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Technologie Canada

Canada

# Investment Opportunities in the Canadian Aftermarket Automotive Sector

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For more information on investing in Canada, contact:

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# Why Invest in Canada?

Canada's open door investment policy encourages investment and exports to other countries. It is a profitable place in which to invest.

The quality of life, security and hard-working workforce make Canada a good place to do business.

The market for vehicles in North America is 13 million units/year, and Canada is completely integrated in the sector sharing both the manufacturing output and the market with direct access to the U.S. market.

Canada has the lowest energy tariffs in North America, a typical rate of 3-5¢/kW.h compared to 7-10¢/kW.h in U.S.

Canadian performance in productivity growth has been improving in the last years and is increasing.

The Free Trade Agreement between Canada and the U.S. will have a positive impact on the automotive parts sector. Tariffs on aftermarket products will be phased out over five years encouraging companies to integrate Canadian operations on a North American basis. Current administrative burden on cross-border shipments will be significantly reduced, as a result.

# Recent Major Automotive Investments in Canada

| | | | |
|---|---|---|---|
| GM | - | over $2.5 billion | Modernization |
| HONDA | - | $280 million | New Assembly Plant |
| CHRYSLER / AMC | - | over $1.3 billion | New Assembly Plant |
| FORD | - | over $300 million | Modernization |
| HYUNDAI | - | $300 million | New Assembly Plant |
| TOYOTA | - | $400 million | New Assembly Plant |
| GM / SUZUKI | - | $600 million | New Assembly Plant |

# Partial List of Specific Auto Parts Investments Sought for Aftermarket Production in Canada

**Electrical / Electronic Parts**

- Alternators
- Starter motors
- Electric fuel pumps
- Electronic fuel injection systems
- Electronic emission controls
- Electronic control modules
- Electronic sensors / actuators
- Turbochargers
- Ignition
- Diagnostic equipment
- Electronic options (mapping, security, etc.)

**Instrumentation**

- Electronic display systems
- Vehicle diagnostic devices
- Trip computers
- Instrumentation (analog or digital) incl. ameters, fuel, pressure and temperature gauges

**Brake Systems**

- Brake valves, boosters / actuators
- Disc brake and hub assemblies
- Brake cylinders
- Calipers
- Proportioning valves
- ABS system

## Partial List of Specific Auto Parts Investments Sought for Aftermarket Production in Canada (continued)

**Steering / Suspension Systems**
- Steering gears
- Power steering units
- Rack and pinion units
- Front suspension
- C.V. joints
- Struts

**Miscellaneous Components and Accessories**
- Air conditioning
- Aluminum water pumps
- Headlights
- Heavy - duty truck components

# Key Automotive Statistics
# Canada - 1987

| | | Units | | Cdn. $ Billion |
|---|---|---|---|---|
| **Production** | | | | |
| - cars | | 810 000 | = | 34 |
| - commercial vehicles | | 838 000 | | |
| - parts | - OE | - | | 9.9 |
| - | - AM | - | | 2.0 |
| **Exports (all countries)** | | | | |
| - cars | | - | | 13.6 |
| - commericial vehicles | | - | | 6.9 |
| - parts | - OE | - | | 10.4 |
| - | - AM | - | | 1.2 |
| **Canada / U.S. Trade** | | - | | 59 |

**Employment** = 150 000

## Canada / U.S. Automotive Trade

(Cdn. $ Billion)

| | 1985 | 1986 | 1987 |
|---|---|---|---|
| **U.S. Imports from Canada** | | | |
| Motor vehicles | 21.7 | 22.2 | 20.3 |
| Parts | 11.5 | 11.6 | 11.6 |
| Total | 33.2 | 33.8 | 31.9 |
| **Canadian Imports from U.S.** | | | |
| Motor vehicles | 10.5 | 11.4 | 12.0 |
| Parts | 17.5 | 17.7 | 16.4 |
| Total | 28.0 | 29.1 | 28.4 |
| **Trade Balance** | | | |
| Motor vehicles | 11.1 | 10.8 | 18.4 |
| Parts | (6.0) | (6.1) | (4.81) |
| Total | 5.1 | 4.7 | 3.6 |

