



cars on the brain

Canada's Automotive Industry

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**Industry
Canada**

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Canada**

Canada



Cars on the Brain

Canadians spend a lot of time in cars. In a country this big, we pretty much have to. Just getting from A to B can take anywhere from 5 minutes to 5 days. Cars have become more than just transportation. They're part of who we are.

Even when we're not inside our cars, our cars are inside our heads. We're constantly exploring, designing, building, and testing ways to make cars better, stronger and safer. This passion for innovation has fuelled the development of our automotive industry for more than a century.

Canada has grown steadily into one of the largest automotive producers in the world. Our industry shipments have risen from \$30 billion in vehicles and \$13 billion in parts in 1992, to \$66 billion in vehicles and \$33 billion in parts in 2002.

We have a proven, global reputation for innovation, research and development, expertise, quality and productivity. And we have a well-developed dealer network and a world-class aftermarket sales and service sector that supplies replacement parts and accessories.

Canada has a track record of automotive success that spans more than 100 years. We have a great business environment. And we have consistently shown a capacity for innovation.

This is definitely a country with cars on the brain.



Automotive Manufacturing and Distribution

The automotive industry is Canada's largest manufacturing sector, accounting for 12 percent of manufacturing GDP and 23 percent of merchandise trade. It employs 166,600 people in automotive assembly and component manufacturing, and another 324,600 in distribution and aftermarket sales and service. Manufacturing is clustered in central Canada, in the heart of the North American auto industry, while distribution is spread across the country.

Vehicle assembly

The automotive assembly sector in Canada employs 51,000 people and manufactures 2.6 million passenger and commercial vehicles.

The light-duty vehicle sector:

- has 14 high-volume assembly plants producing cars, minivans and light trucks
- produces 2.6 million vehicles
- has shipments of \$62.1 billion
- exports about 90 percent of production value

The heavy-duty vehicle sector:

- has 27 relatively low-volume assembly plants producing heavy-duty chassis and vehicles
- produces 30,800 vehicles
- has shipments of \$3.7 billion
- exports about 85 percent of production value



Auto parts and component manufacturing

- has 897 establishments which produce original equipment and aftermarket auto parts, components and systems
- employs 98,100
- has shipments of \$32.7 billion
- exports about 60 percent of production value

The motor vehicle body and trailer sector

- has 427 facilities which manufacture motor vehicle bodies and cabs, truck trailers, and non-commercial trailers
- employs 17,500
- has shipments of \$2.7 billion
- exports about 35 percent of production value

Authorized automobile dealer network

- comprises 3,566 dealers representing 24 vehicle manufacturers
- employs 159,800 people including automobile wholesale distributors and dealers
- has retail sales of more than \$82.7 billion in new and used vehicles, including recreational vehicles

Automotive aftermarket

- consists of distribution, retail, and service organizations
- employs 164,800 including: auto parts, accessories and tire stores; automotive repair and maintenance; and new and used wholesale parts distributors
- has retail sales of \$17.4 billion
- also has manufacturing strengths in garage tools, diagnostic service and repair equipment, automotive accessories, performance and appearance products

NAFTA Partners in Perspective 2002

	<u>Canada</u>	<u>U.S.</u>	<u>Mexico</u>
Population	31,413,990	288,368,700	101,592,500
Total vehicle sales	1,731,823	17,138,652	1,003,861
Total vehicle production	2,633,301	12,279,582	1,804,670
Assembly mfg. employment	51,000	331,100	57,500*
Parts mfg. employment	98,100	489,300	390,000*
Vehicles produced per assembly employee	52	37	31
Vehicles sold per 1000 citizens	55	59	10

*2001 figures

World Motor Vehicle Production (in thousands of units)

	<u>1992</u>	<u>2001</u>	<u>2002</u>
U.S.	9,709	11,425	12,280
Japan	12,499	9,777	10,258
Germany	5,194	5,692	5,145
France	3,768	3,628	3,693
China	1,062	2,309	3,251
South Korea	1,730	2,703	3,148
Spain	2,123	2,850	2,855
Canada	1,973	2,532	2,633
U.K.	1,540	1,685	1,821
Mexico	1,081	1,857	1,805
Brazil	1,074	1,812	1,793
Italy	1,686	1,580	1,427
Russia	1,693	1,250	1,220
Rest of the World	2,956	6,863	7,649
World Total	48,088	55,963	58,978

