

**Written Submission for the Pre-Budget
Consultations in Advance of the 2023 Federal
Budget**

By: NMMA Canada

Recommendations

- **Recommendation 1:** That the government repeal the damaging ‘luxury’ tax on boats, which is forecasted to severely reduce boat sales and lead to small business closures and job losses.
- **Recommendation 2:** That the government support further research and development into next-generation propulsion and electrification of boat engines, while recognizing limits to battery life and other factors that mean electric is not always the most sustainable option.
- **Recommendation 3:** That the government provide stable, long-term funding for Transport Canada’s Office of Boating Safety.
- **Recommendation 4:** That the government make new investments in outdoor recreation infrastructure – such as marinas, boat ramps, and access points.

Body of Submission

Introduction

National Marine Manufacturers Association (NMMA) Canada is the leading trade association representing boat, marine engine and accessory manufacturers. The recreational boat industry contributes \$5.6B to Canada's GDP annually and supports over 75,000 jobs. NMMA Canada works closely with the federal and provincial governments on policy issues affecting the marine industry. Our work helps ensure that Canadian marine businesses are empowered to succeed and that millions of Canadian families can continue to have a safe and enjoyable experience on the water. Ahead of the 2023 budget, NMMA Canada urges the government to act on the following priorities:

1) Repeal the damaging 'luxury' tax on boats

The 'luxury' tax on boats valued over \$250,000 – which came into effect September 1st – unfairly targets workers in the recreational boating industry. While the tax purportedly targets wealthy consumers, history shows it will likely lead to a severe drop in sales revenue and hundreds or even thousands of job losses across the country.

The luxury tax is easily avoided by consumers either buying other luxury goods or purchasing and keeping their boats abroad (for example, in Florida or Seattle). If customers avoid the tax by buying and keeping their boats outside Canada as expected, then businesses and their employees in the recreational boating industry will bear the brunt of the damage. An economic analysis authored by Dr. Jack Mintz at the University of Calgary shows that the tax could lead to a \$90 million drop in revenues for boat dealers and job losses of 896 FTEs, with up to 3,670 FTEs at risk should demand drop more dramatically. As well, the Parliamentary Budget Officer put out a costing note on the luxury tax that estimates \$2.9B in lost sales over the next five years – 75% of the sales losses will be in the recreational boating industry.

The luxury tax imposes a major new administrative burden on small business owners who are already dealing with the crunch of COVID-19 restrictions, supply chain disruption and low inventory. It is an attack on the recreational boating industry which is facing challenges like inflation, production delays, and ballooning fuel costs. The survival of Canada's small domestic boat manufacturing base – already hollowed-out by years of competition with low-cost jurisdictions and offshoring – is directly threatened by the tax. The tax is also having a negative ripple effect on the wider recreational boating industry and other related sectors of the economy.

At a time when other G20 governments are trying to attract investment and rebuild their economies, a tax that guts Canadian homegrown manufacturing and retail businesses makes no sense. Instead of supporting our industry as a vital part of Canada's recovery, this tax is picking winners and losers in outdoor recreation. We urge members of the Committee to call on the government to repeal this ill-conceived tax.

2) Support further research and development into next-generation propulsion and electrification of boat engines

NMMA Canada and its member companies are leading efforts to reduce GHG emissions causing climate change. Our industry has already reduced engine emissions by 75%-95% and improved fuel efficiency by 40% since 2000. Despite this progress, NMMA Canada recognizes that further research and development is needed to make engine batteries lighter and more efficient on recreational boats. Engine manufacturers are exploring and bringing to market technologies for the electrification of boat engines, but the industry is nascent and would benefit from government support.

At the same time, there are limits to battery life and other factors that mean electric is not always the most sustainable option. Alternative fuels such as biobutanol have a major role to play as Canada seeks to reduce carbon emissions and meet our global commitments.

NMMA Canada requests that the government create a dedicated fund to advance research and development into next-generation marine propulsion. As well, we call on the government to prioritize marinas and boating access points as locations for electric vehicle charging stations.

3) Provide stable, long-term funding for Transport Canada's Office of Boating Safety

Transport Canada's Office of Boating Safety (OBS) is an integral part of the recreational boating industry. NMMA Canada works closely with OBS on marine safety and security initiatives, sharing detailed statistics on the industry and collaborating on policy and regulatory changes. Priorities that NMMA Canada has identified include modernizing the Pleasure Craft Licensing (PCL) system and improving data collection on recreational boating; improving boater education through on-water training for new boaters; and carefully weighing local economic impacts when contemplating any limits or restrictions on recreational boating. With the surge of new boaters during the pandemic, the boater education and safety piece is more critical than ever.

To meet the demands of today's recreational boating environment and ensure that new initiatives can be undertaken, NMMA Canada requests that the government invest in stable, long-term funding for the OBS.

4) Make new investments in outdoor recreation infrastructure

The tourism and outdoor recreation industries were badly affected by the pandemic and related border closures and travel restrictions. As part of returning Canada's economy to strength, the government has a generational opportunity to upgrade and build new outdoor recreation infrastructure – such as marinas, boat ramps, and access points. These assets are a proven economic driver for communities small and large and would sustain jobs in the tourism and hospitality sector. As part of the Canadian Outdoor Recreation Roundtable, NMMA Canada calls on the government to make targeted investments in new outdoor assets and to tackle the deferred maintenance backlog at national parks.

Thank you for this chance to submit our industry's proposals for Budget 2023. I would welcome the opportunity to testify at an upcoming Finance Committee meeting to expand on these ideas.

Sincerely,

A handwritten signature in black ink that reads "Sara Anghel". The signature is written in a cursive, flowing style.

Sara Anghel
President
NMMA Canada