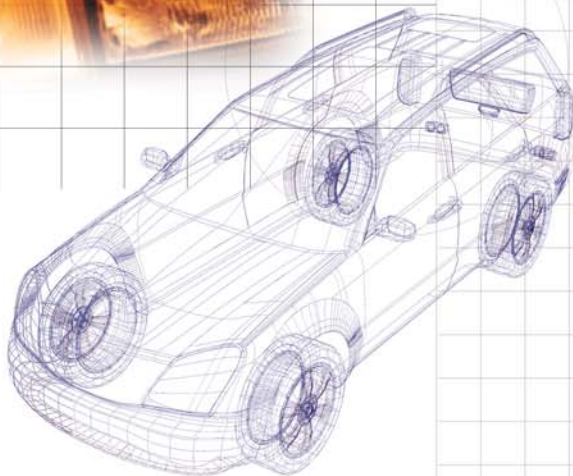
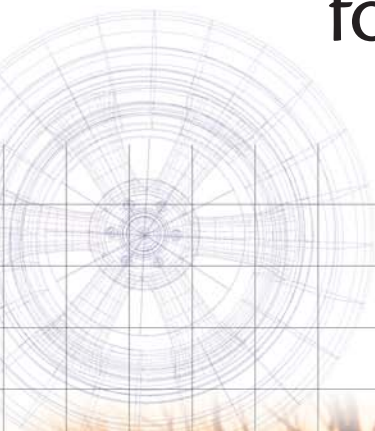


A Call for Action:

A Canadian Auto Strategy



Canadian Automotive Partnership Council "CAPC"

October, 2004



Executive Summary

The Origins of Change

The Canadian Automotive Partnership Council (CAPC) was formed in September 2002. The Council, consisting of senior executives and stakeholders involved in the industry, was formed to provide a forum for industry stakeholders, government, and the research community to discuss common issues and to identify actions to strengthen the Canadian automotive industry in both the short and long-term. The Council has also established a series of sub-committees that, for the past two years, have been supporting the overall direction of the Council.

Note: The views and recommendations contained herein are a consensus reflecting the collective deliberations of CAPC members and working group participants, but do not necessarily represent the view of any individual, organization or government participating in the CAPC process.

Canada's Automotive Industry: Driving Growth

The Canadian automotive industry is a critical engine for innovation and economic growth in Canada. By virtually any quantifiable standard, the contributions that the automotive sector makes, either directly or through spin-off benefits to the Canadian economy, are impressive:

Assembly Capacity

12 high-volume assembly plants produce more than 2.5 million vehicles annually, making Canada the world's eighth largest auto assembly nation. Despite representing less than 10 percent of North American automotive sales, Canada produces approximately 16 percent of all vehicles made in North America and 13 percent of all vehicles sold in North America.

Employment

More than 150,000 Canadians are directly employed in the manufacture of completed vehicles and components; 250,000 more are employed in automotive wholesale, retail and leasing operations; and hundreds of

thousands of additional jobs result from the spillover of the auto industry and the purchasing power of its employees.

Innovation, Technology and Productivity

Automotive manufacturing incorporates leading-edge technology in both products and processes. Canadian operations have proven to be industry leaders in productivity. The industry's innovative capacity is crucial to Canada's overall economic and technological progress.

Contributor to Balance of Trade

Annual automotive exports are approximately \$100 billion with a net positive trade balance.

Economic Development

Automotive manufacturers source more than \$30 billion in parts and services from Canadian-based vendors each year.

Capital Investments

Annual investment in fixed capital (plant and equipment) by the Canadian automotive industry is in the range of \$3 – 4 billion.

Investment and Innovation: A Vision and How to Get There

CAPC stakeholders have agreed upon a statement that summarizes the group's ultimate vision for the Canadian automotive industry:

To be the location of choice for automotive manufacturing within North America, driven by globally competitive innovation in a profitable and growing new vehicle market.

Implicit in this statement is the recognition that the future of the Canadian automotive industry depends on success in two crucial and complementary priority areas: winning new investment in Canadian assembly and components facilities, and enhancing Canadian investments and capabilities in automotive innovation. *Investment* and *innovation* thus constitute the dual goals which unify the more specific recommendations and proposals that have been developed by various CAPC working groups.

Looking Ahead: Continued Success Not Assured

While the Canadian automotive industry has enjoyed production strength disproportionate to the domestic sales market, continued success in automotive manufacturing is not guaranteed. Over the past number of years, the industry in Canada has experienced a significant downturn measured by several indicators: output, exports, new investment and direct employment. The complex factors behind this downturn include:

Global Over-Capacity

Analysts estimate that global over-capacity could equate to as many as 40 large-scale assembly operations.

Political Factors

For Original Equipment Manufacturers (OEMs) considering large-scale investments or reinvestments, the significantly larger U.S. market and the strong advocacy of U.S. elected representatives and other stakeholders naturally draws more attention and influence than similar forces in Canada – making Canadian investment-promotion efforts all the more important.

Cost

Canada faces serious challenges to maintain its investment attractiveness in an increasingly integrated global industry, given investment subsidies offered in several U.S. states; the increasing quality, productivity and cost-competitiveness of Mexican facilities; and the rise of China and other developing nations as highly competitive, low-cost suppliers of automotive products.

Market Share

Products built outside of North America are gaining market share at the expense of manufacturers with significant footprints in Canada. Should that trend persist, significant disruptions could occur among OEMs as well as within their supplier bases.

A Call to Action... Short to Mid-Term Priorities

Progress has been made since the creation of CAPC in terms of the recognition by both

government and society of the economic and social importance of this industry, as well as the need to arrest the erosion of Canada's position in it. Since its inception less than two years ago, CAPC has contributed to shifts in the Canadian automotive environment that support the viability of the industry as a sustainable source of investment and growth. There remains much to do, but some of the adjustments and measures thus far include:

- Recognition and appreciation by policy makers, as well as the broader community, of the unique and substantial role the automotive industry plays in the Canadian economy.
- Increased cooperation among all industry stakeholders to work together and speak with "one voice".
- Announced commitments by the Governments of Ontario and Canada of more than \$1 billion in targeted support for leading-edge investments in automotive engineering and manufacturing facilities.
- A commitment to spend \$300 million to improve border-crossing infrastructure.
- Establishment of an Automotive Human Resources Sector Council.
- Undertakings by various OEMs to increase Canadian parts sourcing and engineering and also to deepen relationships with Canadian universities.

It is recognized that successful implementation of a strategy to strengthen and revitalize Canada's automotive sector will require focus and discipline. From CAPC's extensive examination of the issues facing the industry, five critical areas emerged as representing the highest priorities for short-term action. They are:

1. Large Scale Investment Incentives

Ensure Canada's competitiveness in attracting automotive investment by improving the focus, flexibility and accessibility of government incentives which are now essential to win large-scale automotive investments or re-investments. These incentives can be linked to innovation, technology implementation, skills enhancement and sustainability.

2. Infrastructure

Urgent action is required to address congested U.S./Canada border crossings, including accelerated implementation of the "Let's Get Windsor-Essex Moving" strategy and the implementation of an emergency/contingency plan to protect Canada's just-in-time supply reliability.

3. Innovation

Make innovation a competitive cornerstone for Canada's automotive industry by taking action now to strengthen industry process and product innovation capacity, automotive technology, Research and Development capability (for both manufacturers and suppliers) and by introducing improved, auto-focused innovation incentives such as early commercialization tax credits, consumer supports to encourage the purchase of environmentally friendly vehicle technologies and more effective supports for manufacturing process innovation.

4. Regulatory Harmonization

Take action to coordinate and streamline regulations (including those pertaining to vehicle safety, certification and emissions) between Canada and the United States, and within Canada, in recognition of the integrated nature of the North American industry and the need to coordinate automotive-related investment marketing by Canadian jurisdictions.

5. Human Resources

To ensure that a talented, flexible and innovative workforce remains a core Canadian automotive strength in the future, initiatives must be undertaken now. Through the recently announced Automotive Human Resource Sector Council and other avenues, actions include: review existing training programs and opportunities; address the impact of demographic trends on the skilled trades workforce; strengthen apprenticeship programs; and attract more young people to careers in the automotive industry.


Scorecard


To monitor CAPC's progress in the implementation of the vision and its associated policy recommendations, a scorecard such as the one below (highlighting the top five urgent priorities identified above) will be used on an ongoing basis. It will help CAPC to remain firmly focused on results.