Canadian Light Vehicle Production 2002

<u>Company</u>	<u>Canada</u>	<u>Share of NAFTA production</u>	<u>NAFTA</u>
CAMI (GM-Suzuki)	62,746	100.0%	62,746
DaimlerChrysler	535,878	20.1%	2,663,940
Ford	514,712	12.7%	4,057,352
General Motors	906,291	17.7%	5,128,714
Honda	361,018	31.7%	1,138,717
Toyota	218,011	24.6%	885,719
Total	2,598,656	15.6%	16,682,908

Average Hourly Manufacturing Wages 2002

	<u>Canada</u>	<u>U.S.</u>
Vehicle assembly	\$29.32	\$42.82
Parts and components	\$22.47	\$31.08

Note: These figures reflect an exchange rate of CAD\$1.00 to USD\$0.637

Production

- Canada currently ranks 8th in the world for motor vehicle production.
- Canada accounts for about 16 percent of North American vehicle production.

Sales

- Vehicle sales have increased steadily since the mid-1990s, and reached an all-time high in 2002.
- Canadians buy more small, fuel-efficient cars and trucks than Americans.

Employment

- Assembly employment has remained stable in recent years, while production has increased significantly.
- Employment growth has been highest in the auto parts manufacturing sector, as output rose to supply North American vehicle production.

Investment

Canada continues to attract new investment in automotive manufacturing and R&D.

- Capital investment in Canada's auto industry has grown at an average annual rate of 6.4 percent since 1992.
- Assemblers source many important high-volume models in Canada and have made major reinvestments every year in buildings, machinery and equipment, to expand production, renew product mandates and update process technologies.

Quality and Productivity

Canada's automotive industry is known for consistently delivering world-class quality and productivity.

- Canadian assembly plants have won one-third of all 39 J.D. Power plant quality awards for North America, but account for just one-sixth of total production.
- The 2002 Harbour Report concluded that, at 23.25 labour hours per vehicle, Canada is 7.3 percent more productive than the U.S. for assembly, and 40.9 percent more productive than Mexico.
- Canada has the 2nd and 3rd most productive assembly plants in North America for passenger cars, and the 3rd most productive for light trucks.

Motor Vehicle Sales in Canada

	<u>1992</u>	<u>2001</u>	<u>2002</u>
Passenger cars	800,327	868,188	934,057
Light trucks	403,003	698,667	765,827
Heavy trucks and buses	21,048	35,877	31,939
Total	1,224,378	1,602,732	1,731,823

Light Vehicle Sales by Segment 2002

	<u>Canada</u>	<u>U.S.</u>	<u>Mexico</u>
Total light vehicles	1,699,884	16,808,887	959,445
Passenger cars	54.9%	48.2%	73.6%
- Small	30.4%	14.6%	64.2%
- Medium	17.8%	22.2%	7.5%
- Large	1.8%	3.0%	0.2%
- Luxury	4.9%	8.4%	1.7%
Light trucks	45.1%	51.8%	26.4%
- Van	15.3%	8.7%	6.2%
- Pickup	13.9%	18.0%	12.9%
- Sport utility	8.8%	17.7%	4.4%
- Crossover utility	7.1%	7.4%	2.9%

Annual Employment

	<u>1992</u>	<u>2001</u>	<u>2002</u>
Manufacturing			
- Vehicle assembly	52,600	51,400	51,000
- Parts and components	63,300	95,100	98,100
- Truck body and trailer	11,200	17,100	17,500
Distribution			
- Vehicle dealers	129,100	154,600	159,800
- Aftermarket sales and service	132,000	158,400	164,800
Total	388,200	476,600	491,200

Annual New Capital Expenditures (millions of current dollars)

	<u>1992</u>	<u>2001</u>	<u>2002</u>
Vehicle assembly	1,247	2,235	2,297
Parts and components	458	657	815
Vehicle/parts dealers and distributors	931	888	801
Total	2,636	3,780	3,913

Trade

Canada is the world's third largest exporter of automotive products, after Japan and the U.S., and is committed to freer trade and tariff reduction.

