## Canadian Recreational Boat Building Industry Profile



Automotive Marine and Rail Regional Industrial Expansion March 1985

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## OBJECTIVES

1. To provide an up-to-date profile of the recreational boat industry, including pertinent statistical information.
2. To propose guidelines for the application of IRDP to assist the pleasure boat sector.
3. To examine and identify current and potential conditions within the industry, and suggest possible actions to correct problem areas.

## DEFINITION AND DESCRIPTION OF THE INDUSTRY

This profile covers all types of recreational boats manufactured in Canada. These are racer/cruiser sailboats, centre/dagger board sailboats, power cruisers, runabouts, outboards, canoes and rowboats.

The statistics used in this profile are as reported to Statistics Canada. Published annual boatbuilding statistics include the names of major companies reporting for each province.

The Allied Boating Association of Canada (ABC) has initiated a statistical survey of all Canadian companies in the industry which are prepared to provide data to a fiduciary. This survey involves a more detailed breakdown than that of Statistics Canada and includes motors, components and certain imports. Monthly data for 1984 is expected in March 1985 and comparative 1983 data was available in mid 1984. ABC statistics have not been used in preparation of this profile. This department should support any effort to produce timely statistics.

A problem with statistical analysis is the different categories used for shipments, imports and exports. These categories should be standardized and more detailed surveys like the ABC survey should involve breakdowns of these standard products. Compatibility with the U.S. National Marine Manufacturers Association numbers would be most desirable.

It should be noted that many builders, particularly smaller custom builders on the east and west coasts, switch readily from commercial to recreational boats to meet demand. For example, the largest builder in the industry, c\&C Yachts, recently incorporated Comercial Marine to build commercial boats within its present sailboat plants in Canada.

In 1981 total shipments of the industry were $\$ 236$ million. Of this amount, $\$ 170$ million represented boats of various types. Of the $\$ 170$ million, sailboats accounted for $\$ 93$ million and power boats for $\$ 43$ million. Employment was 3860 persons.

In 1982, total shipments dropped to $\$ 189$ million, $\$ 140$ million for boats. Sailboats were at $\$ 73$ million and power boats at $\$ 29$ million. Employment dropped to 2820 persons. The drop in production, sales and employment was due to the depressed conditions associated with high interest rates.

There were 289 establishments either manufacturing or repairing boats during 1982. Of the $\$ 189$ million shipments mentioned earlier, approximately $\$ 140$ million was identified as boats of various types. Paddles, oars, accessories, other products, boat repairs and boat storage accounted for the balance. The size of firms ranges from one or two persons constructing one boat per year on the Nova Scotia or British Columbia coast, to a 350 employee company.

The industry is characterized by many small firms, 82 per cent of which have less than 20 employees. These small firms account for 40 per cent of the shipments and 48 per cent of the employees in the industry, including working owners and partners. There is considerable turnover within the industry with many firms encountering financial difficulties and leaving the sector, particularly when the economy is tight. Many newcomers enter the industry at an accelerated pace as sales grow. The structure of the industry is shown in the following table:

## SIZE OF FIRMS

1982

| Employees per Establishment | Establishments | No. of Workers | Average per Establishment |
| :---: | :---: | :---: | :---: |
| $1-4$ | 160 | 359 | 2.2 |
| $5-9$ | 49 | 327 | 6.7 |
| $10-19$ | 49 | 673 | 13.7 |
| $20-49$ | 23 | 756 | 32.9 |
| 50-499 | 8 | 705 | 88.1 |
| TOTAL | 289 | 2820 | 9.8 |

The large number of small establishments may be attributed to the relatively low cost of entering the manufacture of fibreglass reinforced plastic boats and the high cost of shipping finished boats. Boating enthusiasts frequently wish to turn their hobby into a business and enter boat building.

