cars on the brain

Canada's Automotive Industry

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Industry Canada
Industrie 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 $37.8 billion in vehicles and $14.7 billion in parts in 1993, to $69.3 billion in vehicles and $31.4 billion in parts in 2003.

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 25 percent of manufacturing trade. It employs 171,002 people in automotive assembly and component manufacturing, and another 333,529 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 48,735 people and manufactures 2.5 million passenger and commercial vehicles.

The light-duty vehicle sector:
- has 13 high-volume assembly plants producing cars, minivans and light trucks
- produces 2.5 million vehicles
- has shipments of $65.6 billion
- exports about 82 percent of production value

The heavy-duty vehicle sector:
- has 35 relatively low-volume assembly plants producing heavy-duty chassis and vehicles
- produces 33,126 vehicles
- has shipments of $3.7 billion
- exports about 87 percent of production value

Auto parts and component manufacturing

- has 933 establishments which produce original equipment and aftermarket auto parts, components and systems
- employs 103,413
- has shipments of $31.4 billion
- exports about 63 percent of production value

The motor vehicle body and trailer sector

- has 431 facilities which manufacture motor vehicle bodies and cabs, truck trailers, and non-commercial trailers
- employs 18,854
- has shipments of $3.7 billion
- exports about 28 percent of production value

Authorized automobile dealer network

- comprises 3,367 dealers representing 26 vehicle manufacturers
- employs 165,510 people including automobile wholesale distributors and dealers
- has retail sales of more than $82.1 billion in new and used vehicles, including recreational vehicles

Automotive aftermarket

- consists of distribution, retail, and service organizations
- employs 168,019 including: auto parts, accessories and tire stores; automotive repair and maintenance; and new and used wholesale parts distributors
- has retail sales of $18.4 billion
- also has manufacturing strengths in garage tools, diagnostic service and repair equipment, automotive accessories, performance and appearance products

NAFTA Partners in Perspective 2003

	Canada	U.S.	Mexico
Population	31,629,677	290,809,777	104,200,000
Total vehicle sales	1,625,050	16,967,442	999,106
Total vehicle production	2,552,862	12,087,028	1,575,447
Assembly mfg. employment	48,735	267,500	52,174*
Parts mfg. employment	103,413	707,400	386,945*
Vehicles produced per assembly employee	52	45	30
Vehicles sold per 1000 citizens	51	58	10

*2002 figures

World Motor Vehicle Production (in thousands of units)

	1993	2002	2003
U.S.	10,873	12,280	12,087
Japan	11,228	10,258	10,286
Germany	4,032	5,145	5,507
China	1,297	3,251	4,444
France	3,156	3,693	3,620
South Korea	2,050	3,148	3,178
Spain	1,768	2,855	3,030
Canada	**2,253**	**2,633**	**2,553**
U.K.	1,569	1,821	1,846
Brazil	1,391	1,793	1,827
Mexico	1,081	1,805	1,575
Italy	1,277	1,427	1,322
Russia	1,619	1,220	1,280
Rest of the world	3,191	7,649	7,776
World Total	**46,785**	**58,978**	**60,331**

Canadian Light Vehicle Production 2003

Company	Canada	Share of NAFTA production	NAFTA
CAMI (GM-Suzuki)	50,964	100.0%	50,964
DaimlerChrysler	447,526	17.8%	2,509,330
Ford	461,429	12.9%	3,583,639
General Motors	940,044	17.5%	5,384,664
Honda	392,230	31.2%	1,259,167
Toyota	227,543	17.8%	1,275,772
Total	**2,519,736**	**15.9%**	**15,874,118**

Average Hourly Manufacturing Wages 2003

	Canada	U.S.
Vehicle assembly	$30.43	$39.16
Parts and components	$22.64	$28.53

Note: These figures reflect an exchange rate of CAD$1.00 to USD$0.716

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 their third highest level ever in 2003.
- Canadians buy more small, fuel-efficient cars and trucks than Americans.