- Canada has an overall automotive trade surplus of \$7.2 billion on flows totalling \$174.6 billion.
- Canada is part of a fully integrated North American market with annual sales of 20 million vehicles.
- Canada has bilateral free trade agreements with countries such as Chile and Israel; regional agreements through the NAFTA, the FTAA and APEC; and multilateral agreements through the WTO.
- Canada has eliminated tariffs on NAFTA-originating automotive goods, and on auto parts imported for use in the manufacture of vehicles.

Regulations

There is growing demand for safe, environmentally friendly and fuel-efficient vehicles. There is also a drive to harmonize automotive regulations at regional and international levels to promote trade, investment and affordability.

Regulation of vehicle safety and performance

- is the responsibility of Transport Canada and the respective provincial agencies.
- is generally harmonized with that in the U.S.

Regulation of vehicle emissions

- is the responsibility of Environment Canada and the respective provincial agencies.
- is generally harmonized with that in the U.S.

Fuel economy standards

- is the responsibility of Transport Canada and Natural Resources Canada.
- a voluntary motor vehicle fuel consumption standards program, also known as Corporate Average Fuel Consumption, is administered through Memoranda of Understanding with the Canadian Vehicle Manufacturers' Association and the Association of International Automobile Manufacturers of Canada.



Automotive Trade Flows 2002

Canada with the U.S.

- We export	\$88.0 billion	to the U.S.
- We import	\$65.8 billion	from the U.S.

Canada with Japan

- We export	\$147 million	to Japan
- We import	\$6.6 billion	from Japan

Canada with Mexico

- We export	\$534 million	to Mexico
- We import	\$5.1 billion	from Mexico

Canada with the European Union

- We export	\$242 million	to the E.U.
- We import	\$3.4 billion	from the E.U.

Canada with the rest of the world

- We export	\$0.5 billion	to the rest of the world
- We import	\$2.8 billion	from the rest of the world

Tariffs on Automotive Goods 2002

Imports into Canada from the U.S.

- NAFTA originating	Parts	Free
	Vehicles	Free
- Non-originating (MFN rate)	Parts	Free to 8.5%
	Cars	6.1%
	Trucks	6.1%

Imports into the U.S. from Canada

- NAFTA originating	Parts	Free
	Vehicles	Free
- Non-originating (MFN rate)	Parts	Free to 2.5%
	Cars	2.5%
	Trucks	25% (heavy trucks)
		4.0% (light trucks)

Imports into Canada from Mexico

- NAFTA originating	Parts	Free
	Cars	Free
	Trucks	Free
- Non-originating (MFN rate)	Parts	Free to 8.5%
	Vehicles	6.1%

Imports into Mexico from Canada

- NAFTA originating	Parts	Free
	Cars	Free
	Trucks	Free
- Non-originating (MFN rate)	Parts	3% to 18%
	Vehicles	13% to 30%

Imports into Canada from countries with MFN status

Parts	Free to 8.5%
Vehicles	6.1%

Automotive R&D

Canada is expanding its capacity for automotive R&D and innovation, and is investing heavily in skills and highly qualified personnel.

- Canada's core competencies include: metal processing; advanced materials and technologies; information and communications technology; and advanced design, visualization and manufacturing. We are world leaders in fuel cell technology, lightweight materials, metal forming, and 3D industrial design.
- Our innovation infrastructure includes dozens of private-public R&D partnerships, such as the National Research Council and the AUTO21 network of centres of excellence.
- Research activities are supported by attractive R&D tax credits and programs.

Competitiveness with the U.S.

Canada is very competitive for automotive manufacturing and R&D because of its lower operating costs, attractive business environment and highly skilled personnel.

