



Boat industry worries retaliatory tariffs on U.S. imports will capsize sales; Canadian boat makers say the U.S. tariffs on Canadian aluminum and steel will drive up manufacturing costs at the U.S. factories that supply the Canadian recreational boat and boat trailer market

theglobeandmail.com

Fri Jun 15 2018, 7:39am ET

Section: Business

Byline: Eric Atkins

The Canadian recreational boat industry says Ottawa's move to levy retaliatory tariffs on U.S. imports will drive up prices, hammer sales and cause layoffs in a market where most boats are sourced from the United States.

Ottawa is imposing countermeasures on \$16.6-billion worth of U.S. goods, including 10-per-cent tariffs on outboard motor boats, sailboats and inflatable boats. The move is in response to U.S. tariffs of 25 per cent on steel and 10 per cent on aluminum, but it may also showcase how retaliatory tariffs meant to hurt U.S. exporters can also hurt Canada.

Representatives of Canadian boat makers and sellers are urging the federal government to drop boats from the tariff list or delay the imposition beyond July 1. They say the U.S. tariffs on Canadian aluminum and steel will drive up manufacturing costs at the U.S. factories that supply the Canadian recreational boat and boat trailer market. And the 10-per-cent tariffs charged on the boats when they enter Canada inflate the price even further. After taxes, boat prices could be up by 25 per cent.

Norm Murray, part owner of Virden Recreation and Water Sports in Virden, Man., said the tariffs on both sides of the border will drive up prices "out of reach for the average consumer" and might lead to job losses at the dealership.

"It may be absolutely devastating," Mr. Murray said by phone.

Related: Canada, U.S. set sights on summer NAFTA talks www.theglobeandmail.com

NAFTA's saga so far: A guide to trade, the talks and Trump www.theglobeandmail.com

Canada imports almost \$800-million worth of boats in a year from the United States, compared with \$307-million from the rest of the world, according to industry data.

More than 65 per cent of the 100,000 new and used boats sold in Canada in a year are imported from the United States, said Sara Anghel, president of the National Marine Manufacturers Association in Canada, which represents dealers and makers of boats, trailers and equipment in Canada and the United States.

Ms. Anghel said the tariffs will hit middle-class Canadians, noting 60 per cent of boaters have a household income of less than \$100,000 a year. Her group has asked the federal government to exempt boats, or delay the tariffs for six months to allow the market to adjust.

"I would love for this to be a great opportunity for Canadian manufacturing, longer term, perhaps, but the fact of the matter is there would be a short supply. The Canadian domestic market could not keep up with the demand. The market relies very heavily on U.S. manufactured boats," Ms. Anghel said.

The federal government's public consultation period on the countermeasures list ends on Friday. "Steel and aluminum products were included in the lists to support Canadian steel and aluminum businesses and workers directly affected by U.S. steel and aluminum tariffs," Jack Aubry, a spokesman for Finance Canada, said in an e-mail. "Other products were selected with a view to mitigating potential impacts on Canadian businesses, families, and consumers (e.g., alternatives can be sourced from Canadian companies or non-U.S. trade partners)."

At Mr. Murray's showroom on the TransCanada Highway west of Lake Manitoba, many customers are putting off a purchase, waiting to see how the newly volatile trade relations with the United States will affect them and the broader economy, Mr. Murray said.

His customers generally work in one of four sectors: mining, livestock, energy or farming. All of these are dependent on trade with the United States and a few, such as the oil industry, are only just recovering from years of depressed prices and job losses.

"We're just going to get kicked again," Mr. Murray said. "It's not just the marine industry that people are worried about. There's going to be tariffs on a lot of products. People are not just worried about their purchases. They're worried about their income."

Mr. Murray predicts the tariffs will send up the price of a \$50,000 aluminum pontoon boat to about \$63,000. Fibreglass boats, subject to the import tariff but not the raw material export tariff, will also rise, but not by as much.

Mr. Murray has "eight or nine" boats on order from a U.S. manufacturer based in Knoxville, Tenn., and is in "hurry-up mode" to get them shipped north. "All of the guys down there understand what's going on and are trying to get us our products so we can avoid that tariff," he said.

Rick Layzell, chief executive officer of Boating Ontario Association, which represents 530 marinas and boat dealers, said the tariffs will hit sales of aluminum fishing craft and pontoon boats. These are low to moderately priced boats that have been a bright spot in a recreation industry only just recovering from the recession a decade ago, Mr. Layzell said by phone.

"The impact is very significant," he said. "Our market will not withstand that."

Follow this link to view this story on globeandmail.com: Boat industry worries retaliatory tariffs on U.S. imports will capsize sales www.theglobeandmail.com The viewing of this article is only available to Globe Unlimited subscribers.