

June 13, 2018

The Right Hon. Justin Trudeau, P.C., M.P.
Prime Minister of Canada
80 Wellington Street
Ottawa, Ontario K1A 0A3
Canada

Subject: **Notice of intent to impose countermeasures action against the United States in response to tariffs on Canadian steel and aluminum products**

Dear Prime Minister Trudeau:

The National Marine Manufacturers Association (NMMA) Canada, the national association representing the recreational boating industry in Canada, represents the producers of more than 80 percent of boats, engines, trailers, accessories and gear used by North American boaters. The regional marine trade associations represent dealers and marinas in each province and together our industry generates \$10 billion in revenues with a GDP of \$5.6 billion and employs 75,000 Canadians. There are nearly 5000 marine related businesses across Canada, many of them small and family-owned, with \$2.9 billion in wages and remitting \$868 million in taxes.

NMMA is extremely concerned by some of the Government of Canada's proposed countermeasures in response to the United States' (U.S.) imposition of tariffs on imports of certain steel and aluminum products from Canada. While the industry understands the government's need to respond to these unfair tariffs being imposed by the U.S., a number of the proposed countermeasures regarding recreational boats, if implemented, will have a significant negative impact on our industry. Tariffs pertaining to the following goods are of particular concern to NMMA Canada:

1. 8901.10 Inflatable boats
2. 8903.91 Sailboats, with or without auxiliary motor
3. 8903.92 Motorboats, other than outboard motorboats
4. 8903.99.90 Outboard motorboats, other vessels for pleasure or sports

These proposed countermeasures will severely impact the flow of manufactured boats across our border and will result in prohibitive price increases to Canadian consumers. In 2017, more than 100,000 new and pre-owned boats were sold in Canada. Of those, more than 65% were imported from the U.S. While NMMA would like to see these tariffs benefit Canadian manufacturers, the fact is that there are simply not enough domestic boat manufacturers to supply the Canadian market, and U.S. imports are critical to ensure the ongoing competitiveness of the recreational boating sector in Canada. As a result of the proposed countermeasures on recreational boating goods, a \$50,000 pontoon boat purchased after July 1 will now cost a minimum of \$65,000.

Indeed, the greatest impact of maintaining the four proposed tariffs on recreational boats will be mostly felt by middle-class Canadians. Of the more than 43% of Canadian adults who enjoy boating each year, nearly 60% of them have an average household income of under \$100,000. In addition, boaters in Canada spend about \$7.35 billion each year when they are on boating trips. These tariffs would have a significant impact on middle-class communities across Canada as prices of boats are expected to increase by more than 25%, affecting middle-class employees who depend on the industry for jobs. Moreover, when reviewing the list of proposed Canadian countermeasures closely, boats appear to be the only recreational product listed. Our members view this as an unfair and unjustified hit on the recreational boating sector, which unnecessarily targets our industry.

Outlined below are the industry's specific requests of the Government of Canada:

1. Remove 8901.10, 8903.91, 8903.92, 8903.99.90 from the proposed scope of countermeasures to align with other recreational products;
2. Countless boats will have already been purchased or ordered but will cross the border after the July 1 deadline. Should these tariffs be imposed, the Canadian dealer will be responsible for the tariff and unable to pass through the cost. We ask that should the four tariffs remain, a grace period of six months be implemented to allow Canadian dealers to adapt to the new pricing scheme; and,
3. Should the tariffs proceed, and subsequently be removed in a few months, we request the tariff be paid back so as to not unfairly burden the Canadian importer/dealer who will not have been able to pass the cost through.

As a result of the recent actions from the U.S. and counter tariffs, Canadian dealers are already cancelling orders and bracing for a sales downturn. Lead times for ordering are generally three to six months out and some dealers cannot cancel as they have a contractual obligation for orders already placed. This comes at a particularly bad time for recreational boating, as the industry gears up for the summer boating season.

The recreational boating industry understands the complicated situation the Government of Canada finds itself in. However, we must emphasize that the proposed Canadian countermeasures will have severe negative and long-term impact to the jobs, taxes and tourism that recreational boating represents – and generates – across Canada. We urge the government to find a swift solution to the trade situation with the U.S. and consider the critical impact on the marine industry from these actions. This tariff will cause irreparable and disastrous damage to the industry, from which it would likely never recover.

If you have any questions, please do not hesitate to contact Sara Anghel at sanghel@nmma.org or at 905-951-4048.

Yours truly,



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CC: Hon. Chrystia Freeland, Minister of Foreign Affairs
Hon. Marc Garneau, Minister of Transport
Hon. Bill Morneau, Minister of Finance
Hon. François-Philippe Champagne, Minister of International Trade
Hon. Andrew Leslie, Parliamentary Secretary to the Minister of Foreign Affairs (Canada-U.S. Relations)
Hon. Wayne Easter, Vice Chair, Canada-United States Inter-Parliamentary Group
Hon. Judy Sgro, Chair, Standing Committee on Transportation, Infrastructure and Communities
Hon. Robert Nault, Chair, Standing Committee on Foreign Affairs and International Development
Mr. Brian Clow, Director, U.S. Canada Relations, Prime Minister's Office
Hon. Michael L. MacDonald, Senator & Vice Chair, Canada- United States, Inter-Parliamentary Group