

 **INVEST IN CANADA**



[AUTOMOTIVE SECTOR]
Canada's competitive advantages

CANADA'S AUTOMOTIVE SECTOR

The automotive industry is Canada's largest manufacturing sector and accounts for 15 percent of North American vehicle production. For foreign investors in this sector, Canada offers a strategic location in the heart of one of the world's largest and most lucrative automotive markets. There are 37 high-volume assembly plants within a 500-kilometre radius of the Windsor-Detroit border. These plants produced 7.4 million vehicles in 2013.

- Canada also has one of the lowest cost structures among advanced economies, with an overall cost advantage of 3 percent over the United States and 3.5 percent over Japan in the auto parts sector. According to KPMG, auto parts operations based in Canada typically enjoy an 11.2 percent labour cost advantage compared to their U.S.-based counterparts.¹
- In 2013, Canada's automotive manufacturing sector directly employed over 117,000 workers and generated revenues of \$84.7 billion, accounting for 15 percent of North American vehicle production (2.37 million units).²
- There are 19 passenger and commercial vehicle assembly plants in Canada, employing over 38,000 workers with 2.4 million units of installed capacity. Typically about 85 percent of the vehicles manufactured in Canada are exported.²
- The automotive supply sector in Canada consists of 450 companies, 1,250 facilities, \$27.9 billion in annual shipments and nearly \$13 billion in exports.²

A WEALTH OF OPPORTUNITIES

Canada is part of a fully integrated North American market with annual sales of nearly 20 million vehicles and annual production of about 16 million units. Canada produces passenger vehicles, trucks and buses, auto parts and systems, truck bodies and trailers, as well as tires and machines-tools-dies-moulds (MTDM). Canadian auto manufacturers are recognized for their strong capacity in launching complex and advanced automotive manufacturing projects due to their world-class plant and labour quality. The industry is highly concentrated in Ontario, with manufacturing centres also located in Quebec, Manitoba and British Columbia.

CANADA'S KEY STRENGTHS IN THE AUTOMOTIVE SECTOR

- With more than 100 years as an auto-producing nation, Canada has an outstanding track record of performance and a well-established automotive infrastructure that includes manufacturers and R & D expertise in materials, machinery, parts and finished vehicles.
- Foreign investors can rely on strong supplier and research capabilities in lightweight metals, biomaterials and composites, advanced safety systems, software and the "connected car," alternative powertrains (electric vehicles, fuel cells, natural gas and biofuels), vehicle safety and testing.
- Canada offers foreign investors excellent plant and labour quality, evidenced by the fact that Canadian assembly plants have won one-third of all J.D. Power plant quality awards in North America, which is double Canada's share of regional production.²

¹ KPMG. *Competitive Alternatives 2014*.

² APMA - Canadian Automotive Supplier Industry Briefing presentation; Industry Canada; Statistics Canada. (2013)

AUTOMOTIVE CAPABILITY CLUSTERS



MANITOBA

- » Buses and cold weather testing
- » **Leading companies include:**
New Flyer Industries Inc.,
Motor Coach Industries, Inc.,
Thompson Unlimited

QUEBEC

- » Heavy trucks, buses, light metals, electric vehicle components
- » **Leading companies include:**
PACCAR Inc. (Kenworth, Peterbilt),
Volvo Bus (Nova Bus, Prévost), Lion
Bus Inc., Blue Bird Corporation,
Raufoss Automotive Components
(Neuman Aluminium Group),
Toyoda Gosei North America
Corporation, Bathium Canada Inc.,
Spectra Premium Industries Inc.,
Camoplast Solideal, Inc.,
Jyco Sealing Technologies,
TM4 Electrodynamic Systems

BRITISH COLUMBIA

- » Fuel cell cluster
- » **Leading companies include:**
Ballard Power Systems Inc.,
Mercedes-Benz Canada Inc. Fuel
Cell Plant, Automotive Fuel Cell
Cooperation Corp., Westport
Innovations Inc., Canadian
Autoparts Toyota, Inc.

