

Canadian Automotive Industry Today 1997 Edition

Automotive and Transportation Branch
- Industry Canada -

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HIGHLIGHTS

CURRENT POSITION OF THE CANADIAN AUTOMOTIVE INDUSTRY

The Canadian Automotive Industry produces light duty vehicles, including cars, vans and pickup trucks; heavy duty vehicles, including trucks, transit buses, school buses and military vehicles; and a wide range of parts, components and systems used in such vehicles. To complement its manufacturing activities, the industry boasts a well-developed vehicle dealer network, plus an aftermarket organization which has grown into a world-class distribution system and service provider.

The Canadian Automotive Industry is:

- integrated into NAFTA (i.e. Canada, U.S., Mexico)
- globally competitive
- the 7th largest in the world (1996) with positive trade balance
- a major contributor to the Canadian economy, employing over half a million people

EXPERIENCE UNDER FREE TRADE

Canadian original equipment (OE) vehicle assemblers and their parts suppliers have thrived for over 30 years under free trade rules with the U.S. In that time,

- Canadian light vehicle production has grown 183% to 2.4 million units. In contrast, U.S. light vehicle assembly grew 6% to 11.7 million units
- total NAFTA light vehicle production has grown 28% to 15.3 million units. Canada has gained a 15% NAFTA producer share but consumes about 7% of new vehicles.

VALUE OF SHIPMENTS IN CANADIAN COMPANIES

Production shipments have risen over the long term:

- Vehicles: \$30 billion - - Parts: \$15 billion (1985)
- Vehicles: \$52 billion - - Parts: \$23 billion (1996)

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AUTOMOTIVE MANUFACTURING AND DISTRIBUTION ACTIVITIES

i) Vehicle Assembly

- The light duty vehicle sector
 - has 14 high-volume assembly plants
 - produces 2.4 million vehicles annually (1996)
 - employs 55 000 people
 - has shipments of \$52 billion annually
 - exports about 90% of production.

Many key high-volume models sourced in Canada. Major reinvestment is made in Canada every year in buildings, machinery, and equipment. There is a decades-long record of maintaining and increasing high levels of investment.

The "Big Three" have continuously renewed their products and updated their assembly plants' process technologies to current state-of-the-art levels as new models are introduced.

New manufacturers have established "greenfield" plants and operate competitively in Canada.

- The heavy duty vehicle sector
 - has 14 state-of-the-art assembly plants producing buses, commercial trucks, and conversions
 - produces 30 000 vehicles annually (1996)
 - employs 15 000 people*
 - has shipments of \$2 billion* annually
 - exports about 90% of production.

Industry association estimates

ii) Vehicle Systems, Components and Parts Manufacturing

- has world-competitive process technology
- is cost competitive
- employs 92 000 people (7% increase over 1995)
- has shipments of \$23 billion annually
- exports 72% of production
- has more than 550 establishments.

Independent parts and component producers invest heavily to win new business.

iii) Authorized Automobile Dealer Network

- has 3 600 dealers representing 20 new vehicle manufacturers
- employs 130 000 people
- has sales of over \$52 billion in: new and used vehicles, service and repair.

iv) The Aftermarket Organization

- has sophisticated manufacturing, distribution, retail and service organizations
- has manufacturing strengths in garage tools, diagnostic service and repair equipment, automotive accessories, performance and appearance products
- employs 225 000* people
- has retail sales of \$14.4 billion** annually
- has shipments of \$2.9 billion annually.

includes wholesale and retail stores, service stations and repair shops, but excludes manufacturing

**

excludes paint, body and equipment, heavy duty truck, industrial, motorcycle accessories, tools and service equipment

v) NAFTA Partners in Perspective - Light Vehicles

1996			
	CANADA	U.S.	MEXICO
Population	29 000 000	265 000 000	92 000 000
Vehicle Sales	1 180 100	15 097 000	331 463
Vehicle Production	2 367 479	11 468 269	1 198 284
Auto OE Mfg. Employment	147 000*	1 026 000	203 000
Vehicles Produced per OE Employee	16	11	6
Vehicles Produced per 1 000 Citizens	82	43	13
Vehicles Sold per 1 000 Citizens	41	57	4

does not include truck bodies and trailers

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MOTOR VEHICLES ON THE ROAD -- 1995*

TREND: Markets in developed countries have flattened, emphasizing replacement with fuel-efficient, low-emission vehicles. In the rest of world, first-time buyers are causing growth.

