



Industry
Canada

Industrie
Canada

CANADA'S AUTOMOTIVE INDUSTRY 2002



Systems

**Light Vehicle Assembly
New Car Dealers**

Components

Aftermarket

Heavy Trucks and Buses

A E R O S P A C E A N D
A U T O M O T I V E B R A N C H

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 has a well developed vehicle dealer network, an aftermarket organization that supplies replacement parts and accessories, a world-class distribution system and service providers.

The Canadian automotive industry is:

- integrated into NAFTA (i.e. Canada, U.S. and Mexico)
- globally competitive
- the seventh largest in the world
- a major contributor to the Canadian economy, accounting for 12% of manufacturing GDP

Production shipments have shown a rising long-term trend:

| | | |
|------------------------|---------------------|------|
| Vehicles: \$43 billion | Parts: \$13 billion | 1991 |
| Vehicles: \$62 billion | Parts: \$30 billion | 2001 |

AUTOMOTIVE MANUFACTURING AND DISTRIBUTION ACTIVITIES

VEHICLE ASSEMBLY

This industry group comprises establishments engaged in manufacturing motor vehicles.

- employs 51 400 people
- produces 2.53 million vehicles annually

The light-duty vehicle sector:

- 14 high-volume assembly plants producing cars, minivans, and light trucks
- produces 2.5 million vehicles annually
- shipments of \$59 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 expanded their production and renewed their product mandates and have updated their process technologies to state-of-the-art as new models are introduced.

The heavy-duty vehicle sector:

- has 13 relatively low-volume assembly plants producing buses, commercial trucks and conversions
- produces 28 700 vehicles annually
- has shipments of \$3.2 billion annually
- exports about 80% of production.

The motor vehicle body and trailer sector:

- comprises establishments primarily engaged in manufacturing motor vehicle bodies and cabs, truck trailers and non-commercial trailers.
- shipments of \$2.5 billion annually
- exports about 25% of production value

SYSTEMS AND PARTS MANUFACTURING

- world-competitive process technologies
- cost-competitive
- employs 95 000
- shipments of \$30 billion 2001
- exports about 65% of production
- comprises more than 540 establishments.

AUTHORIZED AUTOMOBILE DEALER NETWORK

- 3521 dealers representing 19 vehicle manufacturers
- employs 154 600 people including automobile wholesale distributors and dealers
- retail sales of over \$76.6 billion in new and used vehicles.

AFTERMARKET ORGANIZATION

- 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 158 400^a includes: auto parts, accessories and tire stores; automotive repair and maintenance; and new and used wholesale parts distributors
- has retail sales of \$16.5 billion annually

^a Excludes employment for manufacturing.

NAFTA PARTNERS IN PERSPECTIVE — MOTOR VEHICLES

| | 2001 | | |
|-----------------------|------------|-------------|----------------------|
| | Canada | U.S. | Mexico |
| Population | 31 081 900 | 284 796 900 | 98 872 000 |
| Vehicle Sales | 1 598 256 | 17 472 520 | 925 308 |
| Vehicle Production | 2 532 363 | 11 424 689 | 1 857 114 |
| Assembly Mfg. | | | |
| Employment | 51 400 | 333 000 | 59 900 ^a |
| Parts Mfg. | | | |
| Employment | 95 000 | 511 300 | 413 300 ^a |
| Vehicles Produced | | | |
| per Assembly Employee | 49 | 34 | 31 |
| Vehicles Produced | | | |
| per 1000 Citizens | 79 | 40 | 19 |
| Vehicles Sold | | | |
| per 1000 Citizens | 50 | 61 | 9 |

^a 2000 figure

MOTOR VEHICLES ON THE ROAD

TREND: Markets in developed countries are mature. 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 | 17 783 343 | 2.3 |
| U.S. | 216 682 937 | 28.2 |
| Europe | 283 938 451 | 37.0 |
| Japan | 73 285 000 | 9.5 |
| Rest of the World | 176 215 576 | 22.9 |

MANUFACTURING

TREND: Canadian vehicle production continues to increase.