The positive energy and cooperation which has been demonstrated to date in the CAPC process has been essential to its success. This energy and cooperation will only continue, however, if industry stakeholders continue to believe that the process can bring about real change in the policy environment, and subsequently in the measurable performance of the industry.

The scorecard indicates that, indeed, progress has already been made in some of the top-priority areas such as the establishment of a new Sector Council to strengthen automotive skills and training programs. In other areas, however, much work lies ahead. Moving all initiatives to green will remain a central goal of CAPC and its members.

Initiative	Action Plan Item	Status
HIGH LEVEL INITIATIVES	1: Large Scale Investment Incentives	Y
	2: Infrastructure	R
	3: Innovation	Y
	4: Regulatory Harmonization	R
	5: Human Resources	G

 Addressed – implementation underway and on-time

 Plans, commitments and timelines not clear – attention needed.

 Has not been addressed.

A Strategic Plan to Strengthen Canadian Automotive Manufacturing: The Longer Term Image

New pressures and threats continue to arise, even as the CAPC process unfolds. If we are to realize our vision of re-establishing Canada as a “location of choice”, fast, effective measures

must be taken on each of the five items identified in the “Call for Action” portion of this report. Each element of the scorecard must move to green.

However, over the longer-term, significant progress is also required to address a series of fundamental issues. These actions involve the cooperation and participation of all industry stakeholders. Together, they constitute a

long-term Strategic Plan to strengthen the Canadian automotive manufacturing industry. This plan and its specific recommendations can be described within three broad categories:

1. Removing weaknesses
2. Attracting investment
3. Building a foundation for the future

Category	Action Area
<p>Removing Weaknesses Actions to eliminate or mitigate weaknesses or perceptions of such in the Canadian investment climate.</p>	<p>Tangible/Intangible Barriers: In an environment where more than 90% of its goods are exported, Canada’s goal must be to simultaneously distinguish – but not separate – itself from the U.S. Removing the border as an impediment to efficient, rationalized business operations must be a principle that guides Canadian public policy makers. Doing so not only involves accelerating tangible, hard infrastructure items such as the “Let’s Get Windsor-Essex Moving” strategy, but harmonizing policy with competitors/partners in areas such as environmental, safety, employment legislation etc.</p> <p>Transportation Network: The renewal of Canada’s transportation infrastructure must move to the forefront of Canada’s policy agenda. An updated and seamless transportation network is required to support the movement of both completed units and components to and from major markets. This includes an emergency plan to ensure the automotive industry and others are able to maintain uninterrupted movement of goods.</p> <p>Energy: A sustainable strategic plan is needed to ensure the accessibility of dependable, competitively priced electricity.</p>
<p>Attracting Investment Actions to attract automotive investment to Canada.</p>	<p>Incentives: Provide large-scale investment incentives linked to innovative capacity, skills enhancement and sustainability as well as for cluster-enhancing enterprises like supplier parks.</p> <p>Regulations: Coordinate and streamline regulations between and within Canada and the United States, including those pertaining to emissions.</p> <p>Marketing: Coordinate automotive-related investment marketing among Canadian jurisdictions and investigate partnerships with other North American jurisdictions.</p> <p>Purchasing: Encourage OEMs to increase the focus and priority on sourcing from competitive Canadian suppliers.</p> <p>Taxes: Eliminate the provincial capital tax and federal large corporation tax; expand the manufacturers and producers tax deduction; and implement early commercialization tax credits (for environment as well as other technologically intensive applications).</p>

Category	Action Area
<p>Foundation for the Future Actions to build a foundation for long-term competitiveness of the Canadian industry.</p>	<p>Environmental Stewardship: Place Canada and its automotive industry at the forefront of environmental stewardship and natural resource conservation through:</p> <ul style="list-style-type: none"> • Consumer supports for the purchase of environmentally friendly vehicle technologies. • Incentives for environmental investments and property remediation. • Supports for alternative fuels infrastructure development. <p>Innovation and Competitiveness: Recognizing that Canada’s automotive industry remains competitive and earns future investment through productivity and cost leadership:</p> <ul style="list-style-type: none"> • Enhance and leverage the benefits of Canadian automotive clusters by developing the supporting mechanisms to highlight and improve the mutual benefits inherent in tighter alignment between Canada’s research institutions and the national auto industry. • Provide supports for manufacturing process innovation, including amending the SR&ED (Scientific Research and Experimental Development) program to make it a more user friendly/accessible tool to drive innovation. <p>Human Resources: Continue to improve the capacity for Canada and Canadians to develop leading edge technology through:</p> <ul style="list-style-type: none"> • The Automotive Human Resource Sector Council’s review of training initiatives. • The mitigation of the impacts of demographic trends and other impediments to the industry’s capacity to attract young people and others to the skilled trades.

Performance Metrics

Over the short to medium term the scorecard will provide the means to judge progress on the tactical items that must be undertaken. Overall, the success of CAPC and the industry it represents in achieving its overall vision will be judged against specific, quantitative performance metrics that CAPC partners have established for the industry in four key areas. These performance goals are ambitious, but achievable. However, they will not be met without concerted effort on the part of all industry stakeholders to implement the recommendations and proposed actions that CAPC has identified as being crucial to the industry’s future. They are:

Assembly

Increase the share of Canadian-assembled vehicles to 15 percent of North American new vehicle sales by 2010.

Parts and Components

Increase the total value of Canadian-made components shipments by \$20 billion by 2015.

Employment

Pursue productivity enhancements while maintaining total direct employment in automotive assembly and components manufacturing at 150,000 positions or more.

Trade

Improve Canada’s automotive trade balance to \$15 billion or better by 2010.

Next Steps

Building on two years of collaboration amongst the various stakeholders, CAPC proposes the following steps:

- Adopt the “CAPC Scorecard” to track and measure joint industry/government progress against CAPC’s goals and top recommendations and to flag requirements for attention to remove any barriers to implementation.
- Establish an annual meeting of CAPC leaders with the Prime Minister, the Premiers of Quebec and Ontario and their Ministers

of Industry to discuss progress against the CAPC strategic vision, the CAPC Scorecard and Performance Metrics – the first to be held in Ottawa in November 2004.

- Identify officials responsible for the auto sector at the most senior level of all three governments to serve as advocates for implementation and to assist in resolving issues or roadblocks between departments, governments or between government and industry.
- Maintain CAPC and its working groups as a collaborative body to assist in developing practical, cost effective approaches to the implementation of CAPC’s recommendations and to research and discuss other issues and challenges facing the industry.

Table of Contents

A.	Context	7
B.	The CAPC Planning Process and Outcomes	7
C.	Canadian Automotive Partnership Council Mandate	7
D.	A Vision for the Canadian Automotive Industry	8
E.	Current Condition	8
	Strengths	8
	Weaknesses	9
	Opportunities for Canada	9
	Threats to Canada	10
F.	Achieving CAPC's Strategic Vision	11
G.	Performance Metrics for the Canadian Automotive Industry	12
	Assembly	13
	Components	14
	Employment	15
	Trade	16
H.	CAPC's Recommendations: A Strategic Plan to Strengthen Canadian Automotive Manufacturing	17
I.	CAPC: Where Do We Go From Here?	19
	Appendices:	
	A. Summary of CAPC Recommendations	20
	B. CAPC Membership	23

A. Context

Through the 1990s, Canada expanded its share of North American and global automotive assembly and components production. The assembly segment of the industry peaked in 1999 when more than 3 million vehicles were produced, ranking Canada as the fourth largest producer in the world. Recently, Canada's share of production and investment has declined, especially in vehicle assembly. Although innovative activity in Canada's automotive industry (measured by indicators such as research and development spending) is growing, it is much smaller, relative to total value-added, than in other automotive manufacturing jurisdictions.

Despite the challenges, the industry remains a critical contributor to the Canadian economy. It does so on several levels: in terms of the quantity and quality of the direct jobs it provides; the contributions it makes to Canada's balance of payments; the growing auto parts and services supply business; its growing level of Canadian research and development activity; its continuing role as an early adopter of emerging technologies; and its disproportionate contribution to productivity growth.

When the industry started to show signs of decline in global competitiveness earlier this decade, industry leaders decided to come together to consider actions and strategies that could be undertaken to ensure that this vital engine of Canadian economic growth could be sustained.