## Imports of Selected AM Parts into Canada (1987)

| | Approx. Cdn. $ Million |
|---|---|
| V - type automotive belts | 4.8 |
| Rubber motor vehicle parts (rubber hoses, rubber parts, trim, window seals, gaskets, CV-joint boots, etc.) | 8.0 |
| Water pumps | 4.5 |
| Air conditioning parts | 21.7 |
| Radiator assemblies | 5.8 |
| Parts of generators | 5.0 |
| Starter motors | 5.5 |
| Parts of starter motors | 10.9 |
| Air filters | 9.2 |
| Oil filters | 19.1 |
| Ignition parts | 5.2 |
| Ignition parts, coils | 2.4 |
| Spark plugs | 21.9 |
| Brake system parts | 86.0 |
| Brake cylinders | 11.0 |
| Brake drums | 10.8 |
| Disc brake drums | 4.7 |
| Disc brake caliper assembly | 4.1 |
| Wiper blades | 4.3 |
| Parts of wiper blades | 1.3 |
| Exhaust system parts, excluding mufflers | 24.9 |
| Mufflers | 16.5 |
| Leaf spring | 3.3 |
| Coil spring | 8.7 |
| Shock absorbers | 22.2 |
| Universal joints | 9.9 |

## AM Market Size - Canada (estimated)

(Units)

| | High | Low |
|---|---|---|
| Belts and hoses | 2 300 000 | 2 800 000 |
| Thermostats | 955 000 | 1 167 000 |
| Water pumps | 786 000 | 961 000 |
| Air conditioning* | 8 - 10M | |
| Alternator - generator | 745 000 | 910 000 |
| Batteries | 2 160 000 | 2 640 000 |
| Air filters | 5 767 000 | 7 000 000 |
| Oil filters | 9 664 000 | 11 811 000 |
| Carburator | 629 000 | 769 000 |
| Fuel pump | 710 000 | 868 000 |
| Ignition parts | 3 200 000 | 3 911 000 |
| Spark plugs | 4 731 000 | 5 783 000 |
| Brake parts (excluding shoes, pads) | 1 976 000 | 2 415 000 |
| Brake shoes, pads | 2 782 000 | 3 400 000 |
| Headlights | 2 931 000 | 3 582 000 |
| Wiper blades | 3 501 000 | 4 279 000 |
| Exhaust system | 3 130 000 | 3 825 000 |
| Front suspension parts | 1 264 000 | 1 545 000 |
| Shock absorbers | 1 485 000 | 1 815 000 |
| Strut | 295 000 | 361 000 |
| Universal joint | 642 000 | 785 000 |
| Wheel bearing/oil seal | 892 000 | 1 090 000 |

* $ Value

Source: Desrosiers Automotive.

## New Car Sales in Canada - 1987

(Units)

| | |
|---|---|
| GM Domestic | 355 300 |
| Sprint Firefly | 21 772 |
| Spec / Sunburst | 1 994 |
| I-Mark | 63 |
| Optima | 20 |
| **Total GM:** | **379 149** |
| | |
| Ford Domestic | 183 746 |
| Tracer | 9 254 |
| Merkur | 834 |
| **Total Ford:** | **193 834** |
| | |
| Chrysler Domestic | 137 133 |
| Mitsubishi | 11 158 |
| Peugeot | 379 |
| Eagle Jeep Domestic | 5 208 |
| Import Renault | 3 331 |
| **Total Chrysler:** | **157 209** |
| | |
| Honda Import | 49 031 |
| Honda Domestic | 11 985 |
| Acura | 6 637 |
| **Total Honda:** | **67 653** |
| | |
| VW Import | 32 036 |
| VW Domestic | 5 590 |
| Audi | 3 295 |
| Porsche | 918 |
| **Total VW:** | **41 839** |

# New Car Sales in Canada - 1987 (Continued)

(Units)

| | |
|---|---|
| Volvo Import | 5 103 |
| Volvo Domestic | 2 312 |
| **Total Volvo:** | **7 415** |
| | |
| Toyota | 68 753 |
| Hyundai | 50 646 |
| Nissan | 36 416 |
| Mazda | 26 635 |
| Subaru | 8 447 |
| BMW | 4 864 |
| Mercedes Benz | 4 403 |
| Suzuki Canada | 3 810 |
| Jaguar | 2 660 |
| Saab | 1 639 |
| Lada | 1 065 |
| Skocar (Skoda) | 625 |
| Inca (Innocent) | - |
| **Total N.A. Cars** | **701 274** |
| **Total Imports** | **355 788** |
| **Grand Total** | **1 057 062** |

Source: Automobile Imports of Canada, Canadian Importers Association, Ward's Automotive Reports and Statistics Canada.

## Composition of the Vehicle Fleet in Canada as of August 1986

| Vehicle | Number of units on the road | Percent of sub-total | Percent of total fleet |
|---|---|---|---|
| **Passenger cars** | | | |
| North American - built cars | 7 027 715 | 78.8 | 61.2 |
| Japanese - built cars | 1 242 106 | 13.9 | 10.8 |
| European - built cars | 504 814 | 5.7 | 4.4 |
| All others | 138 856 | 1.6 | 1.2 |
| **Sub-total (cars)** | **8 913 491** | **100.0** | **77.6** |
| **Trucks** | | | |
| North American - built trucks | 2 356 078 | 91.7 | 20.5 |
| Japanese - built trucks | 195 831 | 7.6 | 1.7 |
| European - built trucks | 17 143 | 0.7 | 0.1 |
| **Sub-total (trucks)** | **2 569 052** | **100.0** | **22.4** |
| **Total passenger cars and trucks** | **11 482 543** | | **100.0** |

Source: Desrosiers Automotive Reports.

## Number of Outlets in the Canadian Automotive Aftermarket

| | 1980 | 1982 | 1984 | 1985 |
|---|---|---|---|---|
| **Retail** | | | | |
| Vehicle dealers | 4 488 | 4 294 | 4 160 | 4 438 |
| Service stations | 13 790 | 11 368 | 6 391 | 7 023 |
| Garages | 10 080 | 10 576 | 11 696 | 11 051 |
| **Total** | **28 358** | **26 238** | **22 247** | **22 512** |

| | | | | |
|---|---|---|---|---|
| **Wholesale** | | | | |
| Warehouse distributors | 361 | 456 | 490 | 505 |
| Wholesalers | 2 484 | 2 872 | 2 216 | 2 647 |

Source: Jobber News, MVMA, Aftermarket; AIA Aftermarket Watch.

# Locations of Canadian Vehicle Assembly Plants

**Ontario**

| | |
|---|---|
| Windsor | - Chrysler (vans) |
| Chatham | - Navistar International (heavy-duty trucks) |
| London | - Diesel Division, GM, (R&D, military vehicles) |
| Brantford | - Canadian Bluebird (school buses) |
| Paris | - Wabco (off-highway trucks) |
| Guelph | - Euclid (off-highway trucks) |
| Woodstock | - Thomas (school buses) |
| St. Thomas | - Ford (cars) |
| Alliston | - Honda (cars) |
| Brampton | - Chrysler (two plants, cars) |
| Oakville | - Ford (cars, light trucks) |
| | - Mack (heavy-duty trucks) |
| Mississauga | - Ontario Bus Industries (urban buses and emergency vehicles) |
| Scarborough | - GM (light-duty trucks, vans) |
| Oshawa | - GM (cars) |

**Quebec**

| | |
|---|---|
| Ste. Therese | - GM (cars) |
| | - Canadian Kenworth Paccar (heavy-duty trucks) |
| St. Eustache | - Diesel Division, GM (urban coaches) |
| Ste. Claire | - Prevost (intercity coaches and motor homes) |
| Valcourt | - Bombardier (military trucks) |
| Bromont | - Hyundai (cars) |

**British Columbia**

| | |
|---|---|
| Vancouver | - Freightliner (heavy-duty trucks) |
| | - Pacific Truck and Trailer (heavy-duty trucks) |
| Kelowna | - Western Star (heavy-duty trucks) |

## Locations of Canadian Vehicle Assembly Plants (continued)

**Manitoba**

| | | |
|---|---|---|
| Winnipeg | - | Motor Coach Industries (intercity coaches) |
| | - | Flyer (urban coaches) |

**Nova Scotia**

| | | |
|---|---|---|
| Halifax | - | Volvo (cars) |

## Some Aftermarket Producers Established in Canada

TRIDON LTD.
ALLIED SIGNAL INC.
AC DELCO
DUPONT CANADA INC.
HAYES-DANA INC.
VARTA BATTERIES LTD.
DAYCO (CANADA) LTD.
ECHLIN CANADA INC.

# Comparison of Land Acquisition and Construction Costs in Canada and U.S.

($ Cdn. - C$1 = $1.35 U.S.)

| | CANADA | | | | | U.S.A. | |
|---|---|---|---|---|---|---|---|
| | Ontario | | | Quebec | | Michigan | Kentucky |
| | Windsor | London | Brantford | Non-urban | Urban | Battle Creek | Lexington |
| Acquisition of Serviced Land (industrial) | $27 000-50 000 per acre | $22 000-40 000 per acre | $20 000-per acre | $4 300-7 800 per acre | $27 000-66 000 per acre | $15 000-23 000 per acre | $15 000-27 000 per acre |
| Facilities Construction | $30.20 / ft.$^2$ (Ontario average) | | | $32.50 / ft.$^2$ (Quebec average) | | $37.46 / ft.$^2$ | $38.48 / ft.$^2$ |

Sources: Provinces of Ontario (MITT), Quebec (MIC)
Pacific Automotive Cooperation Inc.

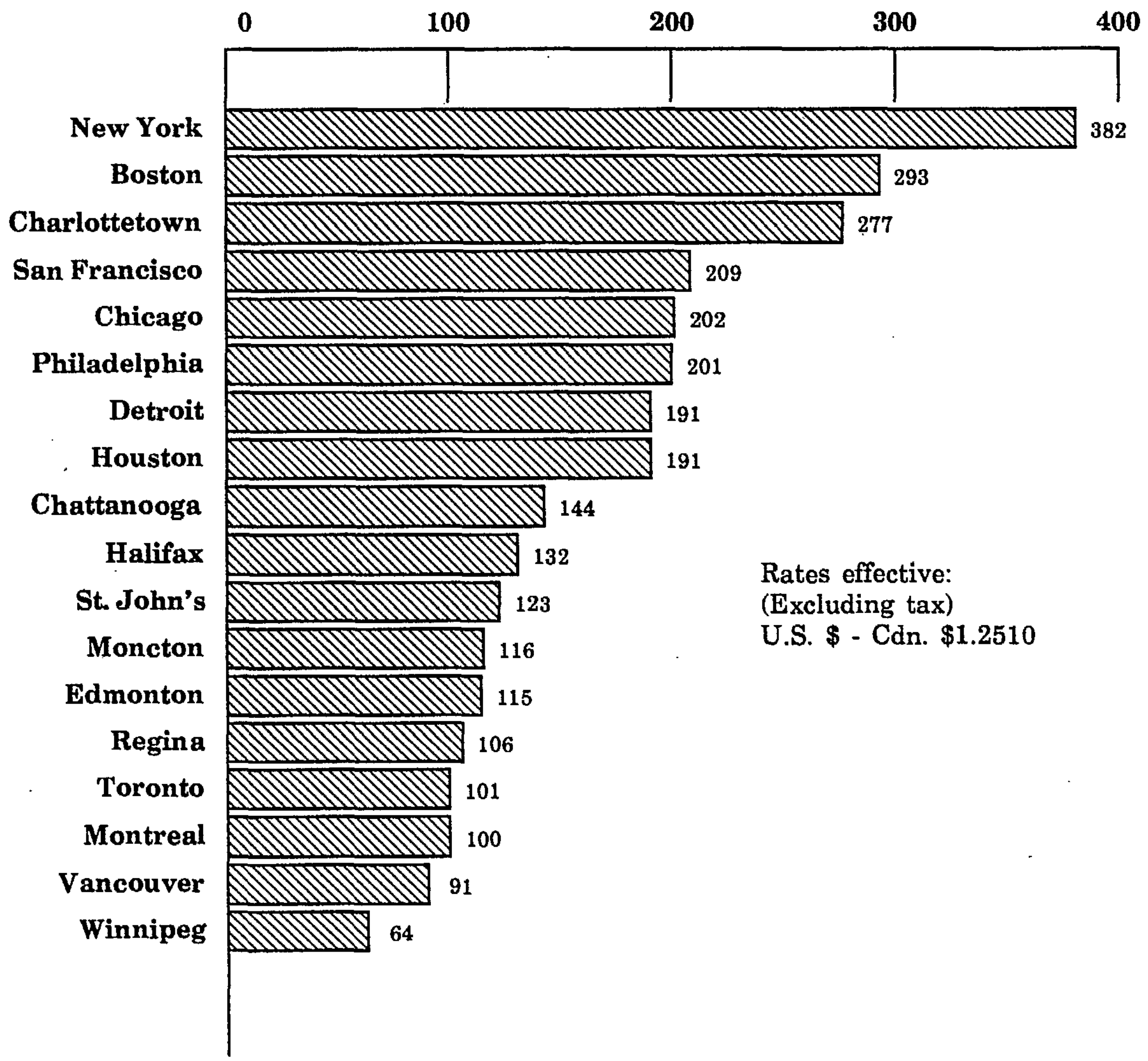
## Comparison of Wages and Benefits in Selected Cities, 1986

($000 Canadian)

| | Machinist | | Production Manager | | Electrical Engineer | | Secretary | |
|---|---|---|---|---|---|---|---|---|
| | Salary | Salary & Benefits | Salary | Salary & Benefits | Salary | Salary & Benefits | Salary | Salary & Benefits |
| **Canada** | | | | | | | | |
| Montreal | 30.3 | 35.7 | 48.9 | 57.7 | 38.4 | 45.3 | 20.9 | 24.6 |
| Toronto | 29.6 | 34.9 | 46.4 | 54.6 | 39.2 | 46.2 | 20.4 | 24.0 |
| Vancouver | 33.2 | 38.8 | 51.4 | 60.1 | 41.0 | 47.9 | 23.9 | 27.9 |
| **U.S.A.** | | | | | | | | |
| Atlanta | 40.4 | 50.3 | 54.2 | 67.4 | 47.2 | 58.8 | 27.0 | 33.6 |
| Chicago | 40.7 | 51.6 | 55.3 | 70.0 | 50.0 | 63.4 | 27.2 | 34.5 |
| New York | 38.6 | 48.9 | 59.1 | 74.9 | 48.6 | 61.6 | 27.0 | 34.3 |

## Comparative Indices of Electric Costs

General Service - Medium Power
Monthly Bills: 1 000 kW, 400 000 kW.h



# Partial List of Major Purchasing Contacts in Canada

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# Partial List of Major Purchasing Contacts in Canada

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# Partial List of Major Purchasing Contacts in Canada

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