



OXFORD
ECONOMICS

Potential Impact of a Tariff Increase on US/Canada Motorcoach Trade

February 2025

Prepared on behalf of:





1 Key Findings

Key Findings

Oxford Economics prepared a detailed analysis of the expected economic impact of the potential 25% tariff on Canadian imports on behalf of the American Bus Association (ABA).

With the potential 25% tariff increase imposed on Canadian imports, motorcoach capacity in the U.S. will decrease, resulting in constrained motorcoach activity.

Reduced motorcoach activity would result in less motorcoach revenue and associated spending in the U.S. This would result in the loss of \$3.1 billion in business sales in 2026, leading to the loss of 14,460 jobs in the U.S. economy.

Though an additional \$156.8 million in direct Federal tariff revenue would be generated annually, we estimate \$193.4 million of other Federal tax revenue would be lost, causing a net impact of -\$34.8 million of Federal tax revenue.

Annual Run-Rate of Losses



Note: Estimates measure total impact of lost passenger spending due to the cost increase caused by the Tariff.
Source: Oxford Economics

Key Findings

Five-Year Impacts

The five-year (2026-2030) impact of a potential 25% tariff increase imposed on Canadian imports would lead to a loss of \$17.4 billion in business sales throughout the U.S., resulting in the loss of 75,340 jobs in the U.S. economy and over \$4.6 billion of wages and salaries.

The Federal loss of tax revenue would reach \$235.6 million relative to a baseline scenario.

5-Year Time Period Losses



Note: Estimates measure total impact of lost passenger spending due to the cost increase caused by the Tariff.
Source: Oxford Economics

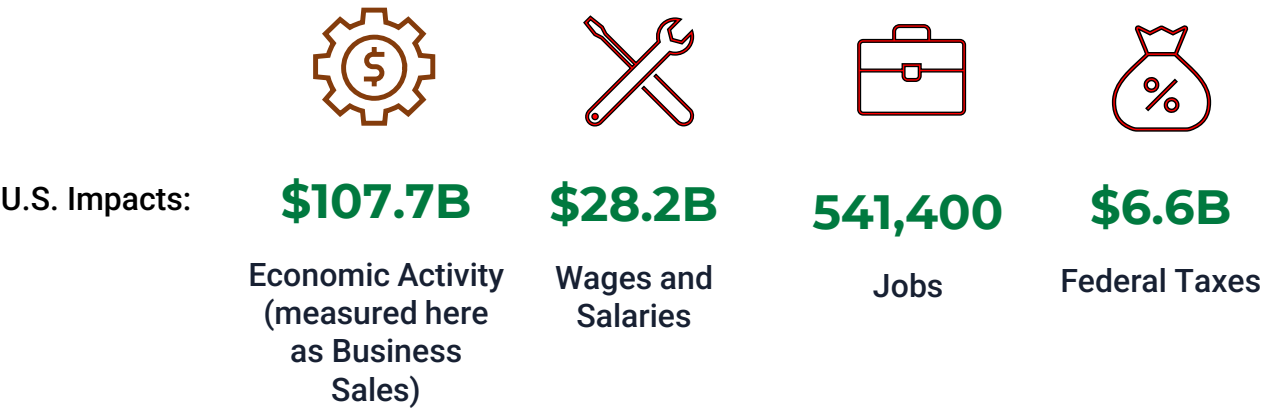
Key Findings

Important Role of Motorcoaches

In 2023, motorcoaches transported 317 million passengers in the U.S. Motorcoach activity supported \$107.7 billion of total business sales in the nation, supporting jobs for almost 541,400 residents and \$6.6 billion of Federal taxes. The 1,859 carriers in the U.S. with 46,751 motorcoaches, supported the equivalent of \$34.3 of tax revenue per resident.

Of the 541,400 jobs supported by the motorcoach industry, almost 327,000 were direct jobs at motorcoach operations and other directly supported jobs including jobs at restaurants, stores, and hotels used by motorcoach passengers.