	VEHICLES IN USE 1995 licences registrations (thousands of units)	WORLD SHARE (percent)
Canada	16 678	3
U.S.	200 446	31
Europe	238 811	37
Japan	66 854	10
Rest of World	123 980	19
Total	646 769	100

latest available data

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MANUFACTURING

TREND: For decades, major global car companies have sourced substantial portions of their product needs from Canada.

l) Canadian Assemblers of Light Vehicles

Production --1996 (thousands of units)			
Company	Canada	NAFTA	World
General Motors	752	5 193	8 400
Chrysler	705	2 761	2 861
Ford	537	4 233	6 750
CAMI (GM-Suzuki)	124	124	1 789
Honda*	144	782	2 084
Toyota*	97	483	4 756
Volvo	7	7	433

Major expansion underway

ii) Canadian and NAFTA Vehicle Production

- 1983 Light Vehicle Production
 - Canadian light vehicle production was 1.55 million units, about 14% of North American production. Canada produced about two cars for every light truck.
- 1996 Light Vehicle Production
 - Canadian light vehicle production has reached 2.4 million units, 16% of total NAFTA production. Light truck production has grown to almost equal that of passenger cars.

iii) Canada and World Motor Vehicle Production

TREND: *Canada's automotive industry has grown rapidly over the last 31 years*

Canada and World Motor Vehicle Production (thousands of units)				
	1965	1980	1996	31-year Growth
U.S.	11 114	8 010	11 715	5%
Japan	1 876	11 043	10 099	438%
Germany*	2 976	3 879	4 843	63%
France	1 642	3 378	3 597	119%
S. Korea	0	123	2 812	N/A
Spain	229	1 182	2 421	957%
Canada	846	1 374	2 367	180%
U.K.	2 177	1 313	1 930	-11%
Brazil	185	1 165	1 819	883%
Italy	1 176	1 612	1 547	32%
Mexico	N/A	N/A	1 211	N/A
C.I.S.**	634	2 199	1 215	92%
World approx.	22 855	36 278	45 576	100%

* Includes the former East Germany

** Formerly the Soviet Union

N/A

zero or other value too small to have significance

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SALES

i) Sales and Vehicle Product Shifts

TREND: *Total light vehicle sales have stayed essentially flat over the past 12 years. Highly modified designs of light truck platforms have supplanted a significant portion of traditional passenger car usage. Canadian trends closely parallel U.S. trends.*

NAFTA-area Light Vehicle Sales			Canadian Light Vehicle Sales	
1996	1984	YEAR	1996	1984
16 608	16 090	VEHICLES (000)	1 180	1 280
57%	72%	CARS	56%	76%
43%	28%	TRUCKS*	44%	24%

* Includes all vans, pickups and sport/utility vehicles

ii) Passenger Car Sales by Market Class (1996)

TREND: *Canadians tend to buy smaller cars than Americans.*

Distribution of National Market by Vehicle Class (1996)		
(%)		
Segment	U.S.	Canada
Small	51.1	51.1
Mid-size	48.6	33.1
Large	9.8	8.6
Luxury	13.5	7.9

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EMPLOYMENT

TREND: *Employment in the Canadian automotive industry has remained relatively constant since 1985, while output has increased significantly.*

Annual Average Employment			
Business Segment	1965	1985	1996
Manufacturing*			
--Vehicle Assembly	42 900	56 900	54 300
--Parts and Components*	31 900	84 400	92 500
--Truck Body and Trailer	N/A	N/A	13 800
Vehicle Dealers			
--New and Used Vehicles	N/A	95 600	130 200
Aftermarket			
--Distribution and Retail	N/A	213 600	225 000
Total	74 800	450 500	515 800

* includes aftermarket production

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PRODUCTIVITY

TREND: *Canadian plants reflect world-class standards*

i) Productivity of High-Volume Vehicle Assembly Plants

The 1996 report by Harbour and Associates Inc. estimates Chrysler Canada Ltd. uses only 2.54 workers per day to assemble a car at its Bramalea, Ontario, facility, making it the most productive North American Big Three plant in 1996. Toyota's Cambridge, Ontario, facility, at 2.35 workers per day, is the most productive plant in Canada.

The 1996 study of the worldwide auto industry by the Massachusetts Institute of Technology placed Canada second in productivity, behind only Japan and ahead of the United States, European countries, Korea and Australia.