The Canadian Automotive Partnership Council (CAPC) held its inaugural meeting on September 4, 2002. Michael Grimaldi, President of General Motors of Canada, and Don Walker, President, CEO and Chairman of Intier Automotive, were selected as CAPC Co-Chairs.

At its first meeting, the Council confirmed the establishment of six specific sub-committees to support the ongoing direction of the Council and the broader industry. Those committees were:

1. Human Resources Development
2. Innovation

3. Fiscal and Investment Policy
4. Trade Infrastructure
5. Regulatory Harmonization
6. Sustainability/Climate Change

Since the original meeting, committee membership and mandates have evolved. Some have narrowed their scope and others have moved to new initiatives. As well, two additional committees have been established. They are:

7. Strategic Vision
8. Trade Policy

The Strategic Vision Sub-Committee is charged with the function of ensuring alignment among the working groups, establishing metrics for industry performance and monitoring the industry's progress against a series of performance criteria.

Council membership is comprised of the CEOs of Canada's five assemblers, CEOs of some of Canada's leading parts suppliers, heads of industry associations, the President of the Canadian Auto Workers union, the President of the University of Windsor, and provincial and federal Ministers of Industry. Sub-Committee membership includes representatives of the CAPC Executive group as well as other functional specialists with knowledge in specific areas. All are committed to addressing, on a continuous basis, the key competitive issues facing the automotive industry in Canada. Members of the Council are listed in the Appendix.

B. The CAPC Planning Process and Outcomes

The southern regions of the provinces of Ontario and Quebec represent a cluster of innovation, knowledge and know-how for the automotive industry. There are well-developed channels of business transactions and the industry benefits from specialized infrastructure, labour and services.

Today, the industry accounts for 12% of Canadian manufacturing GDP and 23% of Canada's merchandise trade. It is the lifeblood

of the Canadian economy, and its ongoing success is vital to the entire national economy with beneficial impacts that extend into every province.

With such a large concentration of and reliance upon automotive manufacturing, it is essential that the industry receive the attention it needs to maintain its status as Canada's most important high-technology sector.

This document describes the process that was followed in the development of the CAPC strategic plan, the main elements of that plan and proposed future steps to ensure that CAPC's vision for a dynamic and competitive Canadian automotive manufacturing industry is realized.

C. Canadian Automotive Partnership Council Mandate

The Canadian Automotive Partnership Council has defined its mandate as consisting of five key functions:

1. Identifying and prioritizing actions needed to strengthen the Canadian automotive industry in the short and long term.
2. Identifying the key issues and objectives in relation to the competitiveness of the industry.
3. Identifying opportunities for future innovation and investment in the automotive industry and establishing priorities and approaches for addressing them.
4. Establishing objectives for the Council and reporting annually on its progress towards these objectives.
5. Reviewing an annual report by governments on Canada's automotive industry performance and worldwide industry trends, and benchmarking performance and policies in relation to competitive jurisdictions.

D. A Vision for the Canadian Automotive Industry:

Following broad consultation and discussion, the membership of CAPC established the following as its vision for the Canadian automotive industry.

To be the location of choice for automotive manufacturing within North America, driven by globally competitive innovation in a profitable and growing new vehicle market.

This vision reflects:

- What is potentially achievable (provided that the measures CAPC proposes are undertaken);
- The priorities of industry, labour, government and the community
- Global constraints and opportunities
- Strengths and aptitudes that exist within the Canadian automotive cluster

The CAPC vision is ambitious but not unrealistic. In past years, Canada enjoyed global leadership in this valuable, dynamic industry in part because Canadian policy-makers and industry stakeholders acted deliberately to support the creation of a large and competitive domestic automotive manufacturing industry. Global leadership and the economic and social benefits which spring from it can be regained, but only through targeted, effective policies to encourage investment and innovation.

E. Current Condition

The following assessment of the Canadian automotive manufacturing industry's current condition provided in the form of a "SWOT" analysis: Strengths, Weaknesses, Opportunities and Threats sets the stage for CAPC's subsequent action recommendations.

Strengths

Up to Date Capital Stock

Most Canadian assembly plants have been recently retooled and are reasonably fully utilized. Those investments are largely responsible for the excellent quality, safety, cost and productivity results that Canadian operations generally demonstrate in terms of most key performance indicators.

Productivity Results

Independent studies consistently show Canadian OEM facilities to be highly productive. The 2004 Harbour Report on North American assembly productivity showed Canadian plants to be among the highest performing in North America.

Quality Results: Studies demonstrate that Canadian facilities are generally capable of delivering high quality (i.e. J.D. Power).

Quality Workforce

- Canada is a world leader in having an available, well-educated and skilled workforce. For example:
 - Unemployment in Canada (7.3%) is high relative to the U.S. (5.6%). This means there is an increased supply of excellent candidates with higher than average qualifications.
 - Turnover is low (i.e. full time average length of employee service is nine years) which supports corporate continuity, reduced training costs and recovery of training expenditures and quality sustainability.
 - Canada ranks first among the world's developed countries (even among the G-8 nations) in terms of the percentage of workforce considered to be knowledge workers.
- There is a strong link between creativity, diversity, talent and technology-intensive activity. Most successful city-regions are those that have a high concentration of foreign-born residents and a large, diverse population. Canada, therefore, is well placed for growth in research and development and high technology manufacturing oriented activities.
- Canadian manufacturing workers are perceived as having lower absentee rates and a good "work ethic".
- Canadian assembly plants are consistently among the most productive in North America.
- Organized labour in Canada recognizes the importance of productivity and investment for the future of the industry and works collaboratively with business both to

enhance the efficiency of existing facilities and to further develop the sector. Strikes are not permitted in Canada except when a collective agreement has expired and, even then, they are rare in the auto industry.

Direct Costs of Manufacturing

• Labour Costs

Hourly labour costs are lower than in the U.S. but significantly higher than in Mexico (although after considering issues such as infrastructure costs and productivity, Canada's competitiveness disadvantage relative to Mexico is reduced considerably). Related to this are the costs associated with employing expatriates and management personnel – which are lower in Canada than in Mexico.

• Benefits

Benefit costs are lower in Canada (approximately 20% of payroll in Canada, compared to approximately 29% in the U.S.). The primary reason for the difference is that health care costs are government funded in Canada. Benefit costs in Mexico are virtually equal to those in Canada.

• Tariffs

Rates on non-NAFTA parts are zero in Canada versus 2.5% in the U.S. and 15% in Mexico, however, Mexican rates are open to negotiation.

After-tax Cost of R&D.

R&D tax credits in Canada are among the most attractive in the world (i.e. the after-tax cost of R&D in Ontario is about 50 cents on the dollar). In addition, the cost effectiveness of university-supported research has been found to be much higher in Canada than in other competing nations due to Canadian overhead sharing and faculty compensation practices and the high quality Canadian educational system.

Supplier Base

With 5 OEMs (12 plants and 8 locations) operating in Canada, a dependable, accessible supply base has evolved to support Canadian operations (either in Canada or beyond). As well, in recent years, the Canadian parts sector has broadened its capabilities and value added by offering greater reliability and expanded capabilities as a systems integrator.

Automotive Knowledge Infrastructure

Federal and Provincial governments have demonstrated a commitment to developing a knowledge infrastructure for automotive through the creation of a variety of supportive organizations. They include:

- AUTO21
- Centre for Automotive Materials and Manufacturing
- Quebec Automotive Partnership
- Transportation Development Centre
- Canadian Innovation Centre
- National Research Council programs
- Transport Canada R&D Fund
- Canadian Light Materials Research Initiative
- Natural Science and Engineering Research Council programs
- Ontario R&D Challenge Fund
- Canada Foundation for Innovation

Weaknesses

- **Canada is not the U.S.**
 - *How that Affects Assembly*
93% of the market is in the U.S. making assembly investment easier to rationalize – there's no border; it's the location recommendation senior decision makers expect.
 - *Effect on R&D*
Even though Canada has an infrastructure, workforce and tax system supportive of R&D, the simple fact is that Canada is home to few head offices. Although some R&D is done in Canada, Canada does not come to mind first and its advantages/capabilities are not well understood and need to be communicated more effectively.
- **The Border**
Simply put, an investment in the U.S. evades the risk and uncertainty associated with the border. Approximately 87% of finished vehicles are exported to the U.S. and 60% of automotive parts; it is critical that the border is seamless and does not

act as a "non-tariff barrier". The present infrastructure, particularly at Windsor/Detroit, Canada's single most important trade crossing, is outdated and does not support the benefits achieved by recent customs programs and improvements to customs processes such as CSA (Customs Self Assessment), FAST (Free and Secure Trade), PIP (Partners in Protection), etc. It is important that common processes be developed between countries and that there be coordination of trade and security objectives on a bi-national basis.

