

Canadian Auto Industry Issues

Caroline Hughes
Vice President, Government Relations
April 25, 2016



MANUFACTURING IN CANADA

TOP 10 CONTRIBUTORS TO CANADIAN GDP	2014 (in \$Bils)	% of GDP
1. Real estate and rental and leasing	206	13%
2. Manufacturing	174	11%
3. Mining, quarrying, oil & gas extraction	139	8%
4. Construction	124	8%
5. Finance and insurance	110	7%
6. Health care & social assistance	109	7%
7. Public Administration	106	6%
8. Wholesale trade	94	6%
9. Professional, scientific & tech. services	87	5%
10. Retail trade	87	5%
Others	288	21%

Automotive manufacturing is the largest contributor to Manufacturing GDP in Canada.

TOP 10 GLOBAL AUTO PRODUCING NATIONS

2000		2014	
1. United States	12,433,697	1. China	22,609,639
2. Japan	9,580,977	2. United States	11,431,379
3. Germany	4,915,823	3. Japan	9,223,098
4. France	3,286,146	4. Germany	5,830,430
5. South Korea	3,056,411	5. South Korea	4,463,010
6. Spain	2,968,612	6. India	3,593,972
7. Canada	2,907,312	7. Mexico	3,211,815
8. Mexico	1,871,012	8. Brazil	2,971,039
9. China	1,850,968	9. Spain	2,397,397
10. United Kingdom	1,796,178	10. Canada	2,386,373

Canada's auto production declined by 18% from 2000 to 2014, causing Canada's rank to drop from 7th to 10th globally.

CANADA'S STRENGTHS AND OPPORTUNITIES

- Canada has many strengths:
 - Proximity to the U.S market - 2nd largest auto market in the world
 - Competitive exchange rate
 - Competitive corporate tax rate
 - Highly skilled work force
 - A stable political climate

- Canada also has opportunities for improvement:
 - Reduce costs to improve the overall business case
 - Increase innovation
 - Refocus trade policy to support Canadian manufacturing
 - Improve transportation and border infrastructure to support exports
 - Reduce regulatory burden

RESTORING THE CASE FOR MANUFACTURING

A Competitive Canadian Auto Manufacturing Sector Needs:

- A Competitive Business Case when all costs are considered
- Competitive Investment Incentives to Support Ongoing Innovation in the existing footprint
- Manufacturing Based Trade Strategy that Opens New Markets for Canadian Produced Vehicles
- Fast and Efficient Borders to Support Manufacturing and Exports
- Vehicle Safety and Emission Standards that are

Government policies should be evaluated with consideration for their impact on Ontario / Canada's auto manufacturing sector

RESTORING THE CASE FOR MANUFACTURING

Competitive Investment Incentives:

- Canada's incentives are not competitive relative to ones offered in other auto producing countries
 - Canada offers loans, such as the federal Automotive Innovation Fund (AIF) and then taxes the loans
- Mexico has been an attractive place to invest because of low cost labour balanced against increasing quality and output and free trade agreements with over 40 countries around the world
- However, Canada has been losing investments to the U.S as well as Mexico
 - In 2014, over \$18 billion in investments were announced in North America:
 - \$10.5 Billion in the U.S.
 - \$7 Billion in Mexico
 - Only \$750 Million in Canada

Auto investment incentives should be structured to close the gap in business cost with competing jurisdiction.

RESTORING THE CASE FOR MANUFACTURING

Increasing Business Cost in Ontario

- Cap and Trade costs
- Electricity Cost
- ORPP and Pension Cost
- Potential Electric Vehicle Program

THANK YOU



Go Further