Employment

- Assembly employment has decreased 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 4.0 percent since 1993.
- 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 31 percent of all J.D. Power plant quality awards for North America, yet they account for only 16 percent of total production.
- The 2004 Harbour Report concluded that, at 22.49 labour hours per vehicle, Canada is 6.2 percent more productive than the U.S. for assembly, and 38.9 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

	1993	2002	2003
Passenger cars	740,868	934,057	864,989
Light trucks	422,499	765,827	725,697
Medium and heavy trucks	27,215	31,939	34,364
Total	**1,190,582**	**1,731,823**	**1,625,050**

Light Vehicle Sales by Segment 2003

	Canada	U.S.	Mexico
Total light vehicles	**1,590,686**	**16,639,053**	**972,396**
Passenger cars	**54.4%**	**45.7%**	**70.5%**
• Small	30.3%	14.1%	62.6%
• Middle	17.6%	20.8%	6.3%
• Large	1.6%	2.9%	0.1%
• Luxury	4.9%	7.9%	1.5%
Light trucks	**45.6%**	**54.3%**	**29.5%**
• Van	14.2%	8.4%	5.6%
• Pickup	14.4%	18.6%	12.2%
• Sport utility	8.2%	17.2%	4.6%
• Crossover utility	8.8%	10.0%	5.3%

Annual Employment

	1993	2002	2003
Manufacturing			
• Vehicle assembly	54,623	50,985	48,735
• Parts and components	67,891	98,114	103,413
• Truck body and trailer	9,791	17,502	18,854
Distribution			
• Vehicle dealers	129,701	159,744	165,510
• Aftermarket sales and service	139,131	164,769	168,019
Total	**401,137**	**491,114**	**504,531**

Annual New Capital Expenditures (millions of current dollars)

	1993	2002	2003
Vehicle assembly	1,581	1,685	2,486
Parts and components	630	914	792
Truck body and trailer	20	33	21
Vehicle/parts dealers and distributors	656	913	1,043
Total	**2,888**	**3,546**	**4,343**

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 $4.6 billion on flows totalling $159.1 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 Company 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 2003

Canada with the U.S.		
- We export	$79.6 billion	to the U.S.
- We import	$60.9 billion	from the U.S.
Canada with Japan		
- We export	$113 million	to Japan
- We import	$5.8 billion	from Japan
Canada with Mexico		
- We export	$426 million	to Mexico
- We import	$4.8 billion	from Mexico
Canada with the European Union		
- We export	$279 million	to the E.U.
- We import	$3.5 billion	from the E.U.
Canada with the rest of the world		
- We export	$0.6 billion	to the rest of the world
- We import	$3.1 billion	from the rest of the world

Tariffs on Automotive Goods 2003

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 2004 KPMG international cost comparison study, which calculates the after-tax cost of startup and operation for 10 years, shows that Canada has an 6.4 percent auto parts manufacturing cost advantage over the U.S. and a 26.6 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*, model changeover to Chevrolet Equinox* in February 2004; 100,000-unit capacity; a GM-Suzuki joint venture
- **DaimlerChrysler Brampton Assembly Plant** (Brampton, Ontario): Dodge Magnum* and Chrysler 300C*; 240,000-unit capacity
- **DaimlerChrysler Windsor Assembly Plant** (Windsor, Ontario): Dodge Caravan, Chrysler Town & Country* and Pacifica*; 350,000-unit capacity
- **Ford Oakville Assembly Plant** (Oakville, Ontario): Ford Freestar* and Mercury Monterey*; 290,000-unit capacity
- **Ford Ontario Truck Plant** (Oakville, Ontario): Ford F-series pickup; 100,000-unit capacity; plant closed June 2004
- **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*; 390,000-unit capacity
- **Toyota Motor Manufacturing Canada Inc., North and South Plants** (Cambridge, Ontario): Toyota Corolla and Matrix*, and Lexus RX330; 270,000-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 Corporation** (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**
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