- The uncertainty and delays at the border crossing represent an ongoing threat to just-in-time delivery requirements, productivity, and production levels, as well as impose significant additional costs for manufacturers, and jeopardize future investment. Given projected trade increases, which far exceed the capacity at existing crossings, decisions related to an additional crossing at Windsor/Detroit must be made urgently.
- **Electricity**
Electricity supply is perceived to be decreasing in dependability and increasing in cost.
- **Investment Attractions**
Relative to competitor jurisdictions, the investment attraction process in Canada is perceived as disjointed/inconsistent with various levels of government (and exclusively government) involved. Meanwhile, the process in some competitor jurisdictions is well coordinated with industry, labour and government jointly involved, delivering a professional, realistic and well-informed message in a consistent, unified fashion.
- **Automotive Knowledge Infrastructure**
Despite the Federal and Provincial governments' commitment to developing a knowledge infrastructure, the actual performance of at least some of the above initiatives (see list outlined in "Strengths" above) is rather weak. The initiatives have overlapping mandates, are not well understood by industry and some are severely underfunded. Therefore, neither government, industry, or academia are obtaining maximum benefit.

- **Perceptions of Unions and Labour Laws**

Some potential investors may believe that unions in Canada are too strong or that labour laws unduly inhibit the flexibility and profitability of automotive investments.

- **Labour Costs**

Hourly labour costs are significantly higher than NAFTA partner Mexico (although Mexican wages are increasing) as well as other developing automotive nations like China, Brazil and India.

- **Exchange Rate**

Canadian manufacturers – especially suppliers – have traditionally benefited from an unnaturally low Canadian dollar. The long-term outlook for the dollar, however, is for continued appreciation. As well, the Canadian dollar has demonstrated increased volatility. Decision makers like certainty.

Opportunities for Canada

- **Growth Potential**

Most major players are already in the U.S. Those already in the U.S., may be able/ready to consider Canada for their subsequent North American plants.

- **Incentives**

Canadian assembly plants continue to enjoy competitiveness in operating costs, even compared with non-union assembly plants in the U.S. South, on a pre-subsidy basis. Indeed, a recent detailed survey of assembly plant operating costs conducted for CAPC by KPMG, confirms that at Canadian-dollar exchange rates under 75 cents U.S., Ontario and Quebec locations offer the lowest operating costs of anywhere in Canada or the U.S., before consideration of investment subsidies. The KPMG study also confirmed that cash investment incentives now offered in jurisdictions such as Alabama and Mississippi are large enough to overwhelm the difference in operating costs, making the U.S. South a preferred location for assembly investments on a post-subsidy basis. Canadian investment incentives thus hold the opportunity to re-establish the cost competitiveness of Canadian locations for new assembly investments.

- **Innovation**

Canada has one of the world's highest participation rates in post secondary education giving the country a very adaptable and flexible workforce able to both create new innovations and take advantage of new developments from abroad. Our extensive program of tax credits and other financial supports for research and development as well as university-industry research initiatives enable our industry to leverage resources to a very high degree and ensure a maximum return on industrial R&D investments. Canada and several provincial governments have also developed dedicated programs, focused on applied research in the automotive sector, which have provided good support to their industry partners and could do even more if they were resourced at a higher level and if links between industry and the research community were strengthened.

- **Coordination**

Potential investors respond favourably to well-coordinated, professionally delivered and well-informed, joint messages. They also appreciate dealing with a single champion for any questions, concerns or regulatory bottlenecks they encounter.

- **Productivity**

Ontario's GDP per person is almost 14 per cent lower than the median of 16 for comparable North American jurisdictions. This performance gap equates to nearly \$6,000 for every person in Ontario. This contributes to a relatively low Canadian dollar and comparatively lower wages in Canada. Evidence exists, however, to suggest that the Canadian automotive assembly industry tends to be more productive than U.S. operations. As a result, even though Canadian automotive operations are the beneficiaries of their productive workforces, their workforce costs are reflective of the economy's broader underperformance.

- **Non-traditional Markets**

Canadian assembly operations have focused almost exclusively on the North American market. However, some products

manufactured in Canada may also be suited to other jurisdictions/markets. Government agencies and trade policy initiatives may have a role.

- **Border**

A commitment to implement infrastructure improvements to the border crossings, particularly at Windsor/Detroit, on an expedited basis. An appropriate and coordinated balance between trade and security objectives on a bi-national basis is required. The opportunity exists today to make decisions required for a future crossing so as to ensure increased capacity can be accommodated on a timely basis.

- **Alignment of Programs**

Canada's automotive sector has thrived as a direct result of the integrated nature of the North American industry. Further alignment could yield positive results in the areas of:

- Economic Marketing and Development (e.g. a partnership with the State of Michigan marrying Canada's low cost platform with Michigan's concentration of head offices and technology intensity)
- Research and Development (e.g. fuel cell initiatives on both sides of the border)
- Regulatory Environment (e.g. harmonization of automobile environmental and safety standards)

- **Supplier Parks**

The development of supplier parks around OEM assembly operations could represent an opportunity to increase supplier-OEM integration, encourage longer-term supplier-vendor relationships, reduce non-value added handling expenditures, decrease input costs and more deeply anchor OEM and supplier investments in Canada.

Threats to Canada

- **Over-Capacity**

Global excess capacity was estimated at 11.5 million units in 2003 (versus 13.9 million in 2001). That still equates to as many as 40 large-scale assembly operations. Overcapacity will ensure vigorous competition and a sustained reliance on

heavy incentives. Any easing of incentives could trigger plant closures.

- **Political Imperatives**

To OEM investors, U.S. political pressures are more compelling than pressure from Canadians. High-profile investments in the U.S. are seen as an effective means of developing influence with U.S. policy-makers, as well as building a favourable image with U.S. consumers. For unionized suppliers, strong UAW opposition to plant closures may also be a factor in investment allocation. For all these reasons, OEMs face certain political hurdles in closing U.S. plants and strong political incentives for opening U.S. plants. Those conditions can affect their decisions regarding potential Canadian investments.

- **Market Share Adjustments**

As automotive competition has intensified in North America, market share for vehicle sales has been increasingly divided among traditional domestic manufacturers, pure importers and "new domestic" manufacturers. In this context of changing market share, production overcapacity amongst the traditional domestic manufacturers has become a significant challenge, particularly so for Canada. Pure importers have generally passed over Canada when locating their first North American plants as they wish to first locate in the larger U.S. market.

- **Supply Base Shifts**

- *Migration to U.S. South*

The emergence and success of assembly operations in the U.S. South has demonstrated that a large, mature, proximate supply base is insufficient as an investment consideration. A perception exists that OEM's are attracted to mature supply bases. The fact is, however, that assemblers may develop relationships with local suppliers, but history has demonstrated that they are quite prepared to replicate longstanding relationships in their new locale. It is clear that secure anchor investments by assemblers will foster and conserve a strong supplier base.

– *Migration to Less Developed Countries*
 The North American automotive industry is increasingly turning to low cost jurisdictions such as China to support their North American operations. As this trend continues, it is progressively more likely that functions more deeply placed in the value chain (e.g. tooling) will also gravitate to these locations with further loss of intellectual property and the employment they represent.

- **Developing Nations**
 Automotive investment in Canada has traditionally been based on a strong business case relative to other North American jurisdictions. Although Canada continues to represent a compelling North American location based on financial indicators alone (underpinned by labour costs, health care and exchange rates), the benefits may be less important in the future. Manufacturing operations in low cost developing nations are rapidly increasing their competitiveness.

The cost competitiveness of developing nations, particularly in low value-added components has long been acknowledged. As developing nations’ capability to provide higher value added parts and components of sufficient quality increases, Canada must demonstrate significant advantages in its quality, productivity and innovation to remain globally competitive. Korean manufacturers have already shown their capabilities in the export of low-cost, high-quality finished vehicles. The move to higher value – and higher profit – vehicles is inevitable.