Since 1989, Canadian plants have increased productivity rapidly, and now fewer people are required to achieve the same output in Canadian assembly plants than in U.S. plants.

ii) International Recognition

Several Canadian assembly plants have received J.D. Power and Associates' Awards, including the following:

- Toyota's Cambridge, Ontario, Corolla assembly plant has received five J.D. Power Awards since 1991, including three gold awards.
- Ford's St. Thomas, Ontario, Grand Marquis/Crown Victoria plant tied for the J.D. Power Silver award in 1994.
- Honda's Alliston, Ontario, assembly plant received the J.D. Power Gold Plant Award in 1995.

In the aftermarket distribution sector, UAP Inc. received the Canadian-American Business Achievement Award for 1995.

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COMPETITIVENESS WITH THE U.S.

TREND: *Canada continues to maintain a competitive cost margin.*

i) Vehicle Assembly Costs

Canada has an advantage over the U.S. in terms of assembly costs. The figures below reflect 1996 data and an exchange rate of C\$1 to US\$0.73:

- **productivity:** 5% fewer labour hours per unit
- **direct labour costs:** 30% less per hour

ii) Component Manufacturing

A sophisticated financial model that combines all cost factors (direct labour costs, payroll charges, transportation, currency exchange, taxes specific to a particular jurisdiction, special incentives, etc.) indicates that parts manufacturers can start up and operate in Canada on a completely cost-competitive basis compared with various locations in the heavily **automotive**-oriented U.S. Midwest.

Quality-of-life factors in Canadian locations are an important investment determinant.

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TRADE

TREND: *Canada maintains an overall automotive trade surplus with the rest of the world.*

i) Automotive Trade Flows - 1996 results

Canada and Japan

we export \$ 172 million to Japan
we import \$ 2.9 billion from Japan

Canada and U.S.

we export \$ 64.7 billion to U.S.
we import \$ 49.2 billion from U.S.

Canada and Mexico

we export \$ 241 million to Mexico
we import \$ 3.3 billion from Mexico

Canada and European Union

we export \$ 299 million to EU
we import \$ 1.5 billion from EU

ii) Tariffs - When Changes are Completed in 1998

TREND: *Tariff reduction continues; tariffs are being eliminated on NAFTA-originating goods. Canada remains committed to freer trade – bilaterally, though free trade agreements with countries such as Chile and Israel; multilaterally, through the World Trade Organization; and regionally, through NAFTA, the FTAA and APEC.*

Canada and U.S.		
NAFTA originating	Parts imports	Free
	exports	Free
	Vehicle imports	Free
	exports	Free
NAFTA non-originating	Parts imports	Free to 6.7%
	exports	Free to 2.6%
	Car imports	6.7%
	exports	2.5%
	Truck imports	6.7%
	exports	25.0% (heavy trucks) 4.0% (light trucks)
Canada with Mexico		
NAFTA originating	Parts imports	Free to 3.0%
	exports	Free to 7.5%
	Car imports	1.7%
	exports	5.5%

	Truck imports	Free to 3%
	exports	Free to 5.5%
NAFTA non-originating	Parts imports	Free to 6.7%
	exports	Free to 15.0%
	Vehicle imports	6.7%
	exports	20.0%
Canada from MFN countries		
	Parts imports	Free to 6.7%
	Vehicle imports	6.1%

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INVESTMENT

i) Automotive Research and Development

TREND: Car assemblers increasingly gate system product development to independent Tier I companies. Proximity of major Canadian independents to L it facilitates concurrent manufacturing development work with the central product engineering offices in Detroit. Canadian R&D activities supported by attractive investment tax credit initiative.

ii) New Capital Expenditures

TREND: Canada continues to attract a significant portion of investment in vehicle and parts manufacture.

Annual New Capital Expenditures (current dollars, millions)			
Business Segment	1985	1986	1987
Vehicle Assembly	66	714	2 308
Parts and Components	107	332	1 419
Dealers	N/A	292	1 078

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REGULATORY RESPONSIBILITY

TREND: Pressure for significantly more fuel efficiency and environmentally cleaner vehicles is constrained by the practical limits of technology, affordability and utility.

i) Exhaust Gas Emissions

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

ii) Vehicle Safety and Performance

- are the responsibility of Transport Canada and provincial agencies
- are generally harmonized with those in the U.S.

