Industry Canada Industrie Canada

CANADA'S AUTOMOTIVE INDUSTRY

2001

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 sixth largest in the world
- a major contributor to the Canadian economy, accounting for 14% of manufacturing GDP.

Production shipments have shown a rising long-term trend:

Vehicles: $30 billion	Parts: $15 billion	**1985**
Vehicles: $73 billion	Parts: $34 billion	**2000**

AUTOMOTIVE MANUFACTURING AND DISTRIBUTION ACTIVITIES

Vehicle Assembly

The light-duty vehicle sector:

- has 14 high-volume assembly plants
- produces 2.96 million vehicles annually
- employs 51 800 people
- has shipments of $73 billion annually
- 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 46 300 vehicles annually
- employs 19 100 people
- has shipments of $2.7 billion annually
- exports about 80–90% of production.

Vehicle Systems and Parts Manufacturing

- has world-competitive process technologies
- is cost-competitive
- employs 113 000 people
- has shipments of $34 billion
- exports about 67% of production
- has more than 550 establishments.

Authorized Automobile Dealer Network

- has 3556 dealers representing 19 vehicle manufacturers
- employs 145 000 people
- has sales of over $73.1 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 225 000 people[a]
- has retail sales of $15.6 billion annually.[b]

[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

2000			
	Canada	U.S.	Mexico
Population	31 592 800	278 058 900	101 879 200
Vehicle Sales	1 586 083	17 811 674	902 372
Vehicle Production	2 961 636	12 770 714	1 922 889
Auto OE Mfg. Employment	51 800	345 600	62 000[a]
Vehicles Produced per OE Employee	57	37	31
Vehicles Produced per 1000 Citizens	94	46	19
Vehicles Sold per 1000 Citizens	50.2	64.1	8.9

[a] 1998 figure

MOTOR VEHICLES ON THE ROAD

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

Vehicles in Operation by Region (thousands of units)	World Share (%)
Canada	17 571	2.5
U.S.	213 299	30.4
Europe	249 099	35.5
Japan	72 649	10.4
Rest of the World	148 549	21.2
Total	701 167	100

MANUFACTURING

TREND: Canadian vehicle production continues to increase.

Canadian Assemblers of Light Vehicles

Production 2000		
Company	Canada	NAFTA
CAMI (GM-Suzuki)	107 651	107 651
DaimlerChrysler	704 081	2 896 087
Ford	629 646	4 667 662
General Motors	963 409	5 630 124
Honda	326 823	1 022 714
Toyota	183 739	808 893

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
- 2000 Canadian light vehicle assembly reached 2.96 million units, 17.0% 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 sixth in world vehicle production.

Canada and World Motor Vehicle Production (thousands of units)			
	1965	1980	2000[c]
U.S.	11 114	8 010	12 771
Japan	1 876	11 043	10 145
Germany[a]	2 976	3 879	5 527
France	1 642	3 378	3 352
Spain	229	1 182	3 033
Canada	**846**	**1 374**	**2 962**
South Korea	0	123	2 858
China	NA	NA	2 009
Mexico	NA	490	1 923
U.K.	2 177	1 313	1 814
Italy	1 176	1 612	1 738
Brazil	185	1 165	1 671
Russia[b]	634	2 199	1 203
Rest of the World	2 336	3 118	6 424
World Total	25 191	38 886	57 428

[a] Includes the former East Germany
[b] Formerly the Soviet Union
[c] Ward's Automotive Yearbook 2001

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	2000	YEAR	1984	2000
16 090[a]	20 300[a]	VEHICLES	1 280[a]	1 586[a]
72%	51%	CARS	76%	54%
28%	49%	TRUCKS[b]	24%	46%

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

Passenger Car Sales by Market Class

TREND: Canadians tend to buy smaller cars than Americans.

Distribution of National Market by Vehicle Class (2000) (%)		
Segment	U.S.	Canada
Small	28.1	50.1
Middle	47.8	35.5
Large	7.0	7.0
Luxury	17.1	9.3

EMPLOYMENT

TREND: While output has increase significantly, employment in Canadian automotive assembly has decreased somewhat since 1985. Other segments of the industry have increased employment levels.