In China, typical wages are \$1.30 per hour. Products with relatively little value-added and high labour inputs are already vulnerable. However, in the future, Chinese manufacturers can also be expected to move toward the export of more capital intensive, higher value added parts and/or complete vehicles.

- **Detached Economic and Regulatory Policies**
 The pursuit of industry specific regulatory policies that set Canada apart from its largest market – the United States – sends a confusing message to potential investors. It is a message that is not helpful when the vast majority of the products that might be manufactured in Canada will ultimately be exported to the United States.
- **Skilled Trades Shortages**
 Failure to address the imbalance between skilled trade retirements/departures with new entrants will imperil the industry’s long-term capacity for growth.

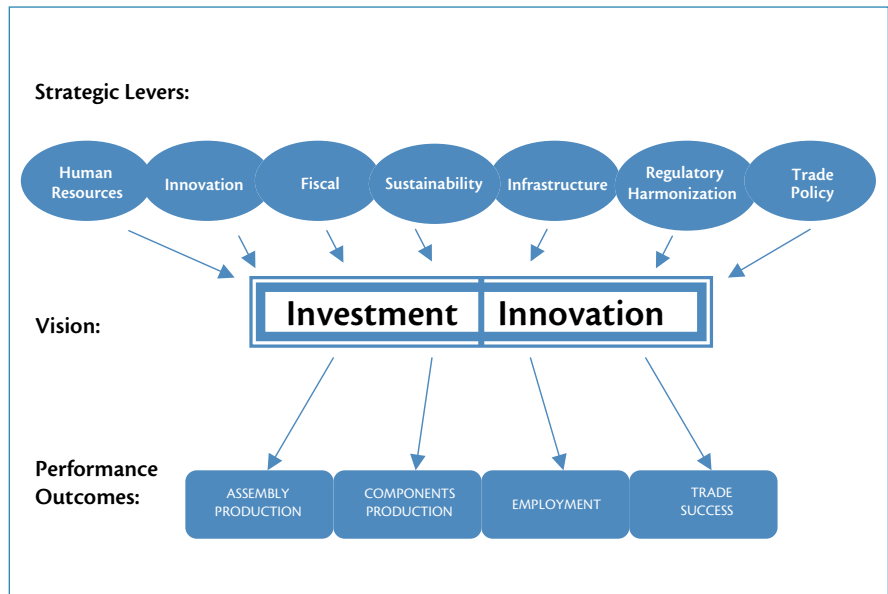
To be the location of choice for automotive manufacturing within North America, driven by globally competitive innovation in a profitable and growing new vehicle market.

Implicit in this statement is the recognition that the future of the Canadian automotive industry depends on success in two crucial and complementary priorities: winning new investment in Canadian assembly and components facilities, and enhancing Canadian investment and capabilities in automotive innovation. *Investment* and *innovation* thus constitute the dual goals which unify the more specific recommendations and proposals that have been developed by the various CAPC working groups. The CAPC Strategic Plan is therefore an integrated set of recommendations and actions that would focus, in a coherent and mutually reinforcing manner, on enhancing Canadian automotive investment and innovation.

The following diagram summarizes the dual goals that constitute the core of the CAPC Strategic Plan.

F. Achieving CAPC’s Strategic Vision

As outlined earlier, CAPC stakeholders have agreed upon a statement that summarizes our ultimate vision for the Canadian automotive industry:



It is recognized that policy-makers and industry participants have several “strategic levers” at their disposal: government or corporate actions in a range of key subject areas (like human resources, fiscal policy, infrastructure and others) that will exert significant influence over the future development of the industry. For the most part, CAPC working groups have been established that correspond to these major strategic levers. Specific recommendations from those working groups (summarized in Appendix A of this report) indicate the key actions that must be taken within each area.

But those specific recommendations, arising from the various working groups concerned with the respective “levers,” are all oriented toward ensuring progress in the dual goals of enhanced investment and enhanced innovation in Canadian automotive manufacturing.

If the CAPC process and the recommendations which come out of that process are successful in promoting enhanced investment and innovation, then the benefits of a revitalized Canadian automotive industry will be visible in improved outcomes along several crucial, quantitative industry performance metrics which CAPC has identified: more assembly, more components production, healthy automotive employment and improved international trade performance. Indeed, as a means of holding CAPC and all its stakeholders accountable for our collective progress in strengthening the industry’s performance, CAPC has established specific quantitative goals in each of these areas, which are described in the following section.

In this manner, we believe that the recommendations described in this report (and summarized in the appendix) constitute much more than just a “wish list” from an industry facing challenging times. They constitute an integrated and internally consistent Strategic Plan, all the elements of which are aimed at strengthening Canada’s record of automotive investment and innovation.

G. Performance Metrics for the Canadian Automotive Industry

Ultimately, the industry will judge CAPC’s success by the impact it demonstrates to maintain – or move toward – specific performance metrics in four areas:

1. Assembly production
2. Components production
3. Employment
4. Trade

The sections that follow describe the specific metrics as well as the measures and deliverables the various committees are recommending to support CAPC’s vision and mandate.

The CAPC strategic plan identifies the twin goals of expanding investment and innovation within the Canadian automotive industry and orients its various policy recommendations (flowing mainly from seven major policy “levers”) toward meeting those goals. By enhancing future investment in Canadian production facilities and by ensuring that the Canadian industry reflects globally competitive innovation, the foundation for the industry’s future prosperity will be in place. Stronger investment and innovation in Canada will lead to more production (in both the assembly and components segments of the industry), stable employment and greater success in international automotive trade.

CAPC participants have agreed to establish specific, quantifiable performance targets in each of four broad “outcome” categories: assembly production, components production, employment, and trade success. These targets are established both to motivate and focus the various recommendations and initiatives, and also to create a transparent benchmark against which the future progress of the industry can be measured.

The targets are achievable and represent an effort to recapture the dynamism and global leadership that characterized Canada’s automotive industry through most of the 1990s.

But these goals cannot be achieved without concerted effort, on the part of all CAPC stakeholders, to implement the recommendations. They will not be achieved by simply addressing a few particular problems or irritants and hoping for a return to the “better times” of earlier years. A focused and integrated effort will be necessary to re-establish the global success and leadership of the Canadian automotive industry.

In this sense, these four quantifiable performance targets constitute a “litmus test” for the success of the CAPC process and for CAPC’s future relevance. If these objectives can be met – allowing Canadians to capture the economic and social benefits that are generated by a growing and globally successful auto industry – then CAPC will have proven itself an effective vehicle for:

- Identifying the industry’s problems
- Developing a focused and coherent plan for addressing those problems
- Working (with the help of all industry stakeholders) to implement the plan, and
- Making the vision a reality.

CAPC was not intended to be a round-table or a discussion forum. It was formed because CAPC participants collectively recognized the need for timely and powerful measures, by government and other industry stakeholders, to revitalize the industry. These quantifiable performance targets will indicate whether or not we have succeeded in that mission.

Assembly

Goal

To supply a portion of the North American finished vehicle market that is larger than Canada's share of new vehicle sales (in other words, to remain a significant net exporter of finished vehicles).

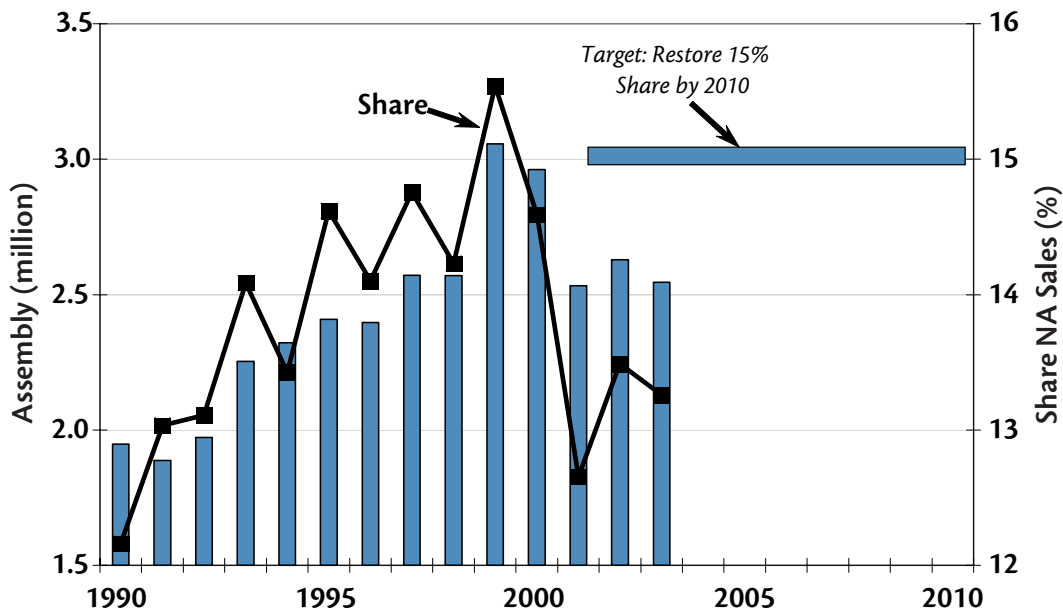
Performance Target

Aim to rebuild the share of Canadian-assembled vehicles to 15 percent of the North American new vehicle market by 2010.