ONTARIO

- » Vehicle assembly, original equipment parts, auto-related MTDM
- » **Vehicle assemblers include:**
FIAT-Chrysler, Ford,
General Motors, Hino Motors,
Honda, Toyota
- » More than 350 parts suppliers in every product category including:
ABC Group Inc., AGS Automotive
Systems, Aisin Seiki Co., Ltd.,
The Anchor Danly Company,
Autoliv Inc., Continental AG,

Dana Holding Corporation, Delphi Automotive LLP, DENSO Corporation, D&V Electronics Ltd., Dynaplas, Flex-N-Gate, HBPO GmbH, Husky Injection Molding Systems Ltd., Intelligent Mechatronic Systems Inc., Johnson Controls Inc., KSR International CO., Lear Corporation, Linamar Inc., Magna International Inc., Martinrea International Inc., Matcor-Matsu Group Inc., Mitchell Plastics, Multimatic Inc., The NARMCO Group, Nematik, Nucap Industries Inc., PAPP Plastics, Platinum Tool Technologies, QNX Software Systems Limited, Toyota Boshoku Canada Inc., TRW Automotive Holdings Corp., TE Connectivity Ltd., Valiant Machine & Tool Inc., Vari-Form, Wescast Industries Inc., The Woodbridge Group.

RECENT INVESTMENTS

- In September 2013, Ford announced a \$700-million investment to retool its Oakville assembly plant to build midsize vehicles off its next-generation platform and to conduct various R & D projects. Federal-provincial support for the project totals \$142.5 million.
- In January 2013, the federal government announced \$16.9 million in support for Toyota's "Project Lexus," a \$125-million investment to increase annual production by 30,000 units, including 15,000 RX450h hybrids.

CANADA'S ADVANTAGES

ACCESS TO MAJOR MARKETS

Under NAFTA, Canada enjoys preferential access to one of the largest and most important automotive markets in the world. Further, once the Comprehensive Economic and Trade Agreement (CETA) with the European Union comes into force, Canada will have guaranteed preferential access to the European markets. In addition, Canada recently concluded negotiations on a free trade agreement with South Korea, its first in Asia, providing a strategic gateway to this dynamic and fast-growing region. Canada is also engaged in negotiations with India, Japan and the Trans-Pacific Partnership, to strengthen its position as a global export base. These trade agreements allow automotive investors in Canada to benefit from integrated global supply chains and seize new export market opportunities.

WORLD-CLASS SUPPLY BASE

Canada's automotive supply base is second to none, with capabilities in virtually every product category. Canadian suppliers are recognized for their best-in-class manufacturing expertise and innovation. For example, Windsor (Ontario)-based company Brave Controls has developed a new technology that allows Ford Motor Company to stamp the aluminum parts for its new, lighter aluminum-body F-150, saving Ford Motor millions of dollars.³ Many of the largest global suppliers have operations in Canada and some of the biggest and most capable suppliers are based in Canada, including Magna International Inc., Linamar Inc. and Martinrea International Inc. Assemblers and Tier 1 car manufacturers in Canada also have access to supply chains in the U.S. and Mexico.

HIGHLY SKILLED AND RELIABLE WORKFORCE

Canada has a highly skilled workforce capable of providing a quality and productivity advantage vis-à-vis lower cost jurisdictions. Canadian workers in the auto industry are recognized for lower turnover

and ability to problem solve "on the shop floor." Also, Canadian workers are highly educated and reliable due to top quality education institutions that produce qualified graduates in engineering, machining, metalwork, welding, robotics, manufacturing systems, repairs and maintenance, and tool and die making.

R & D SUPPORT NETWORK

Foreign investors in Canada's automotive sector are supported by a vibrant network of universities and research centres performing cutting-edge automotive R & D. In addition, companies that develop and test electronic systems and devices in Canada typically enjoy an 18.5 percent overall cost advantage when compared to their U.S.-based counterparts.⁴

SUPPORTIVE GOVERNMENTS

Canada has a strong track record of automotive success with an experienced and collaborative federal and provincial government team that supports the automotive sector. This was most evident during the financial crisis of 2008-09 when federal and provincial governments in Canada, together with their counterparts in the United States, developed a financial package that resulted in a more stable and growing automotive sector in the NAFTA region.

"This investment is helping us find much needed capacity for global products and securing jobs and it is positioning Oakville, Ontario as one of the most competitive and important facilities in the Ford system."

Joe Hinrichs, Executive Vice President
and President of the Americas
Ford Motor Company

³ Canadian Broadcasting Corporation, *Windsor Company Saves Ford 30m on Aluminum*.

⁴ KPMG. *Competitive Alternatives 2014*.

SUPPORT PROGRAMS AND INNOVATION



Canada fosters a vibrant R & D environment that promotes public-private-university collaborative research in the automotive sector.

AUTO21 Network of Centres of Excellence partners with the public and private sectors and supports more than 300 university researchers across Canada on a variety of auto-related research projects.