CANADIAN ASSEMBLERS OF LIGHT VEHICLES

| Company | Production 2001 | | |
|------------------|-----------------|---------------------------------------|-----------|
| | Canada | Canada's Share of NAFTA Production | NAFTA |
| CAMI (GM-Suzuki) | 77 232 | 100% | 77 232 |
| DaimlerChrysler | 557 387 | 21.5% | 2 597 225 |
| Ford | 501 169 | 12.8% | 3 922 838 |
| General Motors | 830 726 | 16.7% | 4 971 975 |
| Honda | 370 994 | 34.1% | 1 089 479 |
| Toyota | 166 130 | 21.3% | 781 771 |

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
- 2001 Canadian light vehicle assembly was 2.5 million units, 16.2% 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 seventh in world vehicle production.

| Canada and World Motor Vehicle Production (thousands of units) | | | |
|---|---------------|---------------|---------------|
| | 1965 | 1980 | 2001 |
| U.S. | 11 114 | 8 010 | 11 425 |
| Japan | 1 876 | 11 043 | 9 777 |
| Germany ^a | 2 976 | 3 879 | 5 692 |
| France | 1 642 | 3 378 | 3 628 |
| Spain | 229 | 1 182 | 2 850 |
| South Korea | 0 | 123 | 2 703 |
| Canada | 846 | 1 374 | 2 532 |
| China | NA | NA | 2 309 |
| Mexico | NA | 490 | 1 857 |
| Brazil | 185 | 1 165 | 1 812 |
| U.K. | 2 177 | 1 313 | 1 685 |
| Italy | 1 176 | 1 612 | 1 580 |
| Russia ^b | 634 | 2 199 | 1 250 |
| Rest of the World | 2 336 | 3 118 | 6 863 |
| World Total | 25 191 | 38 886 | 55 963 |

^a Includes the former East Germany

^b Formerly the Soviet Union

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 | 2001 | YEAR | 1984 | 2001 |
| 16 090 ^a | 19 602 ^a | VEHICLES | 1 280 ^a | 1 567 ^a |
| 72% | 51% | CARS | 76% | 51% |
| 28% | 49% | TRUCKS ^b | 24% | 49% |

^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 (2001) (%) | | | |
|--|------|--------|--------|
| Segment | U.S. | Canada | Mexico |
| Small | 28.8 | 52.7 | 79.1 |
| Middle | 47.9 | 35.2 | 18.0 |
| Large | 6.4 | 3.6 | 0.5 |
| Luxury | 16.8 | 8.3 | 2.5 |

EMPLOYMENT

TREND: *Since 1985, output has increased significantly and employment in Canadian automotive assembly has decreased, although other segments of the industry have increased employment levels.*

| Annual Average Employment | | | |
|-------------------------------------|---------------|----------------|----------------|
| Business Segment | 1965 | 1991 | 2001 |
| Manufacturing | | | |
| • Vehicle Assembly | 42 900 | 53 300 | 51 400 |
| • Parts and Components ^a | 31 900 | 65 400 | 95 100 |
| • Truck Body and Trailer | NA | NA | 17 100 |
| Vehicle Dealers/Distribution | | | |
| • New and Used Vehicles | NA | 134 100 | 154 600 |
| Aftermarket | | | |
| • Distribution and Retail | NA | 129 100 | 158 400 |
| Total | 74 800 | 381 900 | 476 600 |

^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 24.1 labour hours per vehicle, whereas the United States uses 26.0 labour hours per vehicle.

INTERNATIONAL RECOGNITION

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

- Productivity: Canadian assembly plants ranked 1st for productivity in three vehicle segments
- Quality: Canadian plants have won 12 of 36 J.D. Power Plant Quality Awards for North America.

COMPETITIVENESS WITH THE U.S.

TREND: *Canada continues to be 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:

- Direct labour costs: 23% less per hour
- Productivity: 7% fewer labour hours per unit.

The figures reflect an exchange rate of C\$1 to US\$0.65.

INDUSTRY CANADA / INDUSTRIE CANADA



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COMPONENT MANUFACTURING

According to a 2002 KPMG study which uses a sophisticated financial model that combines all cost factors (direct labour, payroll charges, transportation, currency exchange, taxes specific to a particular jurisdiction, special incentives, etc.), typical parts manufacturers can start up and operate in Canada with 11% lower costs than in the U.S.

TRADE

TREND: *Canada maintains an overall automotive trade surplus of \$12.9 billion.*

AUTOMOTIVE TRADE FLOWS — 2001 RESULTS (\$ ARE CANADIAN)

| Canada with U.S. | | |
|-----------------------------------|----------------|------------------------|
| We export | \$84.4 billion | to U.S. |
| We import | \$59.3 billion | from U.S. |
| Canada with Japan | | |
| We export | \$133 million | to Japan |
| We import | \$5.4 billion | from Japan |
| Canada with Mexico | | |
| We export | \$829 million | to Mexico |
| We import | \$4.9 billion | from Mexico |
| Canada with European Union | | |
| We export | \$280 million | to EU |
| We import | \$2.9 billion | from EU |
| Canada with the Rest of the World | | |
| We export | \$0.7 billion | to rest of the world |
| We import | \$2.2 billion | from rest of the world |

TARIFFS

TREND: *Tariff reductions continue; Canada remains committed to freer trade; auto tariffs have been eliminated on NAFTA-originating goods. Canada has bilateral free trade agreements with countries such as Chile and Israel, multilateral agreements through the World Trade Organization, and regional agreements through NAFTA, the FTAA and APEC.*

| Imports into Canada from the U.S. | | |
|---|-----------------|---|
| NAFTA Originating | Parts Imports | Free |
| | Vehicle Imports | Free |
| NAFTA Non-originating (Most Favoured Nation Rate) | Parts Imports | Free to 8.5% |
| | Car Imports | 6.1% |
| | Truck Imports | 6.1% |
| Imports into the U.S. from Canada | | |
| NAFTA Originating | Parts Imports | Free |
| | Vehicle Imports | Free |
| NAFTA Non-originating (Most Favoured Nation Rate) | Parts Imports | Free to 2.5% |
| | Car Imports | 2.5% |
| | Truck Imports | 25% (heavy trucks) 4.0% (light trucks) |

Imports into Canada from Mexico

| | | |
|---|-----------------|--------------|
| NAFTA Originating | Parts Imports | Free |
| | Car Imports | Free |
| | Truck Imports | Free |
| NAFTA Non-originating (Most Favoured Nation Rate) | Parts Imports | Free to 8.5% |
| | Vehicle Imports | 6.1% |

Imports into Mexico from Canada

| | | |
|---|-----------------|------------|
| NAFTA Originating | Parts Imports | Free |
| | Car Imports | Free |
| | Truck Imports | Free |
| NAFTA Non-originating (Most Favoured Nation Rate) | Parts Imports | 3% to 18% |
| | Vehicle Imports | 13% to 30% |

Imports into Canada from Countries with Most Favoured Nation Status

| | |
|-----------------|--------------|
| Parts Imports | Free to 8.0% |
| 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 | 1991 | 2001 |
| Vehicle Assembly | 66 | 1 221 | 2 206 |
| Parts and Components [Vehicle and Parts] | 107 | 514 | 638 |
| Dealers [and Distributors] | NA | 694 | 861 |

REGULATORY RESPONSIBILITIES

TREND: *There is growing demand 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 generally 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
 - Acura EL
 - Civic
 - Odyssey minivan
 - Acura MDX
 - Pilot
- components
 - major stampings

CAMBRIDGE, ONTARIO

Toyota (220 000-unit capacity by 2003):

- vehicles
 - Matrix
 - Corolla
 - Lexus RX 300 (to be added in 2003)
- components
 - major stampings
 - L4 engines, 1.8L

CHATHAM, ONTARIO

Navistar:

- heavy-duty trucks

INGERSOLL, ONTARIO

CAMI (230 000-unit capacity):

- sport/utility vehicles
 - Chevrolet Tracker (marketed by GM dealers)
 - Chevrolet CUV (unnamed) (to be added in 2004)

- Chevrolet Traverse (to be added in 2004)
- Suzuki Vitara
- components
 - major stampings

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 Monte Carlo
 - Chevrolet Impala
 - Buick Regal, Century
 - Pontiac Grand Prix (to be added by 2003)
- components
 - batteries
 - suspension components
 - exterior sheet metal stampings
- pickup trucks (234 000-unit capacity)
 - Silverado
 - Sierra

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 (237 000-unit capacity)
 - Ford Crown Victoria
 - Mercury Grand Marquis
 - Mercury Marauder

Sterling (division of Freightliner):

- class 8 trucks

TORONTO, ONTARIO (METROPOLITAN REGION)

DaimlerChrysler:

- luxury cars (254 000-unit capacity)
 - Chrysler 300 M
 - Chrysler 300 N (to be added by 2003)
 - Chrysler Concorde
 - Dodge Charger R/T (to be added by 2003)
 - Dodge Intrepid
- components
 - aluminum castings
 - interior trim parts and sub-assemblies
 - major stampings

Orion:

- urban buses

WINDSOR, ONTARIO

DaimlerChrysler:

- minivans (273 000-unit capacity)
 - Dodge Caravan/Grand Caravan
 - Chrysler Voyager/Grand Voyager
 - Chrysler Town and Country
 - Chrysler CS
 - Chrysler Pacifica (to be added in 2003)
- large vans (113 000-unit capacity)
 - Dodge Ram Van/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 540 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 Directories** 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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