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KEY CANADIAN CITIES AND THEIR STRATEGIC PRODUCTS

Alliston, Ontario

- Honda:
 - Cars
 - Honda Civic (three-door); Acura 1.6 EL (120 000-unit capacity)
 - new plant (120 000-unit capacity) will produce minivan by 1999
 - Components
 - major stampings

Cambridge, Ontario

- Toyota:
 - Cars

- new plant (120 000-unit capacity) will produce the Corolla by 1998
- retrofitted plant (120 000-unit capacity) will produce the Solare

Components

- major stampings
- L4 engines

Chatham, Ontario

- Navistar:
Large Class 8 Trucks

Halifax, Nova Scotia

- Volvo:
Large, Mid-luxury Cars (7 000-unit capacity)
 - Volvo S70, V70 series

Ingersoll, Ontario

- CAMI (215 000-unit capacity):
Small Cars
 - Geo Metro, Pontiac Firefly (marketed by GM dealers)
 - Suzuki Swift
- Small Sport/Utility Trucks
 - Geo Tracker (marketed by GM dealers)
 - Suzuki Sidekick
 - Pontiac Sunrunner (marketed by Pontiac dealers in Canada only)
- Components
 - major stampings

Kelowna, British Columbia

- Western Star:
Large Trucks
 - Class 8 Trucks
 - Military 5/4 ton

London, Ontario

- General Motors Diesel Division:
Diesel Locomotives and Light Armoured Vehicles

Montreal, Quebec - Metropolitan Region

- General Motors:
Mid-size Specialty Cars (212 000-unit capacity)
 - Chevrolet Camaro
 - Pontiac Firebird
- Nova Bus Corporation:
Large Urban Buses
- Paccar:
Large Class 8 Trucks

Oakville, Ontario

- Ford:
Minivans (230 000-unit capacity)
 - Windstar
- Large Pickup Trucks (146 000-unit capacity)
 - Ford F Series

Oshawa, Ontario

- General Motors:
Mid-size Cars (496 000-unit capacity in two plants)
 - Chevrolet Lumina
 - Chevrolet Monte Carlo
 - Buick Regal
 - Buick Century
- Components
 - batteries

- suspension components
 - exterior sheet metal stampings
- Large Pickup Trucks (274 000-unit capacity)
- Chevrolet C/K
 - GMC C/K

Quebec City, Quebec - Metropolitan Region

- Prevost:
Large, Interurban Buses

St Catharines, Ontario

- General Motors:
Components
 - V6 and V8 engines and components
 - transmission final drives and differential assemblies
 - rear axles
 - brake and drum assemblies and components
 - front suspensions

St Thomas, Ontario

- Ford:
Large Cars (225 000-unit capacity)
 - Ford Crown Victoria
 - Mercury Grand Marquis
- Freightliner:
Large Class 8 Trucks

Toronto, Ontario - Metropolitan Region

- Chrysler:
Large/Luxury Cars (242 000-unit capacity)
 - Chrysler Concorde
 - Chrysler LHS
 - Dodge Intrepid
 - Eagle Vision
- Components
 - aluminum castings
 - interior trim parts and sub-assemblies
 - major stampings
- Ford:
Components
 - electromechanical and electronic assemblies
- Orion:
Large Urban Buses

Windsor, Ontario

- Chrysler:
Minivans (400 000-unit capacity)
 - Dodge Caravan
 - Dodge Grand Caravan
 - Plymouth Voyager
 - Plymouth Grand Voyager
- Large Vans (120 000-unit capacity)
 - Dodge Ram Van
 - Dodge Ram Wagon
- Ford:
Components
 - aluminum castings
 - iron castings
 - V6 engines
 - V8 engines
- General Motors:
Components
 - four-speed electronic front-wheel drive automatic transmissions

Winnipeg, Manitoba - Metropolitan Region

- New Flyer:
Large Urban Buses
- Motor Coach Industries:
Large Interurban Buses

About 1 000 independent Tier I and Tier II supplier plants clustered in or near these cities supply parts and system assemblies to these major sites. These strategic locations also enable suppliers to provide just-in-time deliveries to the major U.S. vehicle assembly sites.

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INDUSTRY CANADA'S SERVICES TO THE AUTOMOTIVE SECTOR



The **Automotive** and Transportation branch maintains a comprehensive database that covers Canada as well as the major vehicle-producing regions of the world. In total, listings include more than 8 000 **automotive** sector plants and companies, products made and processes used. Selected information is available in various forms and media.



Customized searches by **automotive** assembly and parts plant, company, product or country may be requested from the **Automotive** and Transportation Branch.

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