

# **cars on the brain**

## **Canada's Automotive Industry**

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## **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 \$47.9 billion in vehicles and \$21.1 billion in parts in 1996, to \$59.8 billion in vehicles and \$28.5 billion in parts in 2006.

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.

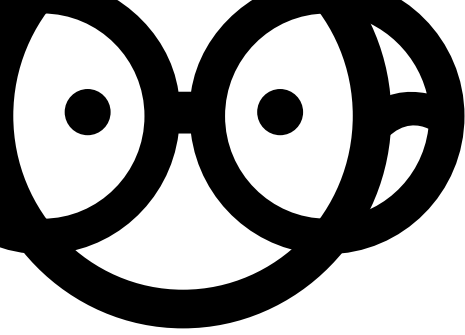
**This is definitely a country with cars on the brain.**



Industry  
Canada

Industrie  
Canada

Canada



## Automotive Manufacturing and Distribution

The automotive industry is Canada's largest manufacturing sector, accounting for 12 percent of manufacturing GDP and 24 percent of manufacturing trade. It employs 158,302 people in automotive assembly and component manufacturing, and another 336,212 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 47,460 people and manufactures 2.6 million passenger and commercial vehicles.

The light-duty vehicle sector:

- has 12 high-volume assembly plants producing cars, minivans and light trucks
- produces 2.5 million vehicles
- has shipments of \$53.2 billion
- exports about 90 percent of production value

The heavy-duty vehicle sector:

- has 25 relatively low-volume assembly plants producing heavy-duty chassis and vehicles
- produces 73,999 vehicles
- has shipments of \$6.6 billion
- exports about 86 percent of production value

### Auto parts and component manufacturing

- has more than 650 establishments which produce original equipment and aftermarket auto parts, components and systems
- employs 92,315
- has shipments of \$31.7 billion
- exports about 62 percent of production value

### The motor vehicle body and trailer sector

- has 290 facilities which manufacture motor vehicle bodies and cabs, truck trailers, and non-commercial trailers
- employs 18,528
- has shipments of \$3.9 billion
- exports about 29 percent of production value

### Authorized automobile dealer network

- comprises 3,476 dealers representing 25 vehicle manufacturers
- employs 173,275 people including automobile wholesale distributors and dealers
- has retail sales of more than \$74.8 billion in new vehicles

### Automotive aftermarket

- consists of distribution, retail, and service organizations
- employs 162,937 including: used vehicle sales, auto parts, accessories and tire stores; automotive repair and maintenance; and new and used wholesale parts distributors
- has retail sales of \$17.8 billion
- also has manufacturing strengths in garage tools, diagnostic service and repair equipment, automotive accessories, performance and appearance products

## NAFTA Partners in Perspective 2006

	<u>Canada</u>	<u>U.S.</u>	<u>Mexico</u>
Population	32,623,490	299,398,484	108,700,891
Total vehicle sales	1,666,008	17,048,981	1,177,100
Total vehicle production	2,571,366	11,260,277	2,045,518
Assembly employment	47,460	235,700	42,616*
Parts mfg. employment	92,315	654,200	394,200*
Vehicles produced per assembly employee	54	48	48
Vehicles sold per 1000 citizens	51	57	11

\*2004 figures

## World Motor Vehicle Production (in thousands of units)

	<u>1996</u>	<u>2005</u>	<u>2006</u>
Japan	10,346	10,800	11,484
U.S.	11,832	11,977	11,260
China	1,240	5,708	7,280
Germany	4,843	5,758	5,820
South Korea	2,354	3,699	3,840
France	2,359	3,499	3,147
Spain	2,412	2,753	2,777
Brazil	1,813	2,528	2,611
Canada	2,397	2,688	2,571
Mexico	1,222	1,684	2,046
India	541	1,642	1,958
U.K.	1,924	1,803	1,650
Russia	1,029	1,353	1,502
Rest of the world	5,730	9,859	10,588
World Total	50,042	65,750	68,561

