cars on the brain

Canada's Automotive Industry

2006

Industry Canada
Industrie Canada

Canada

Cars on the Brain

Canadians spend a lot of time in cars. In a country this big, we pretty much have to. Just getting from A to B can take anywhere from 5 minutes to 5 days. Cars have become more than just transportation. They're part of who we are.

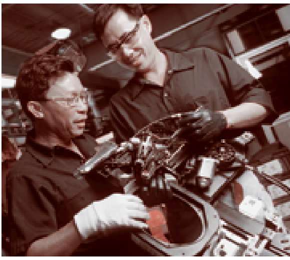
Even when we're not inside our cars, our cars are inside our heads. We're constantly exploring, designing, building, and testing ways to make cars better, stronger and safer. This passion for innovation has fuelled the development of our automotive industry for more than a century.

Canada has grown steadily into one of the largest automotive producers in the world. Our industry shipments have risen from $49.5 billion in vehicles and $19.7 billion in parts in 1995, to $66.7 billion in vehicles and $30.9 billion in parts in 2005.

We have a proven, global reputation for innovation, research and development, expertise, quality and productivity. And we have a well-developed dealer network and a world-class aftermarket sales and service sector that supplies replacement parts and accessories.

Canada has a track record of automotive success that spans more than 100 years. We have a great business environment. And we have consistently shown a capacity for innovation.

This is definitely a country with cars on the brain.



Automotive Manufacturing and Distribution

The automotive industry is Canada's largest manufacturing sector, accounting for 12 percent of manufacturing GDP and 26 percent of manufacturing trade. It employs 168,732 people in automotive assembly and component manufacturing, and another 335,085 in distribution and aftermarket sales and service. Manufacturing is clustered in central Canada, in the heart of the North American auto industry, while distribution is spread across the country.

Vehicle assembly

The automotive assembly sector in Canada employs 51,012 people and manufactures 2.7 million passenger and commercial vehicles.

The light-duty vehicle sector:

- has 12 high-volume assembly plants producing cars, minivans and light trucks
- produces 2.6 million vehicles
- has shipments of $60.7 billion
- exports about 89 percent of production value

The heavy-duty vehicle sector:

- has 34 relatively low-volume assembly plants producing heavy-duty chassis and vehicles
- produces 65,012 vehicles
- has shipments of $6.1 billion
- exports about 82 percent of production value

Auto parts and component manufacturing

- has 914 establishments which produce original equipment and aftermarket auto parts, components and systems
- employs 97,282
- has shipments of $30.9 billion
- exports about 61 percent of production value

The motor vehicle body and trailer sector

- has 442 facilities which manufacture motor vehicle bodies and cabs, truck trailers, and non-commercial trailers
- employs 20,438
- has shipments of $4.0 billion
- exports about 30 percent of production value

Authorized automobile dealer network

- comprises 3,494 dealers representing 25 vehicle manufacturers
- employs 165,160 people including automobile wholesale distributors and dealers
- has retail sales of more than $72.0 billion in new vehicles

Automotive aftermarket

- consists of distribution, retail, and service organizations
- employs 169,925 including: auto parts, accessories and tire stores; automotive repair and maintenance; and new and used wholesale parts distributors
- has retail sales of $15.3 billion
- also has manufacturing strengths in garage tools, diagnostic service and repair equipment, automotive accessories, performance and appearance products

NAFTA Partners in Perspective 2005

	Canada	U.S.	Mexico
Population	32,270,507	296,410,404	106,202,903
Total vehicle sales	1,630,142	17,444,329	1,162,158
Total vehicle production	2,687,892	11,946,653	1,682,125
Assembly employment	51,012	249,700	42,616*
Parts mfg. employment	97,282	678,000	394,200*
Vehicles produced per assembly employee	53	48	39
Vehicles sold per 1000 citizens	41	59	11

*2004 figures

World Motor Vehicle Production (in thousands of units)

	1995	2004	2005
U.S.	11,972	11,988	11,977
Japan	10,063	10,512	10,800
Germany	4,667	5,570	5,758
China	1,245	5,071	5,708
South Korea	2,392	3,469	3,699
France	3,475	3,666	3,499
Spain	2,334	3,012	2,753
Canada	**2,417**	**2,712**	**2,688**
Brazil	1,645	2,210	2,528
U.K.	1,765	1,856	1,803
Mexico	944	1,555	1,684
India	636	1,511	1,642
Russia	1,010	1,388	1,353
Rest of the world	5,422	9,197	9,859
World Total	**49,987**	**63,717**	**65,751**

Canadian Light Vehicle Production 2005

Company	Canada	Share of NAFTA production	NAFTA
CAMI (GM-Suzuki)	189,997	100.0%	189,997
DaimlerChrysler	678,382	25.3%	2,680,056
Ford	221,809	7.2%	3,062,018
General Motors	841,235	18.4%	4,560,979
Honda	385,491	28.6%	1,348,897
Toyota	305,966	25.4%	1,203,732
Total	**2,662,880**	**20.1%**	**13,045,679**

Average Hourly Manufacturing Wages 2005

	Canada	U.S.
Vehicle assembly	$30.16	$35.15
Parts and components	$23.57	$25.53

Note: These figures reflect an exchange rate of CAD$1.00 to USD$0.83

Production

- Canada currently ranks 8th in the world for motor vehicle production.
- Canada accounts for about 16.5 percent of North American vehicle production.

Sales

- Vehicle sales have increased steadily since the mid-1990s, and reached their second highest level ever in 2005.
- Canadians buy more small, fuel-efficient cars and trucks than Americans.

Employment

- Assembly employment has decreased in the last 10 years, while production has increased significantly.
- Employment growth has been highest in the auto parts manufacturing sector, as output rose to supply North American vehicle production.

Investment

Canada continues to attract new investment in automotive manufacturing and R&D.

- Capital investment in Canada's auto industry has averaged $3.5 billion annually over the past 10 years.
- Assemblers source many important high-volume models in Canada and have made major reinvestments every year in buildings, machinery and equipment, to expand production, renew product mandates and update process technologies.

Quality and Productivity

Canada's automotive industry is known for consistently delivering world-class quality and productivity.

- Canadian assembly plants have won more than one-third of all J.D. Power plant quality awards for North America, yet they account for only one-sixth of total production.
- The 2006 Harbour Report concluded that, at 21.3 labour hours per vehicle, Canada is 6.4 percent more productive than the U.S. for assembly, and 28.3 percent more productive than Mexico.
- Canada has the 2nd and 7th most productive assembly plants in North America.

Motor Vehicle Sales in Canada

	1995	2004	2005
Passenger cars	670,981	819,413	842,322
Light trucks	456,909	711,558	737,707
Medium and heavy trucks	36,708	43,832	50,113
Total	**1,164,598**	**1,574,803**	**1,630,142**

Light Vehicle Sales by Segment 2005

	Canada	U.S.	Mexico
Total light vehicles	**1,580,029**	**16,947,754**	**1,125,418**
Passenger cars	**53.3%**	**45.2%**	**63.0%**
• Small	31.7%	14.2%	55.7%
• Middle	14.8%	19.1%	5.7%
• Large	2.3%	4.3%	0.3%
• Luxury	4.6%	7.6%	1.4%
Light trucks	**46.7%**	**54.8%**	**37.0%**
• Van	12.7%	8.7%	6.0%
• Pickup	15.0%	18.8%	14.4%
• Sport utility	6.6%	14.3%	4.8%
• Crossover utility	12.4%	13.0%	9.8%

Annual Employment

	1995	2004	2005
Manufacturing			
• Vehicle assembly	56,050	47,897	51,012
• Parts and components	77,130	101,254	97,282
• Truck body and trailer	12,241	19,308	20,438
Distribution			
• Vehicle dealers	134,020	163,946	165,160
• Aftermarket sales and service	148,819	169,942	169,925
Total	**428,260**	**502,347**	**503,817**

Annual New Capital Expenditures (millions of current dollars)

	1995	2004	2005
Vehicle assembly	1,606	2,260	2,376
Parts and components	1,583	1,008	970
Truck body and trailer	80	39	63
Vehicle/parts dealers and distributors	1,170	959	907
Total	**4,439**	**4,266**	**4,316**

Trade

Canada is the world’s third largest exporter of automotive products, after Japan and the U.S., and is committed to freer trade and tariff reduction.

- Canada has an overall automotive trade surplus of $5.8 billion on flows totalling $163.2 billion.
- Canada is part of a fully integrated North American market with annual sales of 20 million vehicles.
- Canada has bilateral free trade agreements with countries such as Chile and Israel; regional agreements through the NAFTA, the FTAA and APEC; and multilateral agreements through the WTO.
- Canada has eliminated tariffs on NAFTA-originating automotive goods, and on auto parts imported for use in the manufacture of vehicles.

Regulations

There is growing demand for safe, environmentally friendly and fuel-efficient vehicles. There is also 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 governments.
- is mostly harmonized with that in the U.S.

Regulation of smog-forming vehicle emissions

- is the responsibility of Environment Canada for new vehicles, and the respective provincial governments for in-use vehicles.
- is harmonized with that in the U.S.

Fuel economy standards

- is the responsibility of Transport Canada and Natural Resources Canada.
- a voluntary motor vehicle fuel consumption standards program, known as Company Average Fuel Consumption (CAFC), and a voluntary agreement on reducing greenhouse gas (GHG) emissions are both administered through Memoranda of Understanding with the auto industry.
- CAFC is harmonized with U.S. fuel economy standards.

Automotive Trade Flows 2005

Canada with the U.S.		
- We export	$81.1 billion	to the U.S.
- We import	$59.4 billion	from the U.S.
Canada with Japan		
- We export	$100 million	to Japan
- We import	$5.9 billion	from Japan
Canada with Mexico		
- We export	$944 million	to Mexico
- We import	$5.1 billion	from Mexico
Canada with the European Union		
- We export	$395 million	to the E.U.
- We import	$4.2 billion	from the E.U.
Canada with the rest of the world		
- We export	$0.6 billion	to the rest of the world
- We import	$4.1 billion	from the rest of the world

Tariffs on Automotive Goods 2005

Imports into Canada from the U.S.		
- NAFTA originating	Parts	Free
	Vehicles	Free
- Non-originating (MFN rate)	Parts	Free to 8.5%
	Cars	6.1%
	Trucks	6.1%
Imports into the U.S. from Canada		
- NAFTA originating	Parts	Free
	Vehicles	Free
- Non-originating (MFN rate)	Parts	Free to 2.5%
	Cars	2.5%
	Trucks	25% (commercial use)
		4.0% (cab chassis)
Imports into Canada from Mexico		
- NAFTA originating	Parts	Free
	Cars	Free
	Trucks	Free
- Non-originating (MFN rate)	Parts	Free to 8.5%
	Vehicles	6.1%
Imports into Mexico from Canada		
- NAFTA originating	Parts	Free
	Cars	Free
	Trucks	Free
- Non-originating (MFN rate)	Parts	3% to 18%
	Vehicles	13% to 30%
Imports into Canada from countries with MFN status	Parts	Free to 8.5%
	Vehicles	6.1%

Automotive R&D

Canada is expanding its capacity for automotive R&D and innovation, and is investing heavily in skills and highly qualified personnel.

- Canada's core competencies include: metal processing; advanced materials and technologies; information and communications technology; and advanced design, visualization and manufacturing. We are world leaders in fuel cell technology, lightweight materials, metal forming, and 3D industrial design.
- Our innovation infrastructure includes dozens of private-public R&D partnerships, such as the National Research Council and the AUTO21 network of centres of excellence.
- Research activities are supported by attractive R&D tax credits and programs.

Competitiveness with the U.S.

Canada is very competitive for automotive manufacturing and R&D because of its lower operating costs, attractive business environment and highly skilled personnel.

Operating costs

- The 2006 KPMG international cost comparison study, which calculates the after-tax cost of startup and operation for 10 years, shows that Canada has an 5.1 percent auto parts manufacturing cost advantage over the U.S. and a 10.9 percent advantage for R&D.
- Labour wages and benefits are generally lower, due largely to government-funded health care.
- Corporate income taxes are generally lower and capital taxes have been eliminated.
- Canada has the most generous tax treatment for R&D in the G-7.

Business environment

- The Economist rates Canada's business environment as the best among all automotive countries because of its openness to foreign trade and capital, high-quality infrastructure, and great market opportunities in North America.
- Canadian automotive suppliers employ world-class process technologies and are strategically located to provide just-in-time delivery to all major assembly sites in Canada and the U.S.
- Canada has the world's best educated workforce, according to the 2006 World Competitiveness Yearbook.

Light Vehicle Assembly Plants in Canada

- **CAMI Automotive Inc.** (Ingersoll, Ontario): Chevrolet Equinox*, Pontiac Torrent* and Suzuki XL7*; 200,000-unit capacity; a GM-Suzuki joint venture
- **DaimlerChrysler Brampton Assembly Plant** (Brampton, Ontario): Chrysler 300/300C, Dodge Magnum* and Charger*; 285,000-unit capacity
- **DaimlerChrysler Windsor Assembly Plant** (Windsor, Ontario): Dodge Caravan, Chrysler Town & Country* and Pacifica*; 350,000-unit capacity
- **Ford Oakville Assembly Plant** (Oakville, Ontario): Ford Edge* and Freestar*; Lincoln MKX*; and Mercury Monterey*; 290,000-unit capacity
- **Ford St. Thomas Assembly Plant** (St. Thomas, Ontario): Ford Crown Victoria* and Mercury Grand Marquis*; 230,000-unit capacity
- **GM Oshawa Car Assembly Plants 1-2** (Oshawa, Ontario): Chevrolet Impala* and Monte Carlo*; Buick Allure/LaCrosse, and Pontiac Grand Prix*; 535,000-unit capacity
- **GM Oshawa Truck Assembly Centre** (Oshawa, Ontario): Chevrolet Silverado and GMC Sierra pickups; 275,000-unit capacity
- **Honda of Canada Manufacturing Inc., Plants 1-2** (Alliston, Ontario): Honda Civic Sedan, Civic Coupe*, Pilot and Ridgeline*; Acura CSX* and MDX*; 390,000-unit capacity
- **Toyota Motor Manufacturing Canada Inc., North and South Plants** (Cambridge, Ontario): Toyota Corolla and Matrix*, and Lexus RX-series; 300,000-unit capacity

* World product mandate

Heavy Truck and Bus Assembly Plants in Canada

- **Canadian Bluebird Coach Ltd.** (Brantford, Ontario): School buses
- **Entreprises Michel Corbeil Inc.** (St. Lin-Laurentides, Quebec): School buses
- **Girardin Minibus Inc.** (Drummondville, Quebec): School buses
- **Hino Motors Canada Ltd.** (Woodstock, Ontario): Class 4-7 trucks
- **Motor Coach Industries (MCI) International Inc.** (Winnipeg, Manitoba): Intercity buses
- **Navistar/International Truck and Engine Corporation Canada** (Chatham, Ontario): Class 7-8 trucks
- **New Flyer Industries Canada ULC** (Winnipeg, Manitoba): Urban transit buses
- **Nova Bus Corporation** (St. Eustache, Quebec): Urban transit buses
- **Orion Bus Industries Ltd.** (Mississauga, Ontario): Urban transit buses
- **PACCAR of Canada Ltd.** (Ste. Therese, Quebec): Class 7-8 trucks
- **Prévost Car Inc.** (Ste. Claire, Quebec): Intercity buses
- **Sterling Trucks - St. Thomas Truck Manufacturing Plant** (St. Thomas, Ontario): Class 8 trucks

For More Information

For more information about Canada’s automotive industry, please visit Industry Canada’s website at **strategis.ic.gc.ca/autoe**
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Data sources: CSM Worldwide, Harbour and Associates Inc., Industry Canada, J.D. Power and Associates, KPMG Consulting, Stark’s News Service, Statistics Canada, U.S. Bureau of Labor Statistics, Ward’s Automotive.

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CAT. NO. IU41-2/2006E-PDF ISBN 978-0-662-45051-1 60176E