



# **CMMA Engine Working Group Committee Activity**

**CMMA AGM: Bill Collins, January 14, 2008**

# CMMA Engine Working Group Committee Activity



## ■ Background

- CMMA EWG was formed when CMMA was contacted by Environment Canada (EC) December 1997 to discuss the prospect of Emission Regulations in Canada
- Discussions focused on a Canadian Marine Emission Solution based on the U.S. Environmental Protection Administration's Marine Emission Regulations of 1996

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## ■ Background Con't

- Negotiations with EC continued until early 1999, culminating in a Memorandum of Understanding (MOU) being struck between EC and CMMA members effectively bringing U.S. EPA requirements to Canada on a voluntary basis
- MOU began with the 2001 MY.
- MOU Agreement survives to this date.

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- Background continued:
  - It was always EC's intention to enshrine the requirements that formed the basis of the MOU into a Federal Regulation.
  - Pre Canada Gazette Part 1 (Discussion Paper) released by EC July 2004
  - Initial Draft Regulation included complex Canada Specific reporting requirements and other issues which were discouraged by Industry
    - Complex Averaging, Audit Testing, Year End Reporting

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- Background Activity Con't
  - Gazette Part 1 was issued by EC December 2006
  - CMMA comments were assembled by the EWG and forwarded to EC in our letter of February 28, 2007
  - Major issues included:
    - Determination of Model Year
    - Regulatory Alignment with EPA
    - Rental Rate Adjustment
    - Fleet Averaging Considerations
    - Non-CMMA Commercial Imports
    - Section 36; "Sold Concurrently" (SC) clause applicable to Canada Unique Models

# CMMA Engine Working Group Committee Activity



- Background Activity Con't
  - EWG met with EC directly on May 10, 2007 in Ottawa to review outstanding issues as referenced in our February letter. Meeting highlights:
    - EC was blindsided by the volume potential of Small Volume Importation
    - Despite convincing arguments from Industry, EC refused to consider elimination of the SC clause or address Industry concerns over Canada Unique Importation Approval

# CMMA Engine Working Group Committee Activity



- Current Activity Con't:
  - *SC clause background:*
    - This clause eliminates a Manufacturer/Distributor from using an EPA Certificate to prove compliance to EC requirements in the absence of U.S. Sales
    - Forces Manufacturer to go through time consuming and uncertain EC “review” process
    - Industry needs clarity from EC when they decide to bring Canada Unique models to market both in terms of **Content** of Submissions; & **Turn Around Time** of the Application
    - To date; CMMA has been stonewalled by EC on both these fronts despite absolutely no compelling arguments from EC to the contrary

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## ■ Current Activity Con't

### – *Non CMMA Small Volume Import background:*

- CMMA estimates in early 2007 indicate ~20% of New Engine Sales appeared to be coming from the U.S.
- EC investigation into this finds that some 340 (CBSA data) separate entities Imported Marine Engines from the U.S. last year; *this figure completely overwhelmed EC*
- CMMA cautioned EC that given current exchange rates; we expect this Import volume from small Non CMMA importers to rise substantially through 2007
  - CBSA data shows 210 entities imported 95% of engines
  - 30 entities imported over 100 engines

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## ■ Current Activity Con't:

- EWG Committee responded to EC subsequent to our May meeting with our letter of October 18, 2007 which
  - Expressed Member concerns over how EC could/would deal with the volume of Non CMMA Member imports
  - And correspondingly detailed an offer to “grandfather” in these “Orphan” units in exchange for the elimination of the SC clause.
- In their response of November 5, 2007, EC again refused to consider any of our suggestions/offers and planned to deal with Small Importers by means of exemptions from certain reporting requirements.
- At this point *Global Public Affairs* was called in to review the file and suggest possible additional lobbying strategies.

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- Current Activity Con't:
- It was decided by the EWG to escalate this issue to the DG level and a detailed response was drafted in conjunction with GPA
  - CMMA's December 21 letter was forwarded to EC Director General, Gord Owen, which was carefully worded to "press all the right buttons" and encourage reconsideration of Industry's Concerns.
  - CMMA has yet to hear back on that submission

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- Immediate Future EWG Activity:
  - Follow up with EC in the new year on the Canada Unique (SC) issues and the treatment of Non CMMA Member Small Volume Importation
  - In a nutshell; CMMA members require:
    - All Importers to be on a level playing field
    - Clarity of **content and Turnaround time** for Canada Unique Applications preferably through the U.S. EPA application option or alternatively the EC submission option at the Member's preference. (2<sup>nd</sup> option not detailed to EC in our December 21 letter)
  - Gazette Part 2 expected early 2008; effective July 1, 2008

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## ■ Long Term EWG Issues:

- U.S EPA has issued a NPRM for “Tier 2” Marine Emissions for implementation beginning in 2009
- EC has indicated that they plan to adopt these requirements at some point in the future.
- This will include ALL Marine Power (Inboards/Stern-Drives) as well as built in Fuel tanks in Boats
- This is a very complex Regulation (~1,100 Pages)
- EWG expects long and arduous negotiations with EC over this amendment starting later this year

# CMMA Engine Working Group Committee Activity



■ *Thank You*

# Additional slides



- **EPA Signs Landmark Marine Engine and Boat Evaporative Emission Rule**

- ***Comprehensive rulemaking affects all sectors of marine manufacturing***

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CHICAGO, April 18, 2007 Yesterday afternoon, April 17, the Environmental Protection Agency (EPA) signed a proposed rule that, once finalized, will result in the largest regulatory action in the history of the recreational marine industry. The EPA rule, titled Control of Emissions from Non-road Spark Ignition Engines and Equipment, impacts boatbuilders, gasoline engine manufacturers (both outboard and inboard/sterndrive) and manufacturers of marine generators. The National Marine Manufacturers Association (NMMA) is encouraging its members to submit comments to EPA on its proposal by the August 3 deadline.

The effects of EPA's latest proposal are two-fold, requiring spark ignited (gas) marine engine manufacturers to meet new emission standards beginning in 2009 and boatbuilders to reduce evaporative emissions from boat fuel systems. Under the proposal, outboard and PWC engines will have to be certified to the same stringent exhaust emission standards as will be required by the California Air Resources Board (CARB) in 2008. For sterndrive and inboard engines, the EPA rule proposes catalyst-based exhaust emission standards apply beginning in 2009. Boatbuilders will be required to change their fuel systems with requirements for fuel hose, plastic fuel tanks and controlling emissions from the fuel tank vent.

This is by far the most comprehensive rulemaking ever imposed on the recreational marine industry, says Thom Dammrich, NMMA president. It's not just an engine rule; this proposal directly affects boatbuilders as well as engine manufacturers and will change the way builders design a boat's fuel system. The entire industry needs to be aware of this ruling and prepare to meet all necessary requirements under the new EPA guidelines.

This rulemaking culminates nearly a decade of NMMA and industry-wide efforts to work with EPA on several data collection projects related specifically to evaporative emissions and engine emissions, including: The Carbon Canister Diurnal Emission Evaluation; Fuel, Fill and Vent Hose Permeation Emission Test Program; Off-cycle Emission Data Collection Project; and the Fresh and Salt Water Catalyst Test program, funded by EPA, the U.S. Coast Guard and CARB.

It is very rewarding to be part of an industry that works so closely with government agencies like EPA and the U.S. Coast Guard to create these regulations, which provide cleaner air, improved fuel economy and allow for the creation and development of new products for our customers says Chuck Rowe, NMMA Chairman and president of Indmar Products Co. Inc.

A public hearing has been scheduled for June 5 in Reston, Va. Members of the NMMA Evaporative Emission Task Force and the Engine Manufacturers Division (EMD) will convene May 14-16 to prepare for the hearing. Written comments are due to EPA by August 3

To download a copy of the proposed EPA rule, preamble and Regulatory Impact Analysis, visit <http://www.epa.gov/otaq/marinesi.htm>. For additional information, contact John McKnight at (202) 737-9757; [jmcknight@nmma.org](mailto:jmcknight@nmma.org).

National Marine Manufacturers Association (NMMA) is the leading association representing the recreational boating industry. NMMA member companies produce more than 80 percent of the boats, engines, trailers, accessories and gear used by boaters and anglers in the United States. The association is dedicated to industry growth through programs in public policy, market research and data, product quality assurance and marketing communications.

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# Additional slides



## Summary of Boat Package Sales

May 9, 2007

### Outboard Engine Sales Summary

Year	Wholesale	Retail
2004	40,040	41,398
2005	39,886	41,147
2006	34,005	41,050

The gap (7,045 or 17.6% of retail sales) between wholesale and retail sales is being created due to the importation of boat packages, including O/B engines, from the USA to dealers in Canada. The wholesale sales transactions do not pass through the Canadian companies. These are sales of engines to USA based boat builders by USA based engine companies. The USA based builders sell and ship the packages directly to Canadian boat dealers.

In some cases the boat manufacturers deliver the packages to the dealers in Canada but the Canadian dealers are "the importer of record". In other cases, the manufacturers ship and import the packages to Canada. Then title to the boats changes to the Canadian based dealers upon physical delivery to the dealers' facility. This makes a USA based boat manufacturer the "importer of record".

There are clear indications, such as the closure of the Lund factory, this practise will not only continue, but will escalate. This will further erode the ability of the Canadian based engine suppliers to track and file reports on O/B engine sales in Canada.