## Canadian Light Vehicle Production 2006

<u>Manufacturer</u>	<u>Canada</u>	<u>Share of NAFTA production</u>	<u>NAFTA</u>
CAMI (GM-Suzuki)	196,328	100.0%	196,328
Chrysler	605,733	24.6%	2,459,040
Ford	196,374	7.1%	2,769,341
General Motors	794,421	18.3%	4,346,738
Honda	387,078	27.9%	1,385,693
Toyota	317,433	26.8%	1,183,491
Subtotal	2,497,367	20.2%	12,340,631

## Average Hourly Manufacturing Wages 2006

	<u>Canada</u>	<u>U.S.</u>
Vehicle assembly	\$31.56	\$32.95
Parts and components	\$23.90	\$24.18

Note: These figures reflect an exchange rate of CAD\$1.00 to USD\$0.88

## Production

- Canada currently ranks 9th in the world for motor vehicle production.
- Canada accounts for about 16.2 percent of North American vehicle production.

## Sales

- Vehicle sales have increased steadily since the mid-1990s, and reached their second highest level ever in 2006.
- Canadians buy more small, fuel-efficient cars and trucks than Americans.

## Employment

- Assembly employment has decreased in the last 10 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 more than one-third of all J.D. Power plant quality awards for North America, yet they account for only one-sixth of total production.
- The 2007 Harbour Report concluded that, at 21.0 labour hours per vehicle, Canada is 7.9 percent more productive than the U.S. for assembly, and 82.2 percent more productive than Mexico.
- Canada has the 1st, 2nd and 4th most productive assembly plants in North America.

## Motor Vehicle Sales in Canada

	<u>1996</u>	<u>2005</u>	<u>2006</u>
Passenger cars	660,804	842,322	854,279
Light trucks	509,680	737,707	758,181
Medium and heavy trucks	31,910	50,113	53,548
<b>Total</b>	<b>1,202,394</b>	<b>1,630,142</b>	<b>1,666,008</b>

## Light Vehicle Sales by Segment 2006

	<u>Canada</u>	<u>U.S.</u>	<u>Mexico</u>
<b>Total light vehicles</b>	<b>1,612,460</b>	<b>16,504,400</b>	<b>1,132,783</b>
<b>Passenger cars</b>	<b>53.3%</b>	<b>47.1%</b>	<b>58.8%</b>
• Small	31.3%	15.3%	51.1%
• Middle	14.7%	19.6%	5.8%
• Large	2.3%	4.5%	0.4%
• Luxury	4.6%	7.7%	1.4%
<b>Light trucks</b>	<b>47.0%</b>	<b>52.9%</b>	<b>41.2%</b>
• Van	11.2%	8.0%	6.0%
• Pickup	15.6%	17.2%	16.3%
• Sport utility	5.2%	12.9%	5.3%
• Crossover utility	15.0%	14.6%	11.3%

## Annual Employment

	<u>1996</u>	<u>2005</u>	<u>2006</u>
<b>Manufacturing</b>			
• Vehicle assembly	57,508	49,808	47,460
• Parts and components	80,211	96,540	92,315
• Truck body and trailer	13,659	18,212	18,528
<b>Distribution</b>			
• Vehicle dealers	136,132	168,747	173,275
• Aftermarket sales and service	150,051	162,153	162,937
<b>Total</b>	<b>437,562</b>	<b>495,459</b>	<b>494,514</b>

## Annual New Capital Expenditures (millions of current dollars)

	<u>1996</u>	<u>2005</u>	<u>2006</u>
Vehicle assembly	2,539	2,327	3,038
Parts and components	767	820	960
Truck body and trailer	77	56	51
Vehicle/parts dealers and distributors	1,005	1,360	1,604
<b>Total</b>	<b>4,388</b>	<b>4,563</b>	<b>5,653</b>

## 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 deficit of \$246 million on flows totalling \$156.9 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 governments.
- is mostly harmonized with that in the U.S.

