

May 24th, 2022

The Right Honourable Justin Trudeau, P.C., M.P.
Prime Minister of Canada
80 Wellington Street
Ottawa, ON K1A 0A2

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
90 Elgin Street
Ottawa, ON K1P 5E9

RE: Select Luxury Items Tax Act

Dear Prime Minister and Deputy Prime Minister:

Please accept this letter as a follow-up to the serious concerns that have been raised by Canada's aerospace, aviation and manufacturing industries regarding the Select Luxury Items Tax Act and the dramatic, negative impact on Canadian manufacturing and jobs that will be experienced should the Act be implemented as currently drafted.

We recognize that you and your colleagues are faced with many challenging fiscal pressures. However, the proposed Select Luxury Items Tax Act will penalize manufacturers, operators, distributors, pilots and suppliers, and negatively impact jobs. It will also cause significant repercussions within the supply chain, maintenance, repair and overhaul industries, and the entire aviation ecosystem at a time when they are just beginning to recover from the devastating effects of the COVID-19 pandemic. We estimate almost \$1 billion in lost revenue and losses of over 1,000 direct value-added Canadian jobs in manufacturing due to this legislation. This on top of the over 30,000 jobs lost through the pandemic.

The proposed tax and its threshold for exemptions will also be a major deterrent to private aircraft operators who want to convert to newer aircraft with lower operating costs and carbon footprints. As a direct result, there will be fewer private aircraft being purchased, which will translate into reducing activity that is critical for the operation of community aerodromes that benefits economic growth in small communities. The trickle-down effect of the implementation of this proposed luxury tax on private aircraft will have long-term detrimental effects on the average working-class Canadian family.

Canadian firms should not be at a disadvantage relative to international competitors. Lessons can be learned from other countries that introduced such a tax, only to ultimately repeal it due to the significant damage it caused to their domestic manufacturing sectors.

If the government proceeds, the current legislation will need substantial modifications. Methods already exist to tax personal usage of aircraft and using these would be much less detrimental to the workers that make up this innovative industry in a large country like Canada that is reliant on aircraft for transport. Additionally, the aerospace industry is a national strength that provides jobs and can support green innovation.

If this tax moves ahead, Canada will be sending the wrong message. In addition to undercutting aerospace manufacturing activities and employment, the tax will jeopardize Canada's attractiveness for business investment from abroad. All policy levers should be pulled in the same direction to support our nation's economic and job recovery. We stand ready to work with government to achieve this.

Yours sincerely,



Aerospace Industries
Association of Canada



Canadian Owners and
Pilots Association



Canadian Business
Aviation Association



International Association
of Machinists and
Aerospace



Helicopter Association of
Canada



Canadian Manufacturers
& Exporters



Canadian
Chamber of
Commerce

Chambre de
Commerce
du Canada

Canadian Chamber of
Commerce

cc:

The Honourable Mary Ng, Minister of Small Business, Export Promotion and International Trade
The Honourable François-Philippe Champagne, Minister of Innovation, Science and Industry of Canada
The Honourable Omar Alghabra, Minister of Transport