Annual Average Employment			
Business Segment	1965	1985	2000
Manufacturing			
• Vehicle Assembly	42 900	56 900	52 000
• Parts and Components[a]	31 900	84 400	113 000
• Truck Body and Trailer	NA	NA	19 100
Vehicle Dealers			
• New and Used Vehicles	NA	95 600	145 000
Aftermarket			
• Distribution and Retail	NA	213 600	225 000
Total	74 800	450 500	554 100

[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 2001 report by Harbour and Associates Inc. estimated that Canada is 7% more productive than the United States in terms of labour hours per vehicle. On average, Canada uses only 24.0 labour hours per vehicle, whereas the United States uses 25.9 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: Canadian assembly plants ranked 1st for productivity in four vehicle segments
- Quality: Canadian plants have won 10 of 30 J.D. Power Plant Quality Awards for North America.

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 an exchange rate of C$1 to US$0.67.

- Direct labour costs: 24% less per hour
- Productivity: 7% 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.

Automotive Trade Flows — 2000 Results

Canada with U.S.		
We export	$89.9 billion	to U.S.
We import	$64.0 billion	from U.S.
Canada with Japan		
We export	$157.8 million	to Japan
We import	$5.5 billion	from Japan
Canada with Mexico		
We export	$533 million	to Mexico
We import	$5.0 billion	from Mexico
Canada with European Union (EU)		
We export	$235 million	to EU
We import	$1.4 billion	from EU
Canada with the Rest of the World		
We export	$0.6 billion	to rest of the world
We import	$3.3 billion	from rest of the world

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
	Vehicle Imports	Free
NAFTA Non-originating	Parts Imports	Free to 6.1%
	Car Imports	6.1%
	Truck Imports	6.1%
U.S. with Canada		
NAFTA Originating	Parts Imports	Free
	Vehicle Imports	Free
NAFTA Non-originating	Parts Imports	Free to 2.6%
	Car Imports	2.5%
	Truck Imports	25% (heavy trucks)
		4.0% (light trucks)
Canada with Mexico		
NAFTA Originating	Parts Imports	Free
	Car Imports	Free
	Truck Imports	Free to 0.8%
NAFTA Non-originating	Parts Imports	Free to 8.5%
	Vehicle Imports	6.1%
Mexico with Canada		
NAFTA Originating	Parts Imports	Free to 1.5%
	Car Imports	Free
	Truck Imports	Free to 2.0%
NAFTA Non-originating	Parts Imports	3% to 18%
	Vehicle Imports	13% to 30%
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	2000
Vehicle Assembly	66	714	1 627
Parts and Components	107	332	800
Dealers	NA	292	175

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
  - Pilot
  - 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
  - Matrix
  - Lexus RX 300 to be added in 2003
- components
  - major stampings
  - L4 engines, 1.8L

CHATHAM, ONTARIO

Navistar:

- heavy-duty trucks

INGERSOLL, ONTARIO

CAMI (200 000-unit capacity):

- sport/utility vehicles
  - Chevrolet Traverse (to be added in 2003)
  - Suzuki Vitara
  - Chevrolet Tracker (marketed by GM dealers)
- 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
  - Mercury Mariner (to be added in 2003)
- pickup trucks (208 000-unit capacity)
  - Ford F Series

Oshawa, Ontario

General Motors:

- mid-size cars (566 000-unit capacity)
  - Chevrolet Impala
  - Chevrolet Monte Carlo
  - Buick Regal, Century
  - Pontiac Grand Prix (to be added by 2003)
- components
  - batteries
  - suspension components
  - exterior sheet metal stampings
- pickup trucks (253 000-unit capacity)
  - Sierra
  - Silverado

Quebec City, Quebec (Metropolitan Region)

Prevost:

- intercity 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 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
  - 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
  - Chrysler Town and Country
  - Chrysler Pacifica (to be added in 2003)
  - Plymouth Grand Voyager
- large vans (113 000-unit capacity)
  - Dodge Ram Van

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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