



## Trump's metals tariffs rock marine businesses; Dispute over steel and aluminum prompts rise in prices for Canadian marinas and their customers, U.S. manufacturers

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As talks to spare Canada from U.S. tariffs on steel and aluminum drag on, the marine industry on both sides of the border is warning that the metal trade war is taking a mounting toll on its business.

Andy Blenkarn, owner of Desmasdon's Boat Works near Parry Sound, Ont., said the retaliatory tariffs of 10 per cent Canada imposed on U.S.-made boats are making the products too expensive for marinas and their customers.

Bill Yeargin, chief executive officer of Correct Craft, a Florida-based maker of recreational boats, said metals tariffs have driven up manufacturing costs, compounding the price increases faced by the company's Canadian dealers.

U.S. President Donald Trump levied import tariffs of 25 per cent on steel and 10 per cent on aluminum from Canada at the end of May as part of his plan to restore U.S. manufacturing jobs, controversially citing national security as the reason.

The Canadian government retaliated on July 1 with surtaxes of 10 per cent to 25 per cent on a long list of U.S. goods worth \$16.6-billion, including aluminum and steel products as well as ketchup, coffee and boats.

Sources told The Globe and Mail last week that in negotiations to end the tariff war, the United States proposes to impose quotas that would cap the amount of Canadian steel and aluminum crossing the border. But Foreign Minister Chrystia Freeland said the federal government opposes such a quota system.

Canada has announced exemptions, including allowing importers to apply for rebates of the 10-per-cent tariff, provided the goods were sold to a customer before May 31 and delivered into Canada after July 1.

But the tax remains on goods purchased for dealer stock. For Mr. Blenkarn, the boat dealer, this means he must pay the 10-per-cent tariff the moment any models ordered for his showroom cross the border into Canada. But the financing companies that lend him the money to stock and carry an inventory of watercraft do not cover the tariffs.

"The tariff cannot be financed," Mr. Blenkarn said over the phone. "This is the threat to the industry. If you have a dealer with \$2-million worth of inventory in the showroom ... we have to front, out of our cash when it crosses the border, 10 per cent of our inventory."

Mr. Blenkarn said most dealers cannot afford to do so, yet cannot stay in business without boats to show prospective customers.

On top of that, he said, the retaliatory tariffs Canada imposed are not having the desired effect of punishing U.S. exporters. As proof, he noted the delivery time on boats ordered

from U.S. factories has widened to six or eight months from three or four. That's because the U.S. economy is booming, awash in demand partly driven by Mr. Trump's tax cuts.

"It's not doing what it's supposed to do," Mr. Blenkarn said of the tariff. "It is not causing the Americans any pain. All we're doing is costing the Canadian consumer more, making boating more unaffordable."

The Canadian government charged importers of U.S. goods duties of \$173-million in July and \$198-million in August, Statistics Canada said on Friday. This compares with the monthly average of \$45-million from January to June, before the retaliatory taxes were levelled.

U.S. economic growth is expected to top 3.5 per cent in the second half of 2018, said the Conference Board of Canada, adding consumer confidence touched an 18-year high in September.

Demand from U.S. customers is strong, said Mr. Yeargin of Correct Craft, which employs 1,300 people at six factories in the United States and makes seven boat brands, including Nautique and Bass Cat.

"We've been fortunate because the U.S. domestic market is so strong right now that the retaliatory tariffs have not begun to impact us a lot because we've been able to make up for it with domestic production," Mr. Yeargin said.

However, he said U.S. tariffs on aluminum and steel have driven up raw material prices, even though most the supplies are domestic.

And the company's Canadian dealers - there are 15 to 20 - are forced to pay tariffs on boats that are already rising in price.

"We feel like as an industry we're getting squeezed from both ends. Our costs are going up, and at the same time we have retaliatory tariffs from Canada and Mexico," Mr. Yeargin said.

"We have invested a tremendous amount of money in our Canadian distributors and we're concerned about them because they are seeing it on both sides, too. Costs of boats are going up, plus the retaliatory tariffs. Obviously that's concerning for us."

Sara Anghel, president of the National Marine Manufacturers Association, welcomed the Canadian government's relief measures but said the industry needs the entire tariff gone.

She said Canadian marine dealers face a dilemma - order boats now and pay the tariff, or wait out the trade talks and risk missing the key show and spring sales season.

"Boats cannot be domestically sourced," she said. "And I believe boats should not have been on that list to begin with - the only recreational product put on that list."

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