Total economic impact of motorcoach activity in 2023



Note: Estimates measure total impact of motorcoach activity during 2023.
Source: Oxford Economics, 2022 ABA Motorcoach Economic Impact Results



2 Scenario analysis

Background

Canada and the United States enjoy the world's most comprehensive trading relationship, which supports millions of jobs in each country. Both countries are each other's largest trading partner with nearly US\$2.7 billion worth of goods and services crossing the border each day.

For the better part of four decades, trade between the U.S. and Canada has been governed by a succession of free trade agreements, the most recent of which is the Canada-United States-Mexico Agreement (CUSMA), which entered into force in July 2020.

However, the threat of tariffs on Canadian imports raised earlier triggered a fresh wave of concern from industry leaders. According to the Office of the U.S. Trade Representative, U.S. goods and services trade with Canada totaled an estimated \$908.9 billion in 2022. Exports were \$427.7 billion; imports were \$481.2 billion.

In 2023, the U.S. imported from Canada public-transport type passenger motor vehicles worth \$740 million.



Motorcoach Industry at a Glance

Motorcoach Census 2023 Results

In 2023, the motorcoach industry in the United States and Canada comprised 1,984 companies that operated 47,946 motorcoaches. In the United States, 1,859 companies operated 46,751 motorcoaches; in Canada, 125 companies operated 1,195 motorcoaches. The industry provided 38.0 billion passenger miles. Industry motorcoaches traveled 1.6 billion miles in 2023, averaging 821,013 miles per carrier and 33,976 miles per motorcoach. The industry provided jobs to 76,949 people.



1,984

Motorcoach
carriers in the
U.S. and Canada



47,946

Motorcoaches
operated in the
U.S. and Canada



38.0B

Passenger miles
travelled



1.6B

Miles travelled



76,949

Total
employment in
the motorcoach
industry

Methodology

Tariff Impact

We analyzed the potential cost increase caused by the 25% additional tariff on Canadian imports by building a model to quantify the impacts of the cost increase. The model was informed by our review of U.S. and Canadian trade data, our ongoing work with the ABA for the quarterly Coach Builder Survey, our industry size estimates for the 2023 Motorcoach Census, and a review of the 2022 motorcoach economic impact results.

We estimated the loss of passenger spending in response to the decreased capacity of motorcoach operators and inability to meet demand, as well as the cost increase caused by the Tariff based on an assumed price elasticity of demand.

We estimated reduced motorcoach operator capital investment in purchasing new motorcoaches based on the increase in the cost of imported vehicles from Canada.

Economic Impact

We prepared a customized IMPLAN input-output model to quantify impacts associated with changes in passenger spending. This model incorporates industry data on employment, wages, and sales to analyze three streams of economic activity.

- Direct impact: Spending occurring directly at motorcoach operations, other travel purchases such as those done at restaurants or retail stores, and hotels.
- Indirect impact: Supply-chain effects that occur as motorcoach operators make intermediate purchases to support their business operations.
- Induced impact: The effect of labor income on the economy, such as when motorcoach employees spend their income.

These three streams are added together to calculate the total economic impact.

Key Findings

The potential of a 25% tariff increase on Canadian imports raised earlier by the Trump administration (referred to in the report as the Tariff) triggered a wave of concern from industry leaders given the significant share of motorcoaches imported from Canada.

Assumed regulation

For this analysis, we assumed a scenario with:

- **No substitution for Canadian imports:** U.S. motorcoach operators do not have the opportunity to purchase domestically-produced motorcoaches to replace imports from Canada given the strong reliance on imported Canadian motorcoaches.
- **Delayed impact until 2026:** The Tariff legislation would pass in 2025, but implementation (and hence impact) will not take effect in 2026.
- **No substitution for motorcoach as a means of transportation:** Analysis represents gross impacts, without accounting for potential offsets through substitution to other forms of transportation or spending.

How this affects operators

The Tariff would increase the cost of buses imported from Canada, leading to reduced capital investments by motorcoach operators, higher prices, lower demand, and lower motorcoach capacity in the U.S.



