

February 25, 2022

Hon. Chrystia Freeland
Deputy Prime Minister and Minister of Finance
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Dear Minister Freeland:

On behalf of the National Marine Manufacturers Association (NMMA) Canada and the recreational boating industry, I am pleased to share feedback ahead of the 2022 federal budget. NMMA Canada is the leading trade association representing the recreational boating industry across our country. 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

Within this context, NMMA Canada proposes the following budget priorities:

Scrap the Luxury Tax

Our industry is gravely concerned about the proposed 10% luxury tax on recreational boats valued at \$250,000 and above, as announced in Budget 2021. This tax would negatively impact middle-class Canadians and harm small businesses already dealing with the effects of the pandemic, inflation and supply chain disruptions. According to a [recently published paper](#) by renowned economist Dr. Jack Mintz, the proposed tax would lead to a minimum \$90 million decrease in revenues for boat dealers and at least 900 full-time jobs lost. History shows that similar luxury taxes have resulted in job losses at small family-owned dealerships, local marinas, service shops, restaurants and other businesses that depend on recreational boaters. For example, the United States luxury tax in the early 1990s destroyed thousands of jobs and resulted in a net loss to the government before it was repealed. Some will argue that the history will not repeat, this is just not the case, it will. Every boat manufacturer we have spoken is convinced that the same decline will be felt.

Boat builders would also suffer losses as customers choose to spend their discretionary money on something else that is not taxed; each large recreational vessel is its own micro-economy, delivering huge benefits to the local community. Canada has already lost hundreds of thousands of manufacturing jobs since the early 2000s. There are still a handful of Canadian manufacturers, like Neptunus Yachts in St. Catharines, Ontario, making bigger boats in the \$250,000+ range – this tax would likely wipe them out.

The current situation with supply chain disruptions has caused massive delays in production. Many boats were ordered much earlier this year, but with no hope of delivery well into 2022 and even 2023. This coupled with the tax and rising prices will further hurt jobs in Canada. While we understand the goal of having wealthy individuals pay more, the luxury tax would end up hurting ordinary families and workers in communities across the country. The industry believes there are alternative financial measures that can be applied instead of a tax that would be beneficial to government and less harmful to workers. **We ask the government to scrap the luxury tax on recreational boats and instead work directly with our industry to find a better alternative.**

Invest In Outdoor Recreation Infrastructure

While Canada is known around the world as an outdoor tourism playground, our recreation assets are in bad disrepair. The growing deferred maintenance and repair backlog—estimated into the billions of dollars—is a drag on 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 more unaffordable.

We urge the government to further invest in Canada's outdoor recreation infrastructure.

Such an investment would build a stronger, more resilient economy and create good jobs across the country while promoting healthy outdoor activities. Like the 2008-09 economic downturn, we see an historic window for the government to help bring businesses back to strength after the pandemic and renew outdoor infrastructure assets that will serve many future generations.

There are smaller infrastructure projects—expanding marinas, installing boat ramps, improving water access for boaters in rural areas and small towns—that could be started quickly and done within a short timeframe. The jobs and economic impact of these investments would be felt greatly in all regions of Canada, including rural and remote and Indigenous communities. According to the U.S. National Park Service, for example, every dollar invested in the national park system returns \$10 to the U.S. economy from visitor spending.

We applaud the government's 2021 budget promise and multiyear funding to conduct Canada's first ever National Infrastructure Assessment. Outdoor recreation assets are a key part of our national infrastructure and we would welcome discussions to explore this theme further.

Support Canadian Manufacturers through Export Promotion

With the recent experience of section 232 steel and aluminum tariffs under the Trump administration, Canadian marine manufacturers have a strong desire to diversify export markets outside of the U.S. and take advantage of new trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Comprehensive Economic and Trade Agreement (CETA). Government assistance such as the CanExport Associations program under Global Affairs Canada has been vital to helping small and medium-sized Canadian firms expand their global reach and find new markets for their recreational marine products.

A study by NMMA Canada has documented that boat/trade show presence is critical for advancing brand recognition and preference among customers and developing distribution and marketing partnerships. Our association has been supporting North American manufacturers with their international marketing/promotion for several years. This has involved sponsoring Canadian and U.S. pavilions at major international trade shows. Canadian manufacturers, supported by NMMA Canada, need to continue to build up international market(s) awareness and perception of Canadian boats and marine products as having niche market value for products and brands in specific marketplaces (U.S./Europe/Middle East/Asia/Australia/South America) where the growth of the luxury market is expected to be strongest over the next decade.

We request that the **government build on the Budget 2021 commitment to work with Export Development Canada to enhance supports to small and medium-sized exporters by doubling the budget of the CanExport Associations program.** This program has proven cost-effective and allows smaller companies and startups to have global reach into new markets while leveraging the experience and established brand of associations such as NMMA.

Invest in Green Marine Manufacturing and Accelerate Next-Generation Hybrid and Electric Solutions

The Canadian recreational boating sector is well-positioned to meet the challenge of reducing greenhouse gases (GHGs) to tackle climate change. We have already made progress in phasing-out the worst offending GHGs – hydrofluorocarbons in floatation foam, for example – and are developing hybrid/electric engines and other technologies that will majorly reduce the carbon output of recreational boats. We commend the government's recent investments in cleantech in the automobile and aviation spaces and stand ready to partner on making our own industry cleaner and more efficient. **We advise the government to expand the scope of initiatives around Electric Vehicles (EVs) and green manufacturing to include the recreational marine industry.** For example, funding to reduce carbon in manufacturing processes; incentives to develop hybrid and electric propulsion systems; and support for waterside EV charging infrastructure at marinas and boating access points.

Promote Boating Safety and Increase Access to On-water Training

During the pandemic, many Canadians embraced boating to connect with the outdoors and safely spend time with family and friends. NMMA Canada has worked diligently for years to promote safe boating practices in partnership with Transport Canada and industry stakeholders. A big piece of the boating safety puzzle is education of first-time boaters, which is more pressing given the spike in boating interest over the past year.

There are many organizations across Canada that deliver high-quality classroom and online courses on boating safety; however, there is a gap in practical on-water training for new boaters. Some dealers and marinas offer such training, but delivery is inconsistent and boater awareness remains low. According to a client survey conducted last year by a commercial on-water training provider, 89% of respondents found that practical training was “extremely beneficial” and 64% agreed that training “made me a safer boater”; moreover, 97% of respondents said they would recommend practical boating instruction to others.



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We ask that the government invest in on-water training to improve boater safety and grow competency of first-time boaters. Even a modest investment of \$1 million to \$2 million could have a major impact on improving safe boating practices among recreational boaters, support regulatory compliance, and ultimately help reduce injuries and fatalities due to accidents. For example, the government could fund a program that delivers boat training through marine dealers and training organizations such as Sail Canada, which already offer on-water training courses approved by Transport Canada.

Thank you for this opportunity to voice our industry's priorities for the upcoming budget.

Your truly,

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