## Regional Distribution

The distribution of the boat building industry across the country is shown in the following table:

## REGIONAL DISTRIBUTION (1982)

| Province | Number of Establishments | Employment | Shipments |
| :---: | :---: | :---: | :---: |
| Ontario | 28\% |  |  |
| Prince Edward Island | 2\% 33\% | 42\%* | 45\%* |
| Newfound land | 3\% |  |  |
| Quebec | 17\% | 22\% | 23\% |
| British Columbia | 30\% | 22\% | 22\% |
| Nova Scotia | 11\% | 7\% | 5\% |
| Manitoba | 4\% | 4\% | 3\% |
| New Brunswick | 3\% | 2\% | 1\% |
| Alberta | 2\% | 1\% | 1\% |
|  | 100\% | 100\% | 100\% |

* Since 1978, Statistics Canada has grouped Ontario, Newfoundland and Prince Edward Island together for confidentiality.

There is little doubt that the difficulty and cost of transportation have given rise to dispersion of the industry and the preponderance of small firms. Transportation costs can be a significant proportion of the total cost of a boat, however they are less significant with the larger and more expensive craft. Normally companies serve markets falling within 500 miles of their plants. In Canada the bulk of recreational boat building is in the Toronto, Montreal and Vancouver areas. Seventy-five per cent of pleasure boat manufacturing occurs within a radius of 100 miles of these three metropolitan areas.

## Ownership and Contro1

The boat building industry is predominantly Canadian owned and controlled.
In contrast, the outboard motor industry is controlled in the United States by the parent companies of Outboard Marine, and Mercury.

## SUBSECTORS WITHIN THE INDUSTRY

## Sailcraft

The major subsector is now sailboats. Sailboats are identified as racer/cruisers defined here as cruising sailboats, stripped down racing craft and motor sailers with varying ratios of power to sail. A second category is centre or dagger board sailboats including off the beach craft such as the Laser. This category also covers various sailing dinghys and daysailers. Sailboards are a newer category; the distinguishing feature being a hand held sail rig mounted with a universally flexible joint to a hull resembling a surfboard. These were very popular in Europe, but have been over produced and the Industry is coming through a severe contraction. Other categories are multi-hull craft ranging from catamarans such as the Seaspray to trimarans,
which may be large offshore craft, and open keel boats resembling daysailers but with a fixed weighted keel instead of a centreboard.

Total sailboat shipments of $\$ 73$ million or 6569 units were reported in 1982 . This was a $\$ 20$ million drop from 1981, a record year, when reported shipments were at $\$ 93$ million or 11337 units. These figures represent 62 per cent of the total recreational boat shipments in 1982 and 61 per cent in 1981. Sailboat exports were 43 per cent of shipments by dollar volume in 1982 and 37 per cent in 1981.

There are variations in the distribution of the industry across the country. Sailboat construction is dominant in Ontario, the larger companies being C\&C Yachts, Hinterhoeller, Whitby, CS Yachts, Bayfield, Ouyang and Ontario Yachts. Other manufacturers of sailboats are such companies as Cooper Enterprises in British Columbia, and Mirage and Tanzer in Quebec. In the small centre/dagger board sailcraft category there are Laser, and Waterhouse and May (C\&L) in Ontario, and Mistral in Quebec, to mention but a few.

## Power Boats

Power boats include large cruisers, runabouts which normally have a windshield and steering wheel, outboards which are variously described as utility boats, fishing boats or cartops, (simple open craft usually ranging from 12-17 feet in length) mono-hull house cruisers typically not designed for open water, pontoon type houseboats for sheltered waters, and work boats which include commercial craft such as crew boats and boats performing a wide range of tasks. A more recent type of craft is the Bass boat, a larger outboard boat with pedestal chairs for fishing, frequently with large engines to go quickly to a location for fishing, and possibly a small electric trolling motor.