Operating costs

- The 2002 KPMG international cost comparison study, which calculates the after-tax cost of startup and operation for 10 years, shows that Canada has an 11 percent auto parts manufacturing cost advantage over the U.S. and a 33 percent advantage for R&D.
- Labour wages and benefits are generally lower, due largely to government-funded health care.
- Corporate income taxes are generally lower and capital taxes have been eliminated.
- Canada has the most generous tax treatment for R&D in the G-7.

Business environment

- The Economist rates Canada's business environment as the best in the world because of its openness to foreign trade and capital, high-quality infrastructure, and great market opportunities in North America.
- Canadian automotive suppliers employ world-class process technologies and are strategically located to provide just-in-time delivery to all major assembly sites in Canada and the U.S.
- Canada has the world's best educated workforce, according to the 2003 World Competitiveness Yearbook.

Light Vehicle Assembly Plants in Canada

- **CAMI Automotive Inc.** (Ingersoll, Ontario): Suzuki Vitara, Chevrolet Tracker*; 80,000-unit capacity; a GM-Suzuki joint venture
- **DaimlerChrysler Brampton Assembly Plant** (Brampton, Ontario): Dodge Intrepid*, Chrysler Concorde* and 300M*; 240,000-unit capacity
- **DaimlerChrysler Pillette Road Truck Assembly Plant** (Windsor, Ontario): Dodge Ram Van*/Wagon*; 110,000-unit capacity; plant closed June 2003
- **DaimlerChrysler Windsor Assembly Plant** (Windsor, Ontario): Dodge Caravan, Chrysler Town & Country* and Pacifica*; 350,000-unit capacity
- **Ford Oakville Assembly Plant** (Oakville, Ontario): Ford Windstar*, model changeover to Ford Freestar* and Mercury Monterey* in August 2003; 290,000-unit capacity
- **Ford Ontario Truck Plant** (Oakville, Ontario): Ford F-series pickup; 200,000-unit capacity
- **Ford St. Thomas Assembly Plant** (St. Thomas, Ontario): Ford Crown Victoria*, Mercury Grand Marquis* and Marauder*; 230,000-unit capacity
- **GM Oshawa Car Assembly Plants 1-2** (Oshawa, Ontario): Chevrolet Impala* and Monte Carlo*; Buick Century* and Regal*, and Pontiac Grand Prix*; 545,000-unit capacity
- **GM Oshawa Truck Assembly Centre** (Oshawa, Ontario): Chevrolet Silverado and GMC Sierra pickups; 275,000-unit capacity
- **Honda of Canada Manufacturing Inc., Plants 1-2** (Alliston, Ontario): Honda Civic, Odyssey and Pilot*, Acura EL* and MDX*; 365,000-unit capacity
- **Toyota Motor Manufacturing Canada Inc., North and South Plants** (Cambridge, Ontario): Toyota Corolla and Matrix*, Lexus RX330 as of September 2003; 290,000-unit capacity

* World product mandate

Heavy Truck and Bus Assembly Plants in Canada

- **Canadian Bluebird Coach Ltd.** (Brantford, Ontario): School buses
- **Entreprises Michel Corbeil Inc.** (St. Lin-Laurentides, Quebec): School buses
- **Girardin Minibus Inc.** (Drummondville, Quebec): School buses
- **Motor Coach Industries (MCI) International Inc.** (Winnipeg, Manitoba): Intercity buses
- **New Flyer Industries Ltd.** (Winnipeg, Manitoba): Urban transit buses
- **Navistar/International Truck and Engine Corporation** (Chatham, Ontario): Class 7-8 trucks
- **Nova Bus** (St. Eustache, Quebec): Urban transit buses
- **Orion Bus Industries** (Mississauga, Ontario): Urban transit buses
- **PACCAR of Canada Ltd.** (Ste. Therese, Quebec): Class 7-8 trucks
- **Prévost Car Inc.** (Ste. Claire, Quebec): Intercity buses
- **Sterling Trucks - St. Thomas Truck Manufacturing Plant** (St. Thomas, Ontario): Class 8 trucks

For More Information

For more information about Canada's automotive industry, please visit Industry Canada's website at strategis.ic.gc.ca/autoe or contact:

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