### Regulation of smog-forming vehicle emissions

- is the responsibility of Environment Canada for new vehicles, and the respective provincial governments for in-use vehicles.
- is 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, known as Company Average Fuel Consumption (CAFC), and a voluntary agreement on reducing greenhouse gas (GHG) emissions are both administered through Memoranda of Understanding with the auto industry.
- CAFC is harmonized with U.S. fuel economy standards.



## Automotive Trade Flows 2006

### Canada with the U.S.

- We export	\$75.5 billion	to the U.S.
- We import	\$58.5 billion	from the U.S.

### Canada with Japan

- We export	\$50 million	to Japan
- We import	\$6.7 billion	from Japan

### Canada with Mexico

- We export	\$990 million	to Mexico
- We import	\$5.3 billion	from Mexico

### Canada with the European Union

- We export	\$463 million	to the E.U.
- We import	\$4.6 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	\$4.3 billion	from the rest of the world

## Tariffs on Automotive Goods 2006

### 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% (commercial use)
		4.0% (cab chassis)

### 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 2006 KPMG international cost comparison study, which calculates the after-tax cost of startup and operation for 10 years, shows that Canada has an 5.1 percent auto parts manufacturing cost advantage over the U.S. and a 10.9 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 2007 World Competitiveness Yearbook.

## Light Vehicle Assembly Plants in Canada

- **CAMI Automotive Inc.** (Ingersoll, Ontario): Chevrolet Equinox\*, Pontiac Torrent\* and Suzuki XL7\*; 200,000-unit capacity; a GM-Suzuki joint venture
- **Chrysler Brampton Assembly Plant** (Brampton, Ontario): Chrysler 300/300C, Dodge Magnum\* and Charger\*; 285,000-unit capacity
- **Chrysler Windsor Assembly Plant** (Windsor, Ontario): Dodge Caravan, Chrysler Town & Country\* and Pacifica\*; 350,000-unit capacity
- **Ford Oakville Assembly Plant** (Oakville, Ontario): Ford Edge\* and Lincoln MKX\*; 230,000-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\*; 510,000-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 Sedan, Civic Coupe\*, Pilot and Ridgeline\*; Acura CSX\* and MDX\*; 390,000-unit capacity
- **Toyota Motor Manufacturing Canada Inc., North and South Plants** (Cambridge, Ontario): Toyota Corolla and Matrix\*, and Lexus RX-series; 300,000-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
- **Hino Motors Canada Ltd.** (Woodstock, Ontario): Class 4-7 trucks
- **Motor Coach Industries (MCI) International Inc.** (Winnipeg, Manitoba): Intercity buses
- **Navistar/International Truck and Engine Corporation Canada** (Chatham, Ontario): Class 7-8 trucks
- **New Flyer Industries Canada ULC** (Winnipeg, Manitoba): Urban transit buses
- **Nova Bus Corporation** (St. Eustache, Quebec): Urban transit buses
- **Orion Bus Industries Ltd.** (Mississauga, Ontario): Urban transit buses
- **PACCAR of Canada Ltd.** (St. Therese, Quebec): Class 7-8 trucks
- **Prévost Car Inc.** (St. 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 [www.ic.gc.ca/autoe](http://www.ic.gc.ca/autoe) or contact:

### Industry Canada

Automotive and Transportation Industries Branch  
235 Queen Street, 7th Floor, East Tower  
Ottawa, Ontario, Canada K1A 0H5  
Phone: +1 (613) 954-2949  
Fax: +1 (613) 952-8088  
E-mail: [automotive.canada@ic.gc.ca](mailto:automotive.canada@ic.gc.ca)

Data sources: CSM Worldwide, DesRosiers Automotive Consultants Inc., Harbour and Associates Inc., Industry Canada, J.D. Power and Associates, KPMG Consulting, Stark's News Service, Statistics Canada, U.S. Bureau of Labor Statistics, Ward's Automotive.



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