Power boat shipments were $\$ 28.9$ million or 12000 boats in 1982, down from $\$ 42.6$ million or 12600 in 1981. These figures represent 24.4 per cent of total recreational boat shipments in 1982 and 27.8 per cent in 1981. Imports of $\$ 44.5$ million in 1981 exceeded domestic shipments by two million dollars. By 1982 , imports decreased to $\$ 19.56$ million or 63 per cent of shipments. Since the bankruptcy of Beau Industries, Kelowna, British Columbia in July 1982, Quebec and Ontario have dominated the smaller power boat field with Alcan, Doral, Thundercraft and Espadon in Quebec and ACF Grew and Harber in Ontario. In large powercraft, Canoe Cove in British Columbia is active. There are many power boat builders in British Columbia where the major market for larger powercraft is located.

## Canoes

Canoes are available in fibreglass reinforced plastic (FRP), Kevlar reinforced plastic, wood and aluminum. There are many small builders across Canada; the typical small builder manufactures 14-16 foot models and supplies a local market. Larger builders such as Chestnut have "failed" due to a combination of factors including shipping costs, the transition from wood to fibreglass and ease of competitors' access to manufacturing. An individual can obtain
economies of scale by producing 100 canoes a year from a single mould in a garage. Larger builders predominantly engaged in canoe manufacture are Cadorette and Nor-West (principally freight canoes) in Quebec, and Mid-Canada Fihreglass (Scott Canoes) in Ontario.

Unit shipments of canoes peaked at 36000 in 1973, dropped to 11000 in 1978 and stayed low to bottom at 10000 in 1982, with the exception of a peak of 19000 in 1981. Due to the many small builders not big enough to report to Statistics Canada in detail, these figures are suspect.

## Rowboats, Skiffs, Dories, Racing Shells

The rowboat, skiff and dory category is varied. Included are a world class builder of wooden racing shells, Kaschper, in Lucan, Ontario, several builders of practice shells such as Paluski Boats in Peterborough, one or two skiff, dory and skull builders and possibly some outboard boat builders who typically equip their boats with oarlock sockets.

## Boat Trailers

Boat trailer shipments in Canada and an approximation of imports are as follows.

BOAT TRAILERS

|  | Shipments |  | Approx. Imports |  | Apparent Market | Import Share |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | (units) | (\$ thousands) | (units) | (\$thousands) | (\$thousands) |  |
| 1971 | 6845 | 1233 |  | 718 | 1951 | 36.8 |
| 1972 | 7668 | 2382 |  | 898 | 3.280 | 27.4 |
| 1973 | 12735 | 3117 |  | 1874 | 4.991 | 37.5 |
| 1974 | 13805 | 3295 |  | 3023 | 6318 | 47.8 |
| 1975 | 7.384 | 2031 |  | 4293 | 6324 | 67.9 |
| 1976 | 5800 | 1819 |  | 3254 | 5093 | 63.9 |
| 1977 | 5498 | 1824 |  | 3747 | 5571 | 67.3 |
| 1978 | 3679 | 1721 |  | 3935 | 5656 | 69.6 |
| 1979 | 4533 | 2329 |  | 3779 | 6108 | 61.9 |
| 1980 | 4276 | 2549 |  | 3044 | 5.593 | 54.4 |
| 1981 | 2984 | 1829 |  | 3715 | 5544 | 67.0 |
| 1982 |  |  |  | 3226 |  |  |
| 1983 |  |  |  | 3296 |  |  |

Assuming negligible exports, the apparent market grew rapidly from 1971 to 1974, but has dropped in real terms since then. The domestic share of the market dropped from 73 per cent in 1972 to 30 per cent in 1978. This might be attributed to the innovative design and effective marketing of the U.S.E-Z Loader trailer. Most remaining trailer manufacturers have since added
trailers with rollers on rocking beams similar to the E-Z Loader. With the current exchange rate it is felt that a concerted marketing effort by Canadian firms might result in the recapture of the domestic market and possibly development of exports.