Context

Canadian-assembled vehicles accounted for an average of 14.5 percent of North American new vehicle sales between 1993 and 2000. Market share peaked in 1999 at 15.5 percent but subsequently declined to about 13 percent. Rebuilding Canada's North American market share to 15 percent would imply a recovery in total assembly volume to 3 million vehicles per year (on the strength of new investment in both existing assembly facilities and/or new greenfield plants) and then subsequent expansion of that output in line with the overall continental market.

Canadian Assembly



Source: Calculated from Ward's Automotive News and Yearbooks.

Components

Goal

To continue the recent pace of expansion of Canadian components production, supplying both Canadian-based OEMs and export markets.

Performance Target

Aim to expand the total value of Canadian-made components shipments by \$20 billion by 2015 (similar to the increment experienced in the past decade).

Context

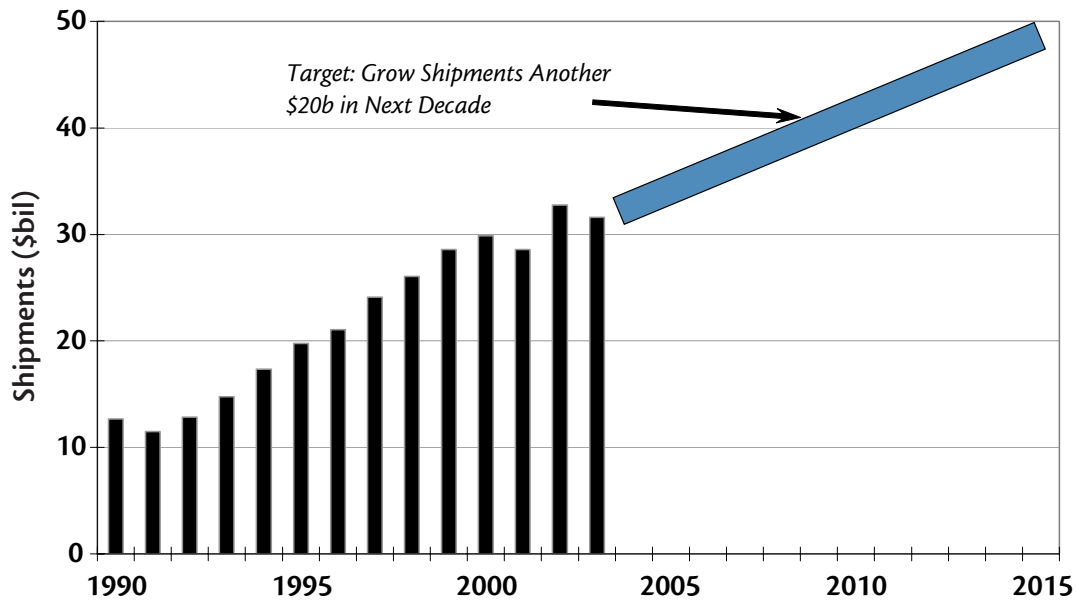
Canadian components production grew impressively during the 1990s with shipments increasing by \$20 billion in the past decade.

Despite the downturn in Canadian assembly levels since 1999, the components sector has demonstrated relative stability, with moderate (albeit slower) growth in shipments and job creation. Investment spending has declined since 1998, however, indicating a risk of future downturn in output levels. If components investment was revitalized and the expansionary path of the 1990s sustained, then total shipments could resume their earlier pace of growth (measured in additional sales). The rate of growth of shipments is not likely to match the pace of the 1990s (averaging 8 percent over the decade) but a slower 5 percent rate of growth, if sustained over the coming decade,

would lead to growth in total shipments of another \$20 billion. This would allow for continued expansion in employment in the components sector and a reduction in Canada's net components trade deficit.

There are three potential sources of growth for Canadian components shipments and all will need to play a role if this target is to be achieved: growth in Canadian assembly output (leading to more Canadian shipments to Canadian assembly plants); growth in the average Canadian content of components purchases by Canadian assemblers; and growth in Canadian components exports.

Canadian Parts



Source: Calculated from Statistics Canada and Industry Canada data.

Employment

Goal

To maintain the automotive sector as an important source of productive, well-paid, high-quality employment.

Performance Target

Aim to maintain total employment in automotive assembly and components manufacturing at 150,000 positions or more.

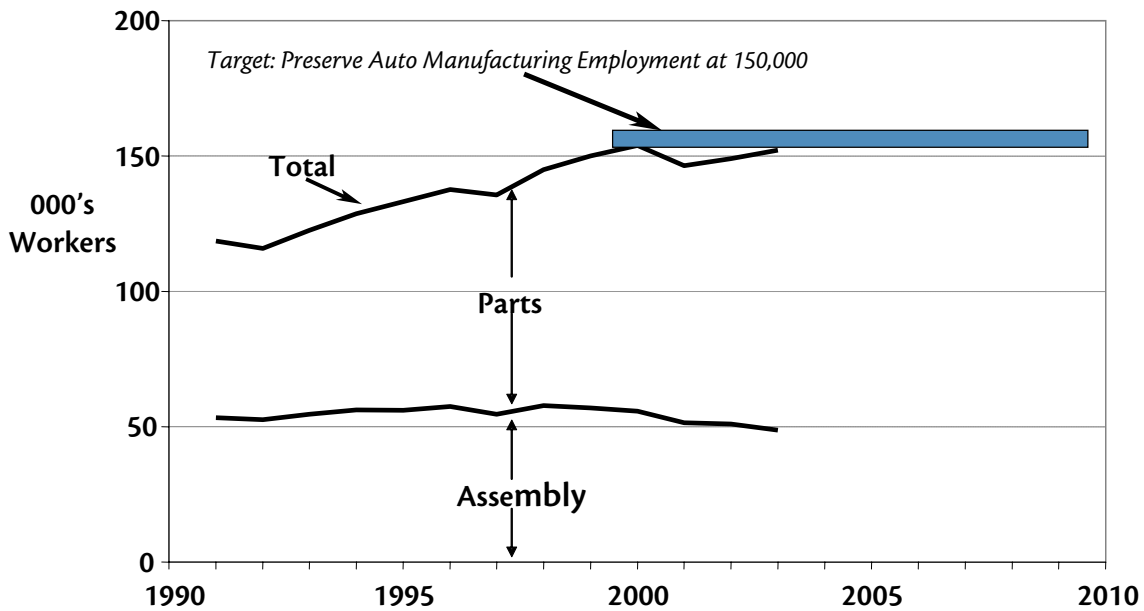
Context

Employment in Canadian automotive manufacturing grew steadily through the

1990s, reaching 150,000 by 1999. Since then, assembly employment has declined by about 7,000 positions. This has been offset by continued growth in components production. Today, overall employment has stabilized at about 150,000. Real labour productivity in both the assembly and components sectors is likely to continue at historical rates of 3-5 percent increase per year. Maintaining employment at existing levels will therefore require ongoing expansion of total shipments at about the same pace (3-5 percent per year), consistent with a steady 15 percent

share of continental assembly and continued growth in Canadian components production. Of course, success in maintaining employment in core manufacturing activities will support continued employment in the related sectors which depend on a strong manufacturing base. This includes aftermarket parts, vehicles sales and service, auto supply industries and downstream consumer goods and industries.

Employment



Source: Statistics Canada data.

Trade

Goal

To restore Canada as a major net exporter of automotive products by enhancing net exports of assembled vehicles and by reducing net imports of components (adjusted to reflect the level of domestic assembly).

