



2016 Top Markets Report **Recreational Transportation** Country Case Study

Canada

Canada has ranked first on ITA's list of top recreational transportation export markets for the last decade.

Over the next three years, Canada will account for over 40 percent of all U.S. exports in the sector. Its proximity to the United States and the close commercial relationship enjoyed by many U.S. suppliers provide exporters a favorable environment to sell their products or services. While most exporters are well established in Canada, many small manufacturers, particularly in southern states, could benefit from export promotion activity.



Canada is the largest market for recreational transportation products and is the number one market for recreational marine products, RVs and miscellaneous vehicles. It is the second ranked market for the other recreational transportation sector, motorcycles. The rankings are not likely to change in the near or mid-terms future.

Overview of the Recreational Transportation Market

Canada has seen its Disposable Personal Income (DPI) increase since 2005. The GNI per capita for Canada was \$51,630 in 2014. As a result, U.S. exports to Canada of recreational transportation products have become more important to U.S. manufacturers. During the global recession in 2008, many U.S. manufacturers pointed to the continued growth in Canada as the savior of their bottom line. Canada's DPI is forecast to continue growing over the next several years, according to the Trading Economics.¹

Unlike many other markets, there are major domestic competitors in Canada in most of these sectors. The ease of doing business between the two markets,

however, means that opportunities are available and will continue to be available, particularly for U.S. producers that offer a unique or new product.

The Canadian market for recreational marine products is strong. U.S. recreational marine exports to Canada account for 27 percent of total U.S. recreational marine exports. Canada has more lakes than any other country, and many are perfect for recreational boating.

The National Marine Manufacturers Association (NMMA) of Canada represents the interests of the Canadian recreational boating industry. NMMA's recent statistics indicate that in 2012, more than one in five Canadian households owned at least one recreational boat while just over one-third of households participated in boating. Ontario leads the way with 40 percent of residents participating in boating, followed by British Columbia at close to 20 percent. Much like the United States, the primary buyers of boats and marine products are part of the middle class. The average boater in Canada ranges between the ages of 31 to 49, has children at home

and has a household income of CAD 40,000 to CAD 99,000 a year.

There are several competitive manufacturers of boats in Canada that U.S. producers must compete with for market share. In the personal watercraft segment, Canada is home to Bombardier, one of the world's largest manufacturers of these products.

The United States has consistently been, by far, Canada's main RV trading partner. In 2015, U.S. RV exports to Canada totaled \$1.1 billion, representing over 90 percent of U.S. global RV exports. Towable RVs were the largest category of exports to Canada, accounting for about 76 percent. ITA expects U.S. RV exports to Canada to increase to \$1.3 billion in 2018 with a CAGR of 5 percent.

In 2014, Canada imported \$803 million worth of RVs, with \$672 million (almost 84 percent) coming from the United States. Canadian imports of RVs in 2014 increased by over 2 percent from 2013. Also, imports in 2014 of motorhomes with gas combustion engines over 3,000 cubic centimeters (cc) were \$215 million, an 18.5 percent increase over 2013. Ninety-eight percent of these products were from the United States. Imports of motorhomes with larger gas and diesel engines recorded solid increases as well, representing a combined \$8.6 million in annual sales.

In 2011, Canadians spent \$1.6 billion by staying at one of the 5,000 independently owned and operated campgrounds located across the country. Total economic activity in 2011 associated with the Canadian RV industry was \$14.5 billion.² There are over 1 million RVs currently in use in Canada. Surveys indicate that 14 percent of Canadian households own an RV.³

In 2011, the total value of RVs manufactured in Canada was \$265 million. Of this total, Canadians purchased \$156 million, and \$109 million were exported to other countries. Approximately 99 percent of all RVs retailed in Canada are made in the United States.⁴ ITA's office in Toronto listed 28 RV manufacturers in Canada.

There are more than 5,000 campgrounds across Canada. Approximately 3,000 of these are privately owned. Campgrounds contribute \$1.6 billion to Canada's GDP, and they are responsible for creating almost 30,000 jobs, mainly in rural communities.⁵

There are a number of regulations applicable to RVs in Canada. Trailer towing requirements exist for each Canadian province and territory, as well as brake regulations and provincial licensing requirements. Also, each province has its own size restrictions, seat belt regulations and safety chain laws.

Several leading organizations represent the RV industry in Canada. These include the Canadian Recreational Vehicle Association, Recreation Vehicle Dealers Association of Canada, Canadian Camping and RV Council, Recreation Vehicle Industry Association, GoRving Canada and Recreational Vehicle Owners Association of British Columbia.

The U.S. motorcycle industry is the least dependent of all the recreational transportation sectors on the Canadian market. U.S. exports of motorcycles to Canada only account for 13 percent of total U.S. motorcycle exports. That is still significant but not a driving force for overall sector health. According to the Motorcycle & Moped Industry Council of Canada, over 160,000 new units of motorcycles, scooters and ATVs, plus parts and accessories, were sold during 2013 at an estimated retail value of \$1.6 billion.

By dollar value, new motorcycle sales accounted for 51 percent of the total retail value of sales and new ATV sales accounted for 48 percent of the total retail value of new unit sales. There were 747 authorized motorcycle dealers and 842 authorized all-terrain vehicle dealers across Canada in 2013.⁶ Within the miscellaneous manufacturing sector, the dependency on the Canadian market is more relevant. U.S. exports of snowmobiles, ATVs and golf cars to Canada account for 36 percent of total U.S. exports of these products. Snowmobiling and ATVs are quite popular in Canada.

The snowmobile market is quite large in Canada. There are nearly 70,000 miles of groomed trails in Canada. It is likely the second largest trail system in the world. There are three major manufacturers of snowmobiles in Canada. This is a market that is well developed and the most important outside of the United States. The American Council of Snowmobile Associations has created a resource for market information about snowmobile trails that can be found at <http://www.snowmobileinfo.org>. It has information on both the U.S. and Canadian markets.

Challenges and Barriers to Recreational Transportation Exports

There is little or no barrier to entry into the Canadian market for recreational transportation manufacturers. Many of Canada's regulations are very similar to those in the United States. Canadian regulators operate independently from U.S. regulators but usually modify the product standards incorporated into Canadian regulations after new standards are developed in the United States. Slight differences do exist and must be noted in order to successfully compete in the Canadian market, but these are not typically costly or onerous.

Opportunities for U.S. Companies

Where U.S. recreational transportation companies need help is in the area of export promotion, as they tend to think they are fully informed of all the export opportunities in Canada. Manufacturers, particularly small manufacturers, are likely to be overconfident in their knowledge of the Canadian market. Much like the U.S. consumer, Canadian buyers are conscious

about what they want. The Canadian dealers are constantly looking to keep up with them and are seeking new products and new innovations. Therefore, the best way to support the industry is to bring Canadian buyers to U.S. shows through IBP events and encourage manufactures to attend the Canadian industry's trade shows. Finally, getting access to Canadian market conditions and opportunities would benefit many of the small U.S. recreational transportation manufacturers.

The important trade shows in the United States that could entice Canadian buyers are: 1) the Miami International Boat Show held in February, 2) the *Dealernews* International Powersports Dealer Expo held in December in Chicago and 3) the National RV Trade Show in Louisville. The major shows in Canada for this industry sector are: the Toronto International Boat Show held in January, the North American Int'l Motorcycle SuperShow held in January in Toronto and the Toronto Snowmobile, ATV and Powersports Show. While for RVs, there are a number of RV shows across Canada each year. A list of shows in 2016 can be found at www.crva.ca/rv-shows.

Did You Know?

1. Canada has seen Disposable Personal Income (DPI) increase since 2005.
2. More than one in five Canadian households owned at least one recreational boat while just over one-third of households participated in boating.
3. Participating in Canadian recreational transportation trade shows is a great way to introduce your products to the market or increase market share.
4. Participating in U.S. recreational transportation trade shows is a great way to find firms looking to sell your products into Canada.
5. Over 90 percent of total U.S. RV exports are to Canada.

¹ Trading Economics, <http://tradingeconomics.com/canada>.

² "Economic Impact of the Canadian Recreation Vehicle Industry," Recreation Vehicle Dealers Association of Canada, December 2012.

³ "Canadian RV Industry," Recreation Vehicle Dealers Association of Canada, World RV Conference, Melbourne, Australia, February 27, 2015.

⁴ "Economic Impact of the Canadian Recreation Vehicle Industry," Recreation Vehicle Dealers Association of Canada, December 2012.

⁵ "Canadian RV Industry," Canadian Camping and RV Council, World RV Conference, Melbourne, Australia, February 27, 2015.

⁶ 2013 Annual Industry Statistical Report of the Motorcycle & Moped Industry Council of Canada and the Canadian Off-Highway Vehicle Distributors Council.