cars on the brain

Canada's Automotive Industry

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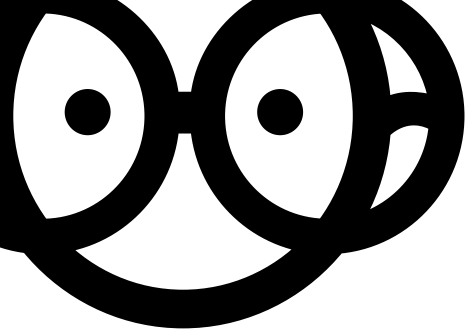
Industry Canada
Industrie Canada
Canada



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 $44.6 billion in vehicles and $17.4 billion in parts in 1994, to $72.4 billion in vehicles and $33.0 billion in parts in 2004.

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 13 percent of manufacturing GDP and 27 percent of manufacturing trade. It employs 168,459 people in automotive assembly and component manufacturing, and another 333,888 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 47,897 people and manufactures 2.7 million passenger and commercial vehicles.

The light-duty vehicle sector:

- has 12 high-volume assembly plants producing cars, minivans and light trucks
- produces 2.7 million vehicles
- has shipments of $67.8 billion
- exports about 83 percent of production value

The heavy-duty vehicle sector:

- has 34 relatively low-volume assembly plants producing heavy-duty chassis and vehicles
- produces 43,832 vehicles
- has shipments of $4.6 billion
- exports about 85 percent of production value

Auto parts and component manufacturing

- has 914 establishments which produce original equipment and aftermarket auto parts, components and systems
- employs 101,254
- has shipments of $33.0 billion
- exports about 58 percent of production value

The motor vehicle body and trailer sector

- has 442 facilities which manufacture motor vehicle bodies and cabs, truck trailers, and non-commercial trailers
- employs 19,308
- has shipments of $3.9 billion
- exports about 27 percent of production value

Authorized automobile dealer network

- comprises 3,501 dealers representing 26 vehicle manufacturers
- employs 163,946 people including automobile wholesale distributors and dealers
- has retail sales of more than $68.1 billion in new and used vehicles, including recreational vehicles

Automotive aftermarket

- consists of distribution, retail, and service organizations
- employs 169,942 including: auto parts, accessories and tire stores; automotive repair and maintenance; and new and used wholesale parts distributors
- has retail sales of $14.6 billion
- also has manufacturing strengths in garage tools, diagnostic service and repair equipment, automotive accessories, performance and appearance products

NAFTA Partners in Perspective 2004

	Canada	U.S.	Mexico
Population	31,946,316	293,655,404	104,959,594
Total vehicle sales	1,574,803	17,298,573	1,119,585
Total vehicle production	2,711,536	11,960,354	1,552,974
Assembly employment	47,897	256,100	45,513*
Parts mfg. employment	101,254	688,500	387,901*
Vehicles produced per assembly employee	57	47	34
Vehicles sold per 1000 citizens	49	59	11

*2003 figures

World Motor Vehicle Production (in thousands of units)

	1994	2003	2004
U.S.	12,250	12,087	11,960
Japan	10,554	10,286	10,512
Germany	4,356	5,507	5,570
China	1,206	4,444	5,071
South Korea	2,312	3,178	3,469
France	3,558	3,308	3,352
Spain	2,142	3,030	3,012
Canada	**2,322**	**2,553**	**2,712**
Brazil	1,583	1,827	2,210
U.K.	1,695	1,846	1,856
Mexico	1,106	1,575	1,553
India	475	1,162	1,511
Russia	1,012	1,279	1,385
Rest of the world	5,397	8,584	9,775
World Total	**49,968**	**60,666**	**63,948**

Canadian Light Vehicle Production 2004

Company	Canada	Share of NAFTA production	NAFTA
CAMI (GM-Suzuki)	131,190	100.0%	131,190
DaimlerChrysler	555,278	21.5%	2,587,821
Ford	372,241	10.9%	3,428,034
General Motors	923,862	18.5%	4,988,396
Honda	392,528	32.2%	1,217,755
Toyota	287,859	25.4%	1,132,554
Total	**2,662,958**	**19.7%**	**13,485,750**

Average Hourly Manufacturing Wages 2004

	Canada	U.S.
Vehicle assembly	$30.13	$36.83
Parts and components	$23.25	$26.50

Note: These figures reflect an exchange rate of CAD$1.00 to USD$0.77

Production

- Canada currently ranks 8th in the world for motor vehicle production.
- Canada accounts for about 17 percent of North American vehicle production.

Sales

- Vehicle sales have increased steadily since the mid-1990s, and reached their fifth highest level ever in 2004.
- 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 averaged $3.5 billion annually over the past 10 years.
- 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 J.D. Power plant quality awards for North America, yet they account for only one-sixth of total production.
- The 2005 Harbour Report concluded that, at 22.27 labour hours per vehicle, Canada is 4.6 percent more productive than the U.S. for assembly, and 29.7 percent more productive than Mexico.
- Canada has the 1st and 4th most productive assembly plants in North America.

Motor Vehicle Sales in Canada

	1994	2003	2004
Passenger cars	750,328	864,989	819,413
Light trucks	472,644	725,697	711,558
Medium and heavy trucks	34,010	34,364	43,832
Total	**1,256,982**	**1,625,050**	**1,574,803**

Light Vehicle Sales by Segment 2004

	Canada	U.S.	Mexico
Total light vehicles	**1,530,971**	**16,866,920**	**1,089,665**
Passenger cars	**53.5%**	**44.5%**	**68.9%**
• Small	31.2%	13.6%	61.3%
• Middle	16.0%	20.0%	6.0%
• Large	1.8%	3.3%	0.2%
• Luxury	4.6%	7.6%	1.5%
Light trucks	**46.5%**	**55.5%**	**31.1%**
• Van	13.9%	8.6%	5.2%
• Pickup	15.4%	18.8%	12.9%
• Sport utility	7.0%	16.5%	4.8%
• Crossover utility	10.2%	11.5%	8.2%

Annual Employment

	1994	2003	2004
Manufacturing			
• Vehicle assembly	56,200	48,735	47,897
• Parts and components	72,542	103,413	101,254
• Truck body and trailer	11,740	18,854	19,308
Distribution			
• Vehicle dealers	125,438	165,510	163,946
• Aftermarket sales and service	141,725	168,019	169,942
Total	**407,645**	**504,531**	**502,347**

Annual New Capital Expenditures (millions of current dollars)

	1994	2003	2004
Vehicle assembly	1,378	2,840	2,154
Parts and components	1,779	1,005	1,034
Truck body and trailer	62	29	34
Vehicle/parts dealers and distributors	886	825	762
Total	**4,105**	**4,700**	**3,984**

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 $7.9 billion on flows totalling $164.3 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 2004

Canada with the U.S.		
- We export	$83.4 billion	to the U.S.
- We import	$60.4 billion	from the U.S.
Canada with Japan		
- We export	$70 million	to Japan
- We import	$5.2 billion	from Japan
Canada with Mexico		
- We export	$450 million	to Mexico
- We import	$4.6 billion	from Mexico
Canada with the European Union		
- We export	$377 million	to the E.U.
- We import	$4.2 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	$3.8 billion	from the rest of the world

Tariffs on Automotive Goods 2004

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 among all automotive countries 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 2005 World Competitiveness Yearbook.

Light Vehicle Assembly Plants in Canada

- **CAMI Automotive Inc.** (Ingersoll, Ontario): Chevrolet Equinox* and Pontiac Torrent*; 110,000-unit capacity; a GM-Suzuki joint venture
- **DaimlerChrysler Brampton Assembly Plant** (Brampton, Ontario): Chrysler 300/300C, Dodge Magnum* and Charger*; 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 St. Thomas Assembly Plant** (St. Thomas, Ontario): Ford Crown Victoria* and Mercury Grand Marquis*; 230,000-unit capacity
- **GM Oshawa Car Assembly Plants 1-2** (Oshawa, Ontario): Chevrolet Impala* and Monte Carlo*; Buick Allure/LaCrosse*, 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, Pilot and Ridgeline*, 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 RX 330; 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
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