Impact Description

Effect of Tariff

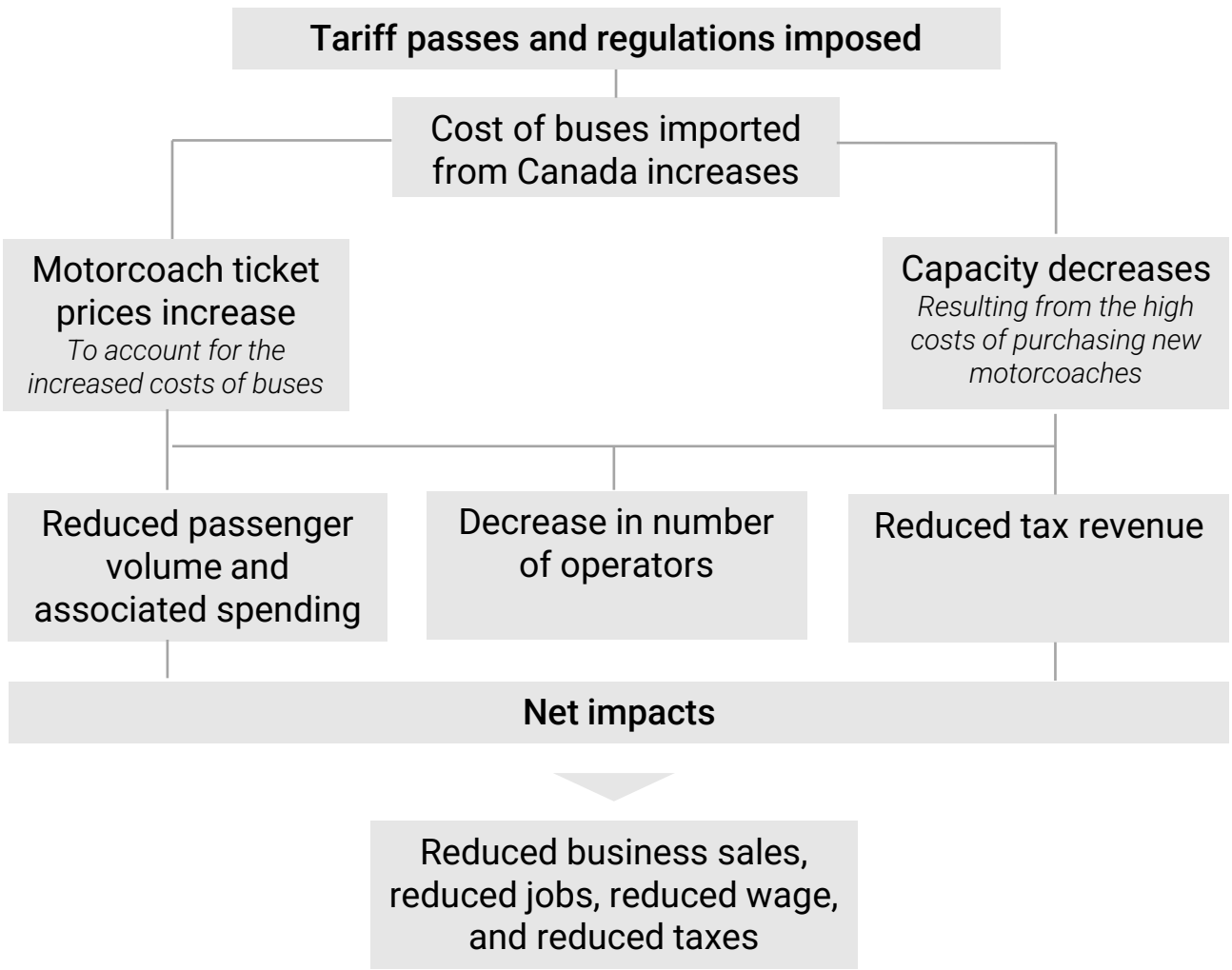
The Tariff would increase the cost of motorcoaches for operators. To adjust for this, operators would increase ticket prices, reduce capital investment, and sell fewer tickets.

The primary negative impact would be the reduced number of visitors caused by the increase in cost of motorcoaches resulting in price increases. Economists refer to this type of impact as the price elasticity of demand: a higher price corresponds with a decrease in demand.

Another major impact is the decreased capacity of operators to meet the demand due to their inability to provide sufficient motorcoaches.

Although higher taxes resulting from the increase in tariff revenue are, in principle, beneficial for the Federal government, the loss in Federal taxes stemming from the decreased motorcoach activity is larger than the new tariff revenue.

Visual summary of impacts



Source: Oxford Economics

Scenario Results

We analyzed the potential scenario where the 25% tariff increase is passed, and higher import costs from Canada are implemented in 2026. The results in terms of lost passenger spending and other impacts are summarized in the accompanying table.

In our analysis, we estimate the value of imported buses from Canada would increase by 25%. Operators would reduce capital investments as well as attempt to pass on a portion of this cost increase by raising ticket prices. In response to higher operational costs, less capital investment, and reduced motorcoach capacity, motorcoach travel would decrease. This would result in a loss of around \$1.8 billion of lost passenger spending.

| Baseline | Scenario |
|--------------------------|--|
| <i>Business as usual</i> | <i>Tariff passes; cost of imported Canadian motorcoaches increases by 25%</i> |

Annual run rate of losses and economic impacts

Scenario: Tariff passes

United States, stabilized year, total economic impacts

| Impact of a 25% increase on Canadian imports | |
|--|-----------------|
| Lost visitor spending and other impacts | |
| Lost visitor spending | \$1,770,024,133 |
| Reduced motorcoach imports | \$211,510,806 |
| Economic impacts (total) | |
| Lost business sales | \$3,142,410,850 |
| Lost wages | \$824,232,312 |
| Lost jobs | 14,460 |
| Lost federal tax revenue | \$34,847,844 |

Source: Oxford Economics

Economic Impact Approach

How passenger spending generates employment and income

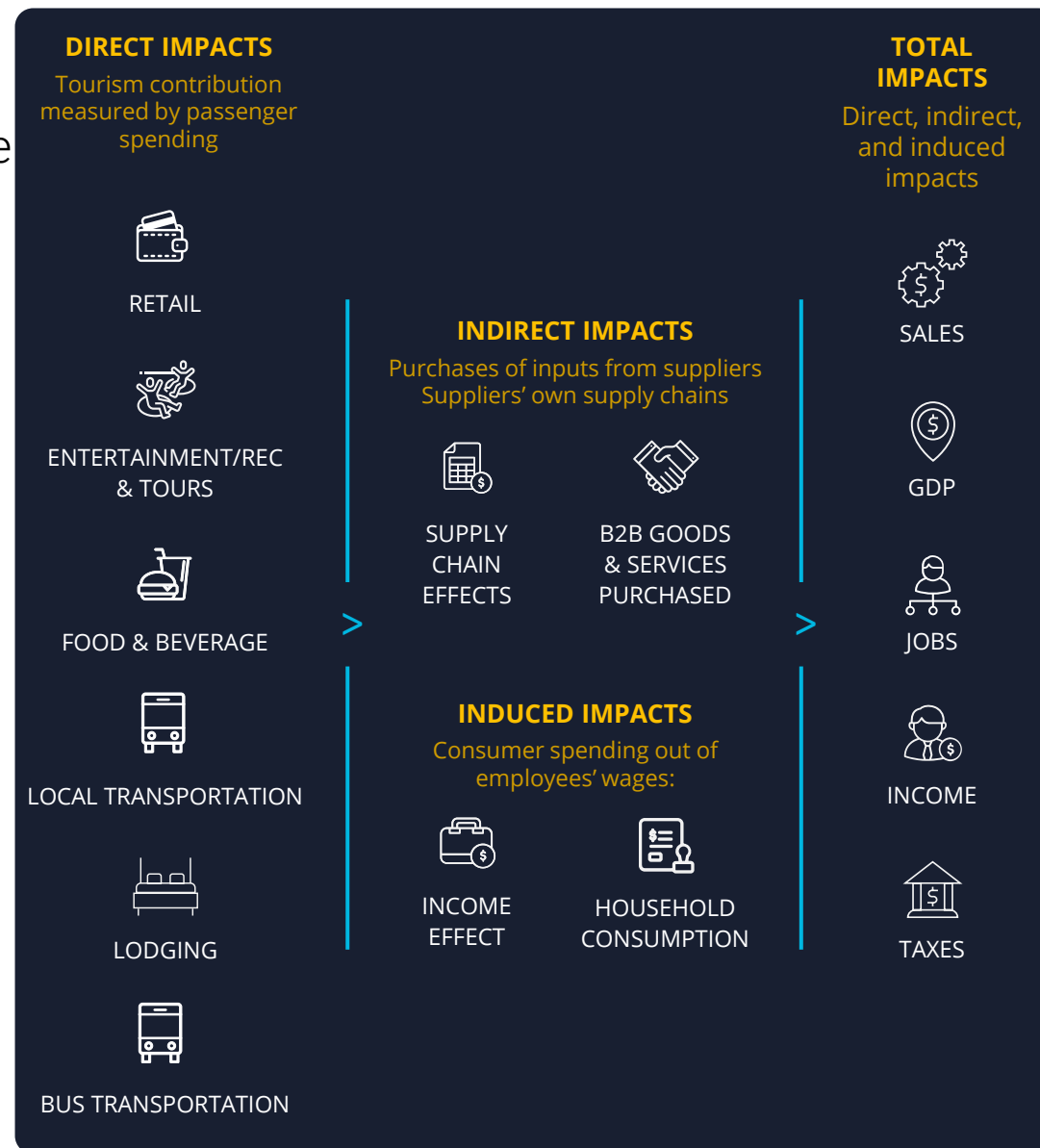
Our analysis of the economic impact of the Tariff begins with actual spending by passengers but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact in the U.S., we input passenger spending into a model created in IMPLAN. The model calculates three distinct types of impact: direct, indirect, and induced.

The impacts on business sales, jobs, wages, and taxes are calculated for all three levels of impact.

1. Direct Impacts: Visitors create direct economic value within a discrete group of sectors (e.g., recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
2. Indirect Impacts: Each directly affected sector also purchases goods and services as inputs (e.g., food wholesalers, utilities) into production. These impacts are called indirect impacts.
3. Induced Impacts: Lastly, the induced impact is generated when employees whose wages are generated either directly or indirectly by visitors spend those wages in the local economy.

IMPLAN is particularly effective because it calculates these three levels of impact – direct, indirect, and induced – for a broad set of indicators. These include the following:

- Spending
- Wages
- Employment
- Federal Taxes
- State Taxes
- Local Taxes



Economic Impacts: Summary

The following slides include four key results tables from the economic impact analysis:

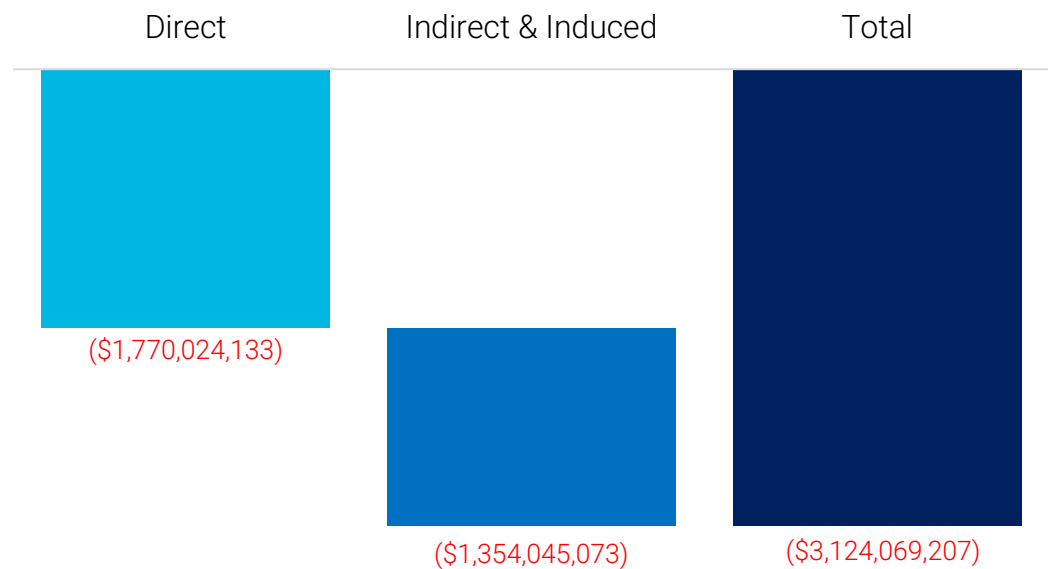
- Direct Impacts
- Total Impacts
- Total Impacts, Five-Year Period

The following chart provides an illustration of the economic impacts in the U.S. in 2026.

The direct impacts are a loss of \$1.8 billion, adding to a total economic impact of \$3.1 billion when including indirect and induced impacts.

Economic Impact: Business Sales

Annual run rate in stabilized year



Source: Oxford Economics

Economic Impacts: Direct

The accompanying table summarizes the direct economic impacts of the Tariff as an annual run rate.

This analysis of direct economic impact includes spending by visitors, both for motorcoach operations and directly at related establishments (e.g. restaurants).

The direct impact of lost business sales annually in the U.S. is nearly \$1.8 billion, with \$498 million lost wages and 8,730 lost jobs.

Total taxes see an estimated annual decrease of \$13.7 million mainly due to decreased state and local tax revenue. However, Federal states would increase as a result of the Tariff.

Annual run rate of economic impacts Scenario: Tariff passes

United States, stabilized year, direct economic impacts

| | Visitor spending |
|-----------------------|-------------------|
| Business sales | (\$1,770,024,133) |
| Wages and salaries | (\$497,642,962) |
| Jobs | (8,731) |
| GDP | (\$586,387,675) |
| Total taxes | (\$13,746,245) |
| State and Local taxes | (\$84,297,805) |
| Federal taxes | \$70,551,560 |

Source: Oxford Economics

Economic Impacts: Total

The accompanying table summarizes the total economic impacts of the Tariff in the U.S. as an annual run rate.

This analysis of total economic impact includes supply chain effects, such as reduced purchases by motorcoach operators of goods and services from local businesses, and income effects, such as wages spent by motorcoach employees.

Once these additional impacts are included, the total of lost business sales annually in the U.S. reaches \$3.1 billion, with 14,460 lost jobs.

Once the indirect and induced impacts are also added, Federal taxes decrease by \$34.8 million as the decreased taxation resulting from lower passenger spending offsets the increase in tariff revenue.

Annual run rate of economic impacts

Scenario: Tariff passes

United States, stabilized year, total economic impacts

| | |
|-----------------------|-------------------|
| Business sales | (\$3,124,069,207) |
| Wages and salaries | (\$824,232,312) |
| Jobs | (14,460) |
| GDP | (\$1,354,579,919) |
| Total taxes | (\$1,195,946,814) |
| State and Local taxes | (\$1,161,098,970) |
| Federal taxes | (\$34,847,844) |

Source: Oxford Economics

Economic Impacts: Five-Year Period

The accompanying table summarizes the total economic impact of the Tariff in the U.S. as a total over a five-year period (2026-2030).

Over the five-year period, total lost business sales reach \$17.4 billion with \$4.6 billion in lost wages. Federal taxes would decrease by \$236 million over the same period.

Five-year economic impacts

Scenario: Tariff passes

United States, stabilized year, total economic impacts

| | |
|-----------------------|--------------------|
| Business sales | (\$17,399,058,065) |
| Wages and salaries | (\$4,563,650,819) |
| Jobs (annual average) | (75,342) |
| GDP | (\$7,500,106,061) |
| | |
| Total taxes | (\$1,083,915,461) |
| State and Local taxes | (\$848,325,425) |
| Federal taxes | (\$235,590,036) |

Source: Oxford Economics

Conclusion

As demonstrated by the analysis, the motorcoach industry is an integral part of travel and tourism within the U.S., transporting 317 million passengers in 2023 and supporting \$107.7 billion in total business sales, 541,410 jobs, and \$6.6 Federal taxes.

Given the significant share of imported motorcoaches from Canada, the 25% tariff increase on Canadian imports, would have a major impact on the motorcoach industry, not just as an essential mode of transportation, but also as a major economic driver.

The results show that although higher taxes resulting from the increase in tariff revenue are, in principle, beneficial for the Federal government, the loss in Federal taxes stemming from the decreased motorcoach activity is larger than the new tariff revenue.

As such, an exemption from the potential tariff increase would avoid the far-reaching expected economic losses.



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