gear used by boaters and anglers throughout the U.S. and Canada.

In Canada, recreational boating supports 75,000 direct and indirect jobs and more than 5,000 businesses. We also form part of Canada's broader outdoor economy – camping and recreational vehicles (RVs), sportfishing, snowmobiling, and more – which contributes an estimated \$26 billion in economic activity each year, generating an estimated 472,713 direct jobs, \$7.1 billion in taxes and \$52.1 billion in total revenues.

While our industry collectively has a big economic impact, we are mostly made up of small businesses that play a vital role in the health and economic well-being of their regions. Outdoor recreation businesses are often lifelines for their communities, providing jobs and economic stability. However, they rely on trips and travel bringing a steady stream of visitors to our public lands and waters. Other factors that our industry relies on – accessibility to recreation assets, adequate recreation infrastructure, and the certainty of manufacturing and trade – have also been interrupted by COVID-19.

The global pandemic has and continues to affect our member businesses in diverse ways. At the outset of the crisis in March, marine manufacturers, dealers, and marinas saw sharp declines in revenue resulting from mandatory closures of non-essential businesses. As provinces and territories have started loosening restrictions, sales have picked up and boating has emerged as a popular way for families to enjoy time outdoors while physically distancing. However, with mounting consumer debt and tremendous uncertainty around the future path of COVID-19, NMMA cannot take the current uptick in boating interest for granted.

Indeed, seasonal industries such as recreational boating tend to have a much higher variance in revenues on an annual basis, due to factors such as severe weather events. Last year, the severe flooding that took place in late April and May across Ontario, Quebec and New Brunswick caused close to \$208 million in damage and impacted many small business owners in our industry. Revenue loss was felt due to damage to marinas and the restrictions that were placed on boating in many of these areas. Compounding the issue of last year's Spring flooding was the economic impact on our industry of section 232 tariffs/Canada countermeasures on steel and aluminum. Within the Canadian list of countermeasures, four items related to recreational boats were subject to the tariff and, as a result, many Canadian boating businesses took a severe financial hit. This was a unique challenge affecting our sector.

Within this context, NMMA Canada would like to highlight the following priorities going into the 2021 budget cycle:

Luxury Tax

Our industry is gravely concerned about the proposed 10% luxury tax on recreational boats valued at \$100,000 and above, as outlined in the finance minister's mandate letter. This tax would negatively impact middle-class Canadians and harm small businesses already reeling from the effects of COVID-19. We firmly believe the proposed luxury tax would result in job losses at small family-owned dealerships, local marinas, service shops, restaurants and other

businesses who depend on recreational boaters across Canada. Yacht brokers and builders would also stand to suffer losses as customers choose to spend their money elsewhere – each large recreational vessel is its own micro-economy, delivering huge benefits to the local community.

The industry believes there are alternative financial measures that can be applied instead of a tax that would be beneficial to government and less impactful on industry. **We are asking that the tax on recreational boats not be applied and instead that the government work directly with our industry to find a better alternative.** One such alternative could be imposing licencing fees on boats upon purchase to generate additional revenue for the government while also helping bolster Transport Canada's data collection on boats in use across the country.

NMMA Canada sincerely hopes that the government has understood the very negative impact to Canadian middle-class jobs and the economy that a new tax would have, and that this measure will not be considered further.

Infrastructure Funding

Despite Canada's world renown as an outdoor tourism playground, our outdoor recreation assets are in severe disrepair. The mounting multi-billion-dollar deferred maintenance and repair backlog at national and provincial parks negatively impacts visitor access, enjoyment, and safety on public lands and waters. As these prized public lands continue to crumble and degrade, it also makes the future cost of rehabilitation that much more unaffordable. **The time to invest in Canada's outdoor recreational infrastructure is now.**

As during the 2008-09 financial crisis, governments are currently earmarking billions in infrastructure funding and calling on communities to launch "shovel ready" projects. There are many smaller projects – renewing and expanding marinas, installing boat ramps, improving water access for boaters in rural areas and small towns – that could be started quickly and done this fiscal year. The jobs and economic impact of these investments would be a great boon to all regions of Canada, including rural and remote and Indigenous communities. According to the US National Park Service, for example, every dollar invested in the national park system returns \$10 to the U.S. economy from visitor spending.

Tariffs

NMMA was alarmed to hear the recent reports concerning President Trump's intention to potentially re-apply tariffs to Canadian aluminum. As was clearly shown during the Section 232 steel and aluminum dispute in 2018-19, tariffs on American-made boats imported into Canada do not hurt the U.S. as boat makers will simply shift their sales elsewhere domestically. Because about 85% of boats sold in Canada come from the U.S., a counter-tariff would do little to protect our small domestic manufacturing base while causing severe harm to Canadian dealers who would see sales plummet – and be forced to again lay off workers in the midst of a pandemic.

The impact on Canadian jobs is not just theoretical: when the tariffs came on in July 2018, we saw a 26% drop in U.S. boats being imported into Canada instantly – and that decrease



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continued throughout the period the tariffs remained in place. In these troubling times, we need to do everything we can to stimulate the economy and protect peoples' livelihoods.

In Spring 2019, the Canadian government removed boats from the list of countermeasures because of the severe damage it was doing to our industry. **NMMA implores the government to avoid applying retaliatory tariffs to recreational boats and marine products.**

As pre-budget consultations proceed, should there be an opportunity for the government to invite witnesses to testify before the House of Commons Finance Committee virtual (or in-person), NMMA Canada would like to participate.

Your truly,

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