Performance Target

Improve Canada's automotive trade balance to \$15 billion or better by 2010.

Context

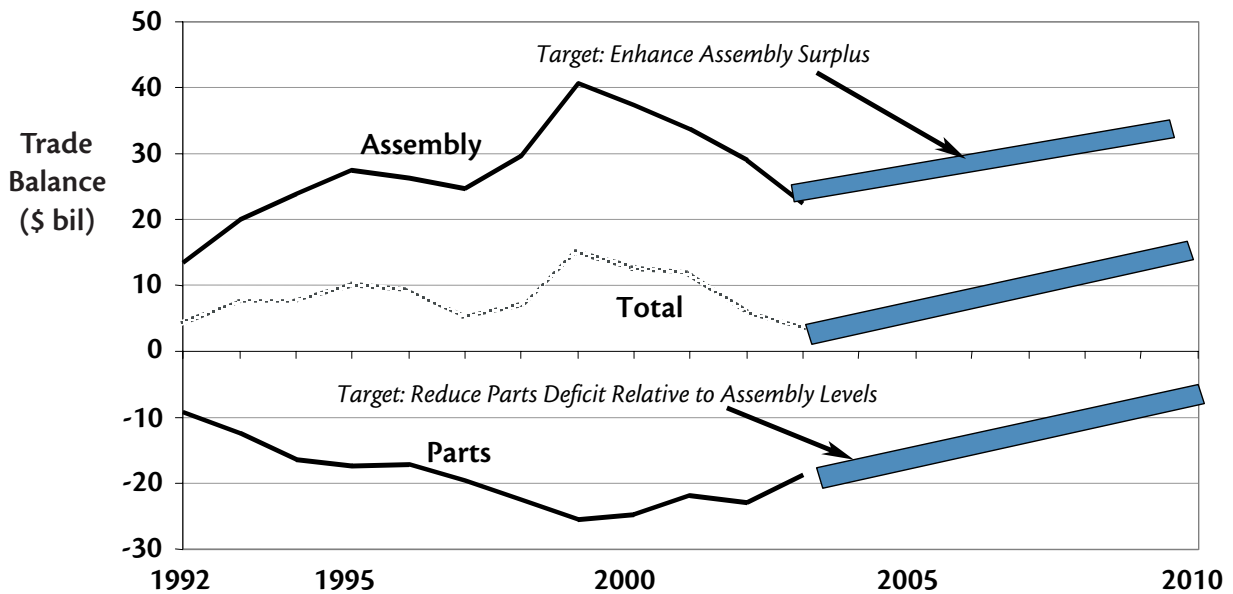
Canada is traditionally a significant net exporter of assembled vehicles (reflecting the concentration of assembly facilities here) and

a net importer of components. The growth of Canada's assembly sector through the 1990s, combined with the qualitative and quantitative development of domestic components production, allowed for a two-fold improvement in the automotive trade balance. The net trade balance (considering both assembly and components) peaked in 1999 at just over \$15 billion (measured by NAICS sector definitions). Since then, however, assembly exports have declined, the result of both reduced production and increased imports. Lower levels of domestic assembly reduced net imports of components but the overall automotive trade balance fell 75 percent between 1999

and 2003. Restoring Canada's status as a major automotive net exporter will require both a recovery in assembly levels and continued growth of domestic parts production.

The components trade balance may initially deteriorate as assembly levels increase but the subsequent expansion of domestic components supply capabilities and enhanced Canadian components sourcing by Canadian-based assemblers will lead to a further reduction in net components imports thereby powering a two-fold improvement in the overall automotive trade balance.

Trade



Source: Industry Canada data

H. CAPC Recommendations: A Strategic Plan to Strengthen Canadian Automotive Manufacturing

To support movement toward the kind of successful industry the four performance metrics describe, the CAPC working groups have developed more than 40 specific recommendations. The recommendations are designed to address barriers to future investment and production opportunities

and provide for a plan of action that is ambitious, focused and consistent with the effort to re-establish Canadian leadership in automotive manufacturing.

Directed to both government and industry, these recommendations constitute a “road map” toward achievement of CAPC’s vision of making Canada a globally competitive location for automotive investment. They will result in measurable economic and social benefits, perhaps most visible in improved industry performance in the following

quantifiable outcomes (among others): assembly production, components production, employment and foreign trade.

A full listing of the CAPC recommendations is provided in Appendix A. They can be organized into three broad areas, as illustrated in the following table:

1. Removing weaknesses
2. Attracting investment
3. Building a foundation for the future

Category	Action Area
<p>Removing Weaknesses Actions to eliminate or mitigate weaknesses or perceptions of such in the Canadian investment climate.</p>	<p>Tangible/Intangible Barriers: In an environment where more than 90% of its goods are exported, Canada’s goal must be to simultaneously distinguish – but not separate – itself from the U.S. Removing the border as an impediment to efficient, rationalized business operations must be a principle that guides Canadian public policy makers. Doing so not only involves accelerating tangible, hard infrastructure items such as the “Let’s Get Windsor-Essex Moving” strategy but also means harmonizing policy with competitors/partners in areas such as environmental, safety, employment legislation etc.</p> <p>Transportation Network: The renewal of Canada’s transportation infrastructure must move to the forefront of Canada’s policy agenda. An updated and seamless transportation network is required to support the movement of both completed units and components to and from major markets. This includes an emergency plan to ensure the automotive industry and others are able to maintain uninterrupted movement of goods.</p> <p>Energy: A sustainable strategic plan is needed to ensure the accessibility of dependable, competitively priced electricity.</p>
<p>Attracting Investment Actions to attract automotive investment to Canada.</p>	<p>Incentives: Provide large-scale investment incentives linked to innovative capacity, skills enhancement and sustainability as well as for cluster-enhancing enterprises like supplier parks.</p> <p>Regulations: Coordinate and streamline regulations between and within Canada and the United States, including those pertaining to vehicle safety, certification and emissions.</p> <p>Marketing: Coordinate automotive-related investment marketing among Canadian jurisdictions and investigate partnerships with other North American jurisdictions.</p> <p>Purchasing: Encourage OEMs to increase the focus and priority on sourcing from competitive Canadian suppliers.</p> <p>Taxes: Eliminate the provincial capital tax and federal large corporation tax; expand the manufacturers and producers tax deduction; and implement early commercialization tax credits (for environment as well as other technologically intensive applications).</p>

<p>Foundation for the Future Actions to build a foundation for long-term competitiveness of the Canadian industry.</p>	<p>Environmental Stewardship: Place Canada and its automotive industry at the forefront of environmental stewardship and natural resource conservation through:</p> <ul style="list-style-type: none"> • Consumer supports for the purchase of environmentally friendly vehicle technologies. • Incentives for environmental investments and property remediation. • Supports for alternative fuels infrastructure development. <p>Innovation and Competitiveness: In recognition that Canada’s automotive industry remains competitive and earns future investment through productivity and cost leadership:</p> <ul style="list-style-type: none"> • Enhance and leverage the benefits of Canadian automotive clusters by developing the supporting mechanisms to highlight and improve the mutual benefits inherent in tighter alignment between Canada’s research institutions and the national auto industry. • Provide supports for manufacturing process innovation, including amending the SR&ED program to make it a more user friendly/accessible tool to drive innovation. <p>Human Resources: Continue to improve the capacity for Canada and Canadians to develop leading edge technology through:</p> <ul style="list-style-type: none"> • The Automotive Human Resource Sector Council’s review of training initiatives. • The mitigation of the impacts of demographic trends and other impediments to the industry’s capacity to attract young people and others to the skilled trades.
---	--

From this broader set of recommendations and to provide a clear sense of priorities, CAPC working groups have ranked their most urgent short-term recommendations. The following list of top priorities is intended to provide industry, government and the broader public a clear sense of CAPC’s top priorities for action:

1. Large Scale Investment Incentives

Improve the focus, flexibility and accessibility of government supports to help attract large-scale automotive investments or re-investments including initiatives focused on innovation, technology implementation, skills enhancement and sustainability.

2. Infrastructure

Implement the “Let’s Get Windsor-Essex Moving” strategy and apply other key

U.S./Canada border crossings and establish an emergency/contingency plan to protect Canada’s just-in-time supply reliability.

3. Innovation

Strengthen Canada’s process and product innovation capacity, automotive technology and R&D capability (for both manufacturers and suppliers) through improved automotive focused innovation incentives such as early commercialization tax credits, consumer supports to encourage the purchase of environmentally friendly vehicle technologies, the provision of support for manufacturing process innovation and by better leveraging North American industry innovation initiatives.

4. Regulatory Harmonization

Coordinate regulations (such as those pertaining to vehicle safety, certification and

emissions) between and within Canada and the United States to sustain the integrated nature of the North American industry and improve coordination of automotive-related investment marketing by Canadian jurisdictions.

5. Human Resources

Continue the development of the recently announced Automotive Human Resource Sector Council including the review of training initiatives and the implementation of priority projects. Undertake measures to mitigate the impact that demographic trends and other impediments represent in terms of the industry’s capacity to attract young people and others to the skilled trades.

I. CAPC: Where Do We Go From Here?

Following two years of successful collaboration between industry and government stakeholders, the Canadian Automotive Partnership Council (CAPC) has set out in this Interim Report a roadmap toward its vision of making Canada “a globally competitive location for automotive manufacturing within a profitable and growing Canadian automotive market”.

Since its inception in 2002, CAPC has researched and debated key issues in relation to the competitiveness of the industry in Canada, developed a measurable vision for future success and prioritized more than 40 short and long-term recommendations to help sustain and enhance investment, innovation and employment in Canada’s automotive industry. Work has already begun on a number of CAPC’s key recommendations.

Where do we go from here?

Economic indicators underscore that Canada must move with a sense of urgency to sustain and grow its automotive industry. This interim report provides an opportunity to build a broader consensus for action and shift our collective energy toward positive, consensus-based initiatives and the removal of barriers to success.

Next Steps – Implementation, Collaboration, Accountability

CAPC provides a unique forum for motivated, senior Canadian automotive industry stakeholders to develop and carry through a shared vision for future success. The Council has demonstrated its ability to work through varied agendas in developing a shared vision and action plan. CAPC believes it should now become a force for the achievement of that vision and a collaborative partner with governments to assist in removing barriers to achieving its goals. CAPC therefore proposes the following steps to accelerate progress toward its vision:

- Provide broad distribution of this “CAPC Interim Report” (in both official languages) among decision makers in government, industry and academia offering a proposed basis for an “Automotive Strategy For Canada”, inviting further comment and proposing official adoption of CAPC’s strategic vision.
- Develop, adopt and agree to a CAPC “Scorecard” to track and measure joint industry/government progress against CAPC’s goals and top recommendations and flag requirements for joint attention to remove any barriers to implementation. (A sample Scorecard is presented in the Executive Summary.)
- Work with officials at the three senior levels of government (Canada, Ontario and Quebec) to develop the means by which to ensure policies and programs across ministries and between governments are consistent in their approach and that issues or roadblocks between departments are resolved expeditiously.
- Establish an annual meeting of CAPC leaders with the Prime Minister, the Premiers of Quebec and Ontario and their Ministers of Industry to discuss progress against the CAPC strategic plan, performance metrics and Scorecard – the first to be held in Ottawa in November 2004.
- Maintain CAPC and its working groups as a collaboration body to assist in developing practical, cost effective approaches to the implementation of CAPC recommendations and to research and discuss other issues of relevance.

CAPC believes that together, these five practical steps would signal a significant step toward the adoption and implementation of an effective “Automotive Strategy for Canada”.

Appendix A. Summary of CAPC Recommendations

The following table lists the detailed recommendations that have been advanced by CAPC and its various working groups. The CAPC website, www.capcinfo.ca, contains background documents from CAPC and its working groups. It provides additional insight into these initiatives.

Group	Initiative	Priority Ranking	Proposed Action	Lead
Fiscal	Support for Investment	1	Expand, better coordinate, improve flexibility and transparency of Automotive Investment Incentive programs	FED/PROV
Fiscal	Support for Investment	2	Establish Investment Tax Credit for New Machinery & Equipment	FED
Fiscal	Support for Investment	3	Eliminate Provincial Capital Tax	PROV
Fiscal	Support for Investment	4	Eliminate Federal Large Corporation Tax (LCT)	FED
Fiscal	Support for Investment	5	Expand Manufacturers and Processors Tax Deduction	PROV
Harmonization	CMVSS 208	1	Harmonize with FMVSS 208	FED
Harmonization	Fuel Efficiency Targets/ Climate Change	1	Adopt target consistent with NHTSA requirements	FED
Harmonization	Self Certification	1	Full recognition of self certification (including electronic certification)	FED
Harmonization	Emissions Monitoring and Reporting	1	Harmonization of emissions monitoring and reporting requirements (Ont. Reg. 127)	PROV
HRD	Automotive Sector Council	1	Continue Developmental Phase: Steering Committee, Situational Analysis Proposal, Infrastructure Proposal 04-06	OTHER/ FED
HRD	Review of Training	2	Study of Ontario College System.—“Supply Side” analysis	PARTS/ OTHER/ FED
HRD	Training Initiatives	3	Work with Provincial Gov’t, University SSI proposal, College SSI proposal, SMTT proposal, PPF proposal	OTHER/ PROV
HRD	Consulting with MOE	4	Address industry issues, \$90 million for tech programs, GIK pilot project	PROV
HRD	Immigration	5	Temp. Foreign Worker Agreement, continued consultation	PARTS/FED
HRD	Cooperative Projects	6	Collaborate with other NGO’s, PEO, Skills Canada/ CAF, APMA Apprenticeship Study, CARS Council, University/ College Presidents	OTHER
HRD	Long-term Projects	7	Lobbying and marketing as in “Strategies and Action Items” document	ALL
Innovation	Support for Technology and Innovation	1	Establish Early Commercialization Tax Credits for New Technology Production	FED/PROV
Innovation	Financing Innovation	1	Establish New Auto Focused Funding Programs with criteria and guidelines tailored to Auto Sector	FED/PROV
Innovation	Develop and Encourage Public Private Partnerships	1	Develop Framework for “Made in Canada” model	AUTO/ PARTS
Innovation	Consumer Support for Early Commercialization	1	Establish Environmentally Advanced Technology Vehicle (EATV) direct consumer credits	FED

Group	Initiative	Priority Ranking	Proposed Action	Lead
Innovation	Support for Technology Innovation	2	Target Funding to encourage OEMs and parts suppliers to conduct R&D in Canada	FED/PROV
Innovation	Develop and Encourage Public Private Partnerships	2	Review other initiatives as they complete their work	IWG
Innovation	Financing Innovation	2	Allocate significant portions of existing funding programs to the automotive sector	FED/PROV
Innovation	Consumer Support for Early Commercialization	2	Complete implementation of announced enhancements to existing program	PROV
Innovation	Consumer Support for Early Commercialization	3	Support and encourage alternative fuels infrastructure development	FED/PROV
Innovation	Financing Innovation	3	Support changes to SR&ED program	FED/PROV
Innovation	Financing Innovation	4	Develop Web Portal concept and implement	PARTS
Sustainability	World Leader in Manufacturing	1	Funding for demonstration programs and advanced technology manufacturing	FED/PROV
Sustainability	Vehicle Program	1	Government regulation(s) to achieve appropriate fuel quality for advanced technologies and emissions reduction	FED
Sustainability	Consumer Program	1	Incentives for advanced fuel and advanced technology low-emission vehicles	FED
Sustainability	Certainty of Supply of Electricity	1	Ensure conversion to lower-emission sources of electricity generation does not jeopardize electricity supply.	PROV
Sustainability	Infrastructure	2	Incentives for environmental investments and property remediation	FED/PROV
Sustainability	World Leader in Manufacturing	2	Support for energy-efficient and low-emissions technology in plant investments	FED/PROV
Sustainability	Vehicle Program	2	Support for initial alternative fuel refueling infrastructure	FED
Sustainability	Consumer Program	2	A national Drive Clean™ education program highlighting the importance of regular vehicle maintenance and improved driver practices in emissions reduction	FED/ PROV/ IND
Sustainability	World Leader in Manufacturing	3	Support for employee training in energy-efficient, low-emissions manufacturing techniques.	PROV/ IND
Infrastructure	Infrastructure	1	Continue to fund auto manufacturing infrastructure improvements	FED/PROV
Infrastructure	Rail Corridor/Vessels-alternate form of transportation	1	Review of alternate forms of transportation to ensure automotive interests are coordinated/harