Industry Canada Industrie Canada

CANADA'S AUTOMOTIVE INDUSTRY 2000

Systems

Light Vehicle Assembly

New Car Dealers

Components

Aftermarket

Heavy Trucks and Buses

AEROSPACE AND AUTOMOTIVE BRANCH

Canada

HIGHLIGHTS

Current Position of the Canadian Automotive Industry

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

The Canadian automotive industry is:
- integrated into NAFTA (i.e. Canada, U.S. and Mexico)
- globally competitive
- the fourth largest in the world (1999)
- a major contributor to the Canadian economy, accounting for 15% of manufacturing GDP.

Production shipments have shown a rising long-term trend:

Vehicles: $30 billion	Parts: $15 billion	**1985**
Vehicles: $73.2 billion	Parts: $33.3 billion	**1999**

AUTOMOTIVE MANUFACTURING AND DISTRIBUTION ACTIVITIES

Vehicle Assembly

The light-duty vehicle sector:
- has 14 high-volume assembly plants
- produces 3.0 million vehicles annually (1999)
- employs 53 000 people
- has shipments of $70.3 billion annually (1999)
- exports about 90% of production.

Many key high-volume models are sourced in Canada. Major reinvestment has been made in Canada every year in buildings, machinery and equipment. The vehicle manufacturers have continuously expanded their production and renewed their products and have updated their assembly plants' process technologies to current state-of-the-art levels as new models are introduced.

The heavy-duty vehicle sector:
- has 13 relatively low-volume assembly plants producing buses, commercial trucks and conversions
- produces 61 000 vehicles annually (1999)
- employs 18 300 people
- has shipments of $2.9 billion annually (1999)[a]
- exports about 80–90% of production.

[a] Not including bus shipments

Vehicle Systems and Parts Manufacturing

- has world-competitive process technologies
- is cost-competitive
- employs 107 000 people (1999)
- has shipments of $33.3 billion (1999)
- exports about 70% of production
- has more than 550 establishments.

Authorized Automobile Dealer Network

- has 3556 dealers representing 19 vehicle manufacturers
- employs 144 000 people
- has sales of over $69 billion in new and used vehicles, service and repair.

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 221 000 people[a]
- has retail sales of $15 billion annually[b]
- has shipments of $2.9 billion annually.

[a] Excludes employment for manufacturing
[b] Excludes heavy-duty trucks, paint, body and equipment, and industrial and farm equipment, etc.

NAFTA Partners in Perspective — Motor Vehicles

1999			
	Canada	U.S.	Mexico
Population	30 491 300	272 700 000	96 000 000
Vehicle Sales	1 540 379	17 414 728	706 380
Vehicle Production	3 056 616	13 024 835	1 534 160
Auto OE Mfg. Employment	71 161	400 200	62 000[a]
Vehicles Produced per OE Employee	43	32	25
Vehicles Produced per 1000 Citizens	100	48	16
Vehicles Sold per 1000 Citizens	50.5	63.9	7.4

[a] 1998 figure

MOTOR VEHICLES ON THE ROAD — 1998

TREND: Markets in developed countries are mature while significant growth is expected in emerging markets, creating opportunities for the Canadian automotive industry.

	Vehicles in Use, 1998 Licence Registration (thousands of units)	World Share (%)
Canada	17 465	2.5
U.S.	209 750	29.8
Europe	261 609	37.1
Japan	70 815	10.0
Rest of the World	145 197	20.6
Total	704 836	100

MANUFACTURING

TREND: Canadian vehicle production continues to increase.

Canadian Assemblers of Light Vehicles

Production 1999		
Company	Canada	NAFTA
General Motors	915 507	5 739 413
DaimlerChrysler	796 727	3 089 623
Ford	685 535	4 580 148
CAMI (GM-Suzuki)	112 314	112 314
Honda	274 908	971 049
Toyota	211 082	744 784

Canadian and NAFTA Vehicle Production

- 1983 Canadian light vehicle production was 1.55 million units, about 14% of North American production. Canada produced about two cars for every light truck
- 1999 Canadian light vehicle assembly reached 3.0 million units, 19.7% of total NAFTA production. The volume of light truck production has grown to almost equal that of passenger cars.

Canada and World Motor Vehicle Production

TREND: Canada ranks fourth in world vehicle production.

Canada and World Motor Vehicle Production (thousands of units)			
	1965	1980	1999[c]
U.S.	11 114	8 010	13 025
Japan	1 876	11 043	9 905
Germany[a]	2 976	3 879	5 688
Canada	**846**	**1 374**	**3 056**
France	1 642	3 378	3 033
Spain	229	1 182	2 852
South Korea	0	123	2 832
U.K.	2 177	1 313	1 973
China	NA	NA	1 804
Italy	1 176	1 612	1 701
Mexico	NA	490	1 534
Brazil	185	1 165	1 344
Russia[b]	634	2 199	1 173
Rest of the World	2 336	3 118	4 918
World Total	25 191	38 886	54 838

[a] Includes the former East Germany
[b] Formerly the Soviet Union
[c] Ward's Automotive Yearbook 2000

SALES

Sales and Vehicle Product Shifts

TREND: Total light vehicle sales have been increasing constantly since the mid 90s. 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	
1984	1999	YEAR	1984	1999
16 090[a]	19 660[a]	VEHICLES	1 280[a]	1 540[a]
72%	51%	CARS	76%	52%
28%	49%	TRUCKS[b]	24%	48%

[a] Thousands of units
[b] Includes all vans, pickups and sport/utility vehicles

Passenger Car Sales by Market Class — 1999

TREND: Canadians tend to buy smaller cars than Americans.

Distribution of National Market by Vehicle Class (1999) (%)		
Segment	U.S.	Canada
Small	23.2	40.3
Middle	52.7	44.4
Large	7.6	6.0
Luxury	16.5	9.4

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	1999
Manufacturing			
• Vehicle Assembly	42 900	56 900	53 000
• Parts and Components[a]	31 900	84 400	107 000
• Truck Body and Trailer	NA	NA	18 300
Vehicle Dealers			
• New and Used Vehicles	NA	95 600	144 000
Aftermarket			
• Distribution and Retail	NA	213 600	221 000
Total	74 800	450 500	543 300

[a] Includes aftermarket production

PRODUCTIVITY

TREND: Canadian automotive productivity has been constantly increasing in the last decade.

Productivity of High-volume Vehicle Assembly Plants

The 2000 report by Harbour and Associates Inc. estimated that Canada is 11% more productive than the United States in terms of labour hours per vehicle. On average, Canada uses only 24.4 labour hours per vehicle, whereas the United States uses 27.1 labour hours per vehicle.

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

International Recognition

Several Canadian assembly plants have received international recognition in the following areas:

- Productivity: 4 of the 10 most productive assembly plants in North America are in Canada
- Quality: Canadian plants have won 5 out of 15 J.D. Power Plant Quality Awards for North America since 1996.

COMPETITIVENESS WITH THE U.S.

TREND: Canada continues to remain competitive in terms of productivity and labour cost.

Light Vehicle Assembly Costs

Canada has an advantage over the U.S. in terms of assembly costs. The figures below reflect 1999 data and an exchange rate of C$1 to US$0.67.

- Direct labour costs: 38% less per hour
- Productivity: 11% fewer labour hours per unit.

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 and special incentives, etc.) indicates that typical parts manufacturers can start up and operate in Canada on a cost-competitive basis relative to automotive-oriented locations in the U.S. Midwest.

Quality-of-life factors in Canadian locations are also important investment determinants.

TRADE

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

Automotive Trade Flows — 1999 Results

Canada with Japan		
We export	$162.8 million	to Japan
We import	$5.2 billion	from Japan
Canada with U.S.		
We export	$91.9 billion	to U.S.
We import	$62.7 billion	from U.S.
Canada with Mexico		
We export	$382 million	to Mexico
We import	$4.2 billion	from Mexico
Canada with European Union (EU)		
We export	$394 million	to EU
We import	$2.45 billion	from EU

Tariffs

TREND: Tariff reductions continue; tariffs are being eliminated on NAFTA-originating goods. Canada remains committed to freer trade: bilaterally through 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 with U.S.		
NAFTA Originating	Parts Imports	Free
	Exports	Free
	Vehicle Imports	Free
	Exports	Free
NAFTA Non-originating	Parts Imports	Free to 6.1%
	Exports	Free to 2.6%
	Car Imports	6.1%
	Exports	2.5%
	Truck Imports	6.1%
	Exports	25% (heavy trucks) 4.0% (light trucks)
Canada with Mexico		
NAFTA Originating	Parts Imports	Free to 2.0%
	Exports	Free to 5.0%
	Car Imports	1.3%
	Exports	4.4%
	Truck Imports	Free to 2.4%
	Exports	Free to 4.4%
NAFTA Non-originating	Parts Imports	Free to 5.0%
	Exports	Free to 15.0%
	Vehicle Imports	6.1%
	Exports	20.0%
Canada from Countries with Most Favoured Nation Status		
	Parts Imports	Free to 6.0%
	Vehicle Imports	6.1%

INVESTMENT

Automotive Research and Development

TREND: Vehicle assemblers increasingly delegate systems development to Tier I companies. The proximity of major Canadian parts makers to Detroit product design centres facilitates concurrent engineering development work. Canadian R&D activities are supported by attractive R&D tax credits.

New Capital Expenditures

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

Annual New Capital Expenditures (millions of current dollars)

Business Segment	1965	1985	1999
Vehicle Assembly	66	714	2 346
Parts and Components	107	332	840.1
Dealers	NA	292	259.9

REGULATORY RESPONSIBILITIES

TREND: There is pressure for safe, environmentally cleaner and fuel-efficient vehicles. There is 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 largely harmonized with that in the U.S.

Fuel Economy Standards

- is the responsibility of Transport Canada and Natural Resources Canada (NRCan)
- A voluntary motor vehicle fuel consumption standards program, also known as a Corporate Average Fuel Consumption (CAFC), is administered through Memoranda of Understanding (MOU) with the Canadian Vehicle Manufacturers' Association (CVMA) and the Association of International Automobile Manufacturers of Canada (AIAMC).

KEY CITIES AND PRODUCTS IN CANADA

ALLISTON, ONTARIO

Honda (330 000-unit capacity):

- vehicles
  - Civic 4-door
  - Acura 1.6 EL
  - Acura MDX
  - Odyssey minivan
- components
  - major stampings

CAMBRIDGE, ONTARIO

Toyota (220 000-unit capacity by 2003):

- vehicles
  - Corolla 4-door
  - Camry Solara
  - Lexus RX 300 to be added in 2002
- components
  - major stampings
  - L4 engines, 1.8L

CHATHAM, ONTARIO

Navistar:

- heavy-duty trucks

INGERSOLL, ONTARIO

CAMI (200 000-unit capacity):

- cars
  - Chevrolet Metro (to be dropped by 2001)
  - Suzuki Swift (to be dropped by 2001)
- sport/utility vehicles
  - Chevrolet Tracker (marketed by GM dealers)
  - Suzuki Vitara
- components
  - major stampings

KELOWNA, BRITISH COLUMBIA

Western Star:

- trucks
  - class 7/8 trucks
  - military 5/4 ton

London, Ontario

General Motors Defence:

- diesel locomotive and light armoured vehicles

Oakville, Ontario

Ford:

- minivans (294 000-unit capacity)
  - Windstar
- pickup trucks (208 000-unit capacity)
  - Ford F Series

Oshawa, Ontario

General Motors:

- mid-size cars (566 000-unit capacity)
  - Chevrolet Impala, Lumina (to be dropped by 2001)
  - Chevrolet Monte Carlo
  - Buick Regal, Century
  - Pontiac Grand Prix (to be added by 2002)
- components
  - batteries
  - suspension components
  - exterior sheet metal stampings
- pickup trucks (253 000-unit capacity)
  - Sierra
  - Silverado

Quebec City, Quebec (Metropolitan Region)

Prevost:

- intercity buses

Ste.-Thérèse, Quebec

General Motors:

- mid-size specialty cars (233 000-unit capacity)
  - Chevrolet Camaro
  - Pontiac Firebird

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 suspension

St. Thomas, Ontario

Ford:

- cars (233 000-unit capacity)
  - Ford Crown Victoria
  - Mercury Grand Marquis

Sterling (division of Freightliner):

- class 8 trucks

Toronto, Ontario (Metropolitan Region)

DaimlerChrysler:

- luxury cars (254 000-unit capacity)
  - Chrysler Concorde
  - Chrysler LHS
  - Dodge Intrepid
  - Chrysler 300 M
- components
  - aluminum castings
  - interior trim parts and sub-assemblies
  - major stampings

Ford:

- components
  - electromechanical and electronic assemblies

Orion:

- urban buses

Windsor, Ontario

DaimlerChrysler:

- minivans (273 000-unit capacity)
  - Dodge Caravan
  - Dodge Grand Caravan
  - Plymouth Voyager
  - Plymouth Grand Voyager
- large vans (113 000-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:

- urban buses

Motor Coach Industries:

- intercity buses

More than 550 independent Tier I and Tier II supplier plants, clustered in or near these cities, supply parts and system assemblies to the major sites. These strategic locations enable suppliers to provide just-in-time delivery to all major U.S. vehicle assembly sites.

OTHER SOURCES OF INFORMATION

A wide variety of business information is available from industry Canada's Internet Web site (**http://strategis.ic.gc.ca/**).

- Open up the **Business Information by Sector** section and visit the Automotive home page (**http://strategis.ic.gc.ca/autoe**) for selected information on motor vehicle manufacturing and services sectors.
- Open up the **Company Information** section and visit the home page of Industry Canada's **Canadian Company Capabilities** for on-line assistance in finding the right company, product, service and technology information, and in promoting your product and expertise to domestic and international markets.

The Department of Foreign Affairs and International Trade's (DFAIT) database includes basic information on exporters, products, services and foreign markets, along with company marketing profiles. Information can be obtained from the DFAIT Web site (**http://www.dfait-maeci.gc.ca**).

Data Sources

Industry Canada, Statistics Canada, Canadian Vehicle Manufacturers' Association, Automotive Industries Association of Canada, Automotive Parts Manufacturers' Association, Ward's Automotive, *Automotive News*, DesRosiers, Harbour and Associates Inc., U.S. Bureau of Labor Statistics.

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