## PERFORMANCE OF THE RECREATIONAL BOAT BUILDTING INDUSTRY

An estimate of the Canadian market for recreational boats showed a drop from $\$ 82$ million in 1981 to $\$ 47$ million in 1982 . High interest rates and the depressed market in 1982 resulted in the failure of a number of builders, for example Beau Industries in Kelowna, B.C., one of the largest power boat builders in Canada, and Hughes-Columbia, a major sailboat builder.

Total boat imports dropped by 53 per cent from $\$ 65.5$ million in 1981 to $\$ 30.7$ million in 1982 when the recession hit Canada. Exports dropped a more modest 11 per cent from $\$ 44.2$ million in 1981 to $\$ 39.3 \mathrm{million}$ in 1982 . This gave Canada its first favourable balance of trade in the boat sector since 1972. Imports recovered to $\$ 41.4$ million and exports to $\$ 44$ million in 1983.

The following table gives the number of production workers, the value added, and the value added per production worker in current and constant 1971 dollars. The value added in constant dollars peaked as might be expected, in 1979 and 1981, when sales were buoyant. The high value in 1982 is interesting. It results from the large 30 per cent drop in employment for a 23 per cent drop in shipments in 1982, possibly due to the failure of less efficient companies having low output per employee during this depression year.

## EMPLOYMENT ARD VALUE ADDED

Value Added Per Production
Production and
Related Workers

| 1971 | 2 | 225 | 24 | 689 |
| :--- | :--- | :--- | :--- | :--- |
| 1972 | 2 | 569 | 31 | 867 |
| 1973 | 3 | 059 | 38 | 841 |
| 1974 | 3 | 304 | 51 | 276 |
| 1975 | 3 | 290 | 50 | 037 |
| 1976 | 2 | 965 | 51 | 241 |
| 1977 | 2 | 323 | 36 | 990 |
| 1978 | 2 | 843 | 57 | 485 |
| 1979 | 3 | 281 | 88 | 116 |
| 1980 | 3 | 181 | 93 | 470 |
| 1981 | 3 | 312 | 112 | 841 |
| 1982 | 2 | 325 | 86 | 852 |

Value
Added
Thousands of dollars

Worker
Current $\$ 1971 \$$

| 11 | 096 | 11 | 096 |
| ---: | ---: | ---: | ---: |
| 12 | 404 |  |  |
| 12 | 697 | 11 | 938 |
| 15 | 519 | 11 | 724 |
| 15 | 209 | 12 | 586 |
| 17 | 282 | 10 | 864 |
| 15 | 923 | 11 | 437 |
| 20 | 220 | 9 | 334 |
| 26 | 856 | 10 | 924 |
| 29 | 750 | 12 | 789 |
| 34.070 | 12 | 574 |  |
| 37 | 356 | 13 | 262 |
|  |  | 13 | 351 |

Growth of value added per worker from 1971 to 1982 averaged under 2 per cent per year. From the low in 1977 to 1982 the growth approached 7 per cent per year.

Canada-United States Comparisons
In recent years, Canadian wages in boat building have caught up with and passed U.S. wages in the same sector without adjusting for exchange rates.

AVERAGE WEEKLY EARNINGS - BOAT BUILDING

|  | Canada <br> Annual Increase | ```U.S. Annual Increase``` | Can/U.S. | Exchange Rate US/CN | $\begin{aligned} & \text { CN/US } \\ & \$ C N \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 1971 |  |  | . 992 | 0.99 | 0.98 |
| 1972 | 6.1\% | 5.5\% | . 997 | $1: 01$ | 1.01 |
| 1973 | 8.3\% | 6.7\% | 1.012 | 1.00 | 1.01 |
| 1974 | 10.3\% | 8.2\% | 1.032 | 1.02 | 1.06 |
| 1975 | 18.8\% | 6.3\% | 1.154 | 0.98 | 1.13 |
| 1976 | 12.7\% | 7.6\% | 1.209 | 1.01 | 1.23 |
| 1977 | 10.1\% | 5.7\% | 1.259 | 0.94 | 1.18 |
| 1978 | 5.1\% | 11.3\% | 1.188 | 0.88 | 1.04 |
| 1979 | 7.8\% | 11.0\% | 1.154 | 0.85 | 0.99 |
| 1980 | 8.1\% | 18.1\% | 1.056 | 0.86 | 0.90 |
| 1981 | 15.0\% | 10.9\% | 1.095 | 0.83 | 0.91 |
| 1982 | 20.8\% | 0.8\% | 1.31 | 0.81 | 1.06 |
| 1983* | (14.9\%) | (0.7\%) | 1.12 | 0.81 | 0.91 |

* In 1983 this is on a new base. See S.C. Cat. 72-002, March 1983.

The high increase in average weekly earnings in Canada in the period 1974 to 1977 rendered Canadian industry noncompetitive with the U.S. in this sector. The relatively higher increases in the United States in 1978 to 1980 restored Canada's competitive position, but Canada's performance in 1981 to 1982 more than offset this gain. However the steep drop in the Canadian dollar from 1977 to 1983 compensates for this to a large extent, leaving the tariff of 16 per cent protecting the industry. The Canadian average weekly earnings for 1983 are calculated on a new base so comparability with 1982 is in question.

A large spread exists between wage rates in local areas within Canada and similarly between local areas within the United States. When particular plants are compared, the local wage rates must be examined. For example, in Austin, Texas, where the large Glastron plant is located, wage rates were well below the U.S. national average.

## Observations on Performance

It is apparent that the industry generally has lagged behind in productivity improvement and allowed wage increases out of line with its competitors in the U.S. Successful sailboat builders have commanded a higher price in the U.S. and Canadian markets by virtue of good design and an edge in quality. This reputation should be extended to all subsectors of the industry. Individual initiative is. required. Management must run a tight ship, hold the line on
costs, and increase productivity to take advantage of the existing edge to Canada resulting from the favourable exchange rate. The Industrial and Regional Development Program might be used to provide productivity improvements through funding innovative products and new techniques to improve production processes.

Industrial and Regional Development Program assistance is available for process innovation as well as product innovation so companies wishing to experiment with new methods to improve productivity might wish to investigate the availability of support.

Data shows modest improvement in productivity from 1971 to 1982. An Interfirm Comparison might be undertaken for the builders of large sailboats to give this subsector guidance in selecting areas for productivity improvement. The power boat subsector might also be a candidate. If a single survey were done, the results might be presented in two reports, one for sail and one for power, assuming results were not compatible between the two subsectors.

## TECHNOLOGY

## Design and Styling

Design, styling and performance are important factors in recreational boats. Canada's sailboat builders include firms that excel in design. These firms are not only successful in Canada but in export markets as well. The better power boat builders produce a quality product, but few could be said to excel in design or styling.

## Innovation

Economies can be made by innovative production processes where significant unit volumes are involved or comparatively inexpensive interchangeable machine programs can be used. In volume components such as hatch covers, the use of prepreg or closed mould techniques could reduce costs and additionally have a signfficant advantage in reduced emissions. The same advantages might be achieved with robotic water cutters for trimming components coming out of the moulds and with robotic fiberglass chopper guns.

## Materials

The principal material used in recreational boat building is fibreglass reinforced plastic. This is followed by aluminum, wood, plastic, steel and ferro-cement. Fibreglass reinforced plastic is used in over 90 per cent of Canadian built sailing craft and in most powered craft except at the small end of the line where aluminum, with its weight advantage, is competitively priced in volume production. Fibreglass reinforced plastic hulls, decks and other components are frequently made by hand lay up or spray up of the glass and resin materials using a female mould. The mould is made on a carefully built plug or around the hull of an existing craft. Entry into the industry is relatively inexpensive, particularly if another boat hull is copied or if a used mould is acquired.

Aluminum is most often used in production of small outboard boats, runabouts and canoes. For these smaller aluminum craft costly tooling is normally required. Consequently, entry into this type of production requires significant capital and expertise, and therefore, relatively few companies are involved.

Wooden craft are still built; the skilled labour content is high so the craft are not normally competitively priced against fibreglass reinforced plastic. High density polyethylene and $A B S$ plastic materials are finding applications in small boats and pedal boats, while steel and ferro-cement are used for large craft in some custom yards, and in hulls for home completion.

## Construction Standards

The United States and Canadian Coast Guards have introduced standards for types of craft and for systems which, from historical records accounted for most accidents. The standards apply to power boats under 20 feet in length and to fuel systems, fuel compartment ventilation and electrical systems. Important as they are however, the imposition of standards commonly increases the cost of a product.

The Canadian Coast Guard, with its consultation procedures, is tuned in to requirements and regulates construction standards with inputs from many knowledgeable people. With the objective of simplifying the construction standards for small vessels, the Coast Guard is in the process of preparing a separate set of standards for recreation craft which would involve extracting the standards relative to recreational craft from the broader overall standards. A committee to advise the Coast Guard on this process has been set up by the Allied Boating Association of Canada, ( $A B C$ ) whose membership includes manufacturers, importers and distributors of recreational craft, together with related parties.

## MARKET

The market may be divided into three categories. First, large luxury craft which are included in power cruisers over 23 feet and auxiliary powered sailboats; second, outboards including runabouts and sailboats without auxiliary power; and third, the outdoor sport and recreational type craft such as sailboards, sailing dinghys; canoes and rowboats.

It is conventional wisdom that sales of large luxury craft are not as affected by the economy as sales of less costly craft because buyers of the former are usually unaffected by economic fluctuations in terms of leisure spending source. While this might be apparent in 1974 to 1976 when auxiliary powered sailboat shipments held steady and power cruiser shipments grew substantially, it was not true in 1981-82 when shipments of both categories dropped.

Figure 1 on the following page illustrates shipments in constant 1971 dollars for various types of craft. This highlights the cyclical nature of the market; the cycle relates to the state of the economy in North America.

## SHIPMENTS BY TYPE OF BOAT



Outboards, including runabouts, fill a sport fishing and transportation roll and sales do not appear to be as cyclical as sales of other craft. There appears to be a downward trend over the period 1971 to 1982 which might be a result of the durability of aluminum and fibreglass compared with the use of wood earlier.

The third category, outdoor sport and recreational type craft, including sailboards, kayaks, rowing craft and canoes, serves another market. Canoe sales are split between outdoor stores and marine dealers. A new series of trade shows has sprung up in the United States catering to stylish sports clothing. At least on a trial basis, these shows have pulled sailboard and wet suit manufacturers away from marine shows.

Up to 1973, Canada's foreign trade in recreational boats was roughly in balance. From 1971 until the depression of 1982, shipments as a percentage of the market dropped and then fluctuated about $80-90$ per cent reflecting an unfavourable balance of trade. Depressed conditions in Canada in 1982 resulted in a sharp drop in sales of both domestic and imported products. The large drop in imports and modest drop in exports gave Canada the first "favourable" balance of trade in the boating sector since 1972. Imports are largely power craft and exports principally sailing craft. Canada's favourable position in the sailboat sector is attributed to sound design and quality products. The United States is Canada's principal trading partner in boats accounting for 97 per cent of exports and 81 per cent of imports in 1983.

The domestic market for recreational boats rose from $\$ 43$ million in 1971 to peak at $\$ 84$ million in 1974 , bottomed out at $\$ 54$ million in 1977 to recover to $\$ 82$ million in 1981 , only to plummet to $\$ 47$ million in 1982 , (all in constant 1971 dollars). In current dollars the 1981 peak was $\$ 211$ million and the 1982 trough was $\$ 132$ million. In 1982, sailboat shipments were 62 per cent of total recreational boat shipments. Power represented 24 per cent, rowboat, skiff and dory shipnents represented 4 per cent, and canoe shipments represented 2 per cent of the total. The balance of 7 per cent was for other boats.

Sailboats have been the largest subsector since 1978 when they surpassed power boats in shipments from Canadian establishments. At the same time, sail is the most cyclical element rising from 61 per cent of power boat shipments in 1971 to 118 per cent in 1974 and 1975, dropping to 77 per cent in 1976 only to climb to 253 per cent of power shipments in 1982. Sailboats are reported in three categories, "with auxiliary power" being the larger racer/cruiser craft representing 80 per cent of sail dollar shipments in 1982, sailboats "without auxiliary power" representing 11 per cent of the total and "daysailers and dinghys" representing the remaining 9 per cent.

In 1982 sailboat exports of $\$ 32$ million represented 81 per cent of Canada's exports in this sector, and in turn 43 per cent of Canada's sailboat shipments.

In 1982 power boat shipments were 24 per cent of the total recreational boat shipments. Fibreglass reinforced plastic outboards represented 35 per cent of this figure, aluminum outboards made up 22 per cent, cruisers under 23 feet in length, 22 per cent, and cruisers over 23 feet, 21 per cent. Exports are modest and not broken down in the available statistics.

In 1982 , canoe shipments were at 2.4 per cent and rowboats, skiffs and dories were at 4 per cent of total recreational boat shipments.

The canoe and rowboat, skiff and dory, subsectors are fragmented and spread across the country. This is in part due to the specialized nature of many of the products, in part due to the cost, of shipping and the necessity of going through dealers, and in the high volume simple fibreglass canoe, partly due to the low cost of entering into production.

The 330 per cent increase in crude oil prices in $1973-74$ and 240 per cent increase in 1978-1980 might relate to the onset of the 1974-1977 and 1981-1982 drop in shipments. The rise in sailboat sales appears to coincide with the period in 1977-78 when oil availability was not a prime concern. Recovery of sailboat sales started, however, before the 1979-1980 oil price crisis.

## Channels of Distribution

Most pleasure boats manufactured by larger builders are sold through dealers. Smaller builders frequently deal directly with the consumer, particularly when it involves larger craft. Smaller craft are sometimes sold through department stores or distributors. Some craft are sold through agents, particularly to areas remote from the manufacturers. A cost trade-off exists, depending on the channel of distribution used. The small builder selling directly in a local area can frequently offset higher production costs by lower marketing and shipping costs. In addition, he can give better personal service.

## Prices

In the two years from 1973 to 1975 when the prices jumped by 29 per cent, Canada's exports fell and the door was opened for U.S. imports in spite of the tariff. In the period since 1976, the drop in the value of the Canadian dollar with respect to the U.S. dollar has corrected the competitive position of the recreational boating industry in export markets.

The industrial selling price index for canoes is listed as follows:

```
1971 - 100
1972 - 103.9
1973 - 108.3
1974-123.3
1975 - 140.0
1976-151.1
1977 - 170.6
1978-185.1
1979-210 estimated (Stats. Can. Info. Confidential)
1980-236.6
1981 - 256.9
1982 - 279.8
1983 - 283.7 (Jan. - Oct.)
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While this is an index for canoes only, one large sailboat manufacturer checked it against a sail craft in production over the earlier part of the period and reported substantial agreement between the escalation of costs of this craft and the canoe price index.

## GOVERNMENI POLICY ENVIRONMENT

## Government Assistance

Historically, federal government assistance to this industry has been mostly in the area of marketing. The Program for Export Market Development (PEMD) is aimed at increasing exports by sharing the cost and risk of exhibiting at boat shows and of making marketing trips to countries outside of Canada.

## Tariffs

The Tariff Board has recommended that the $17 \frac{1}{2}$ per cent and 25 per cent tariffs on boats be reduced to 15 per cent and that articles used in the construction of pleasure craft enter under the flat rate of 10 per cent if the item is made in Canada and free if the item is not made in Canada. These recommendations have been substantially implemented in the Multilateral Trade Negotiations (MTN). In January 1987, the end of the 8-year implementation period, the tariff on all recreational boats will be 15 per cent.

The materials and parts scenario is complicated. A variety of tariff items is involved. A review of the tariff reductions scheduled under the MTN for components listed by the Tariff Board shows that the final rate in many cases is close to 10 per cent. There are exceptions, largely in the aftermarket, examples being clothing, textiles and sails.

Duty Remission
The objectives of duty remission are to permit international companies to rationalize production by producing certain models in Canada for the world
market and importing other models duty free as long as the Canadian company increased Canadian value added.

Duty remission is used by Canoe Cove and A.C.F. Grew in the power cruiser field, but has not been approved in the sailboat sector. This decision regarding sailboats was taken following extensive study and debate of the advantages and disadvantages of a duty remission scheme for sailboats by the industry, and the Departments of Finance and Industry Trade and Commerce. When duty remission for power cruisers was first introduced in 1969 no other Canadian companies were producing craft of this size. Now that other companies are in production consideration should be give to phasing out duty remission probably by incremental increases in the minimum length of boat eligible.

## User Facilities

The availability, proximity and cost of facilities for the use of recreational boats are vital to their sales. Additions of facilities at Vancouver and Toronto, has alleviated acute shortages in these locations. Some difficulties that stand in the way of adding new boating facilities are the overlapping responsibilities of the local community, the province and the federal government. For facilities to be a success, the initiative must be taken in the community by local boat users, yacht clubs, marinas, and boat builders. To this end at present some funds are available from the Small Craft Harbours Branch of the Federal Department of Fisheries and Oceans to cover construction of breakwaters and dredging costs where an equivalent sum is expended by another party on shore side facilities.

## CONCLUSIONS

The recreational boat manufacturing industry is made up of many small firms spread across the country. This is due to a number of factors including the influence of shipping costs, the low cost of entry into production of most fibreglass reinforced plastic boats, the fact that current manufacturing methods do not give large savings from mass production and a preference on the part of certain buyers to deal with a local firm.

Canada's builders of large sailboats are more competitive than its powerboat builders, particularly in the export market. This is based on reputation built on sound design, quality construction and good business practice. Trade is principally with the United States, with 97 per cent of recreational boat exports to the United States in 1983. The principal material used is reinforced plastic with fibreglass the predominant reinforcement. Aluminum is a contender particularly in the small outboard boat field. Wood and plastic are used in some craft.

Industry productivity is not as high as might be expected due partly to the large number of small firms and the labour intensive nature of the most common fibreglass lay up or spray up process. Significant effort by all members of the industry, helped by process innovation and productivity improvement action should improve productivity.

Federal government assistance is broadly used in exporting through the Program for Export Market Development and the Fairs and Missions Program. The Industrial and Regional Development Program has significant use by some firms.

## RECOMMENDATIONS

1. While the sector is eligible for all facets of I.R.D.P. and projects are reviewed on their individual merits, it is expected that, because of ease of entry and the large numbers of small firms in the sector, assistance should be targetted at developing high quality product design and processes.
2. DRIE, in consultation with the industry and the Allied Boating Association of Canada, should propose an interfirm comparison study in the large sailboat manufacturing sector, and in the power boat manufacturing sector. Findings would assist these two sectors to identify operations where costs could be reduced.
3. Export marketing assistance through PEMD and Fairs and Missions programs of the Department of External Affairs should be continued.
4. DRIE regional offices should make every effort to provide information to this sector on small business assistance programs, as most manufacturers in this sector are classified as small businesses.
5. Consideration should be given to phasing out the duty remission program for power boats as other builders in Canada are now producing power cruisers over 25 feet in length.
6. Timely statistics for the boat building industry in Canada are needed. DRIE should make every effort to support the ABC statistics survey and should consider alternatives if this survey does not proceed.
7. Statistics Canada should standardize the shipment, import and export category definitions of boats to facilitate future analysis. Other statistics gathered should form a breakdown of these same categories.