McMaster Institute for Automotive Research and Technology (MacAUTO) coordinates automotive R & D across several faculties and facilities, including the McMaster Automotive Resource Centre (MARC) which houses experts in such areas as electric and hybrid powertrains, mechatronics and materials.

The **University of Windsor** specializes in automotive engineering and houses research partnerships such as AUTO21 and Chrysler Canada's Automotive Research and Development Centre (ARDC).

The **University of Waterloo's Centre for Automotive Research (WatCAR)** is an automotive research centre focused on leading-edge studies to enhance automotive innovation and competitiveness.

The **University of Ontario Institute of Technology's (UOIT's) Automotive Centre of Excellence** is a state-of-the-art research facility that includes a climatic wind tunnel created to further R & D in the Canadian automotive industry.

National Research Council Canada (NRC) Automotive and Surface Transportation supports Canadian vehicle manufacturers and their supply chain by strengthening their R & D in automotive-related disciplines such as light materials, alternative propulsion and safety.

Magna-NRC Composites Centre of Excellence supports the Canadian automotive industry in developing next-generation vehicles with lighter, more durable parts that are safe and fuel efficient.

Fraunhofer Project Centre for Composites Research is a research centre and industrial-scale test facility focused on composite technologies for weight reduction at Western University in London, Ontario.

Canmet Materials Technology Laboratory is Natural Resources Canada's national laboratory dedicated to metals and materials research, focusing on fabrication, processing and evaluation.

Canada also offers generous investment tax credits and funding for automotive companies investing in Canada.

- **Scientific Research & Experimental Development (SR&ED)** provides income tax credits and refunds for expenditures on eligible R & D activity in Canada on wages, materials, some overhead and SR&ED contracts.
- **Automotive Innovation Fund (AIF)** is a \$750-million program designed to leverage large-scale investments in vehicle assembly, powertrain and R & D operations that focus on innovation and environmental technologies.
- **Advanced Manufacturing Fund (AMF)** is a \$200-million program over five years administered by the Federal Economic Development Agency for Southern Ontario, which supports investments by manufacturing firms in activities that create new and innovative products or production methods.
- **Export Development Canada (EDC)** and **Business Development Bank of Canada (BDC)** provide flexible financing programs and solutions tailored to support foreign direct investment in Canada.

INVEST IN CANADA TO ACHIEVE GLOBAL EXCELLENCE

A WELCOMING BUSINESS ENVIRONMENT

Canada is ranked as the best country for business in the G-20.

Source: Forbes and Bloomberg

A HIGHLY EDUCATED WORKFORCE

Canada's workforce is the most highly educated among members of the OECD, with half of its working-age population having a tertiary-level education.

Source: Organisation for Economic Co-operation and Development (OECD)

LOW TAX RATES

Canada's overall marginal effective tax rate on business investment is by far the lowest in the G-7—about 17 percentage points lower than that of the United States.

Source: Department of Finance Canada

COMPETITIVE R & D ENVIRONMENT

Canada offers the lowest business costs in the G-7 for R & D-intensive sectors, with a 15.8 percent cost advantage over the United States.

Source: KPMG

FINANCIAL STABILITY

For six consecutive years, the World Economic Forum has declared Canada's banking system to be the soundest in the world.

Source: World Economic Forum (WEF)

UNPARALLELED MARKET ACCESS

Canada's NAFTA advantage gives investors access to 470 million consumers. Many Canadian production hubs are actually closer to U.S. markets than American production sites—of Canada's 20 largest cities, 17 are within an hour-and-a-half drive of the U.S.

Source: The World Bank

A GREAT PLACE TO INVEST, WORK, AND LIVE

Canada is one of the globally most multicultural countries with world-class universities, a universal health care system and clean and friendly cities in addition to having the second highest standard of living in the G-20, as measured by GDP per capita.

Source: The World Bank

Unless otherwise noted, all values in this publication are in Canadian dollars. Content is based on the latest available information at time of publication.

Cover and inside images: 2014 Toyota Corolla S - © Toyota Canada, Inc.



FOREIGN AFFAIRS,
TRADE AND DEVELOPMENT CANADA

investincanada.com

Invest in Canada

Foreign Affairs, Trade and Development Canada
111 Sussex Drive, Ottawa, Ontario, K1N 1J1 CANADA

Catalogue number:
FR5-38/2-2013E-PDF

ISBN 978-1-100-23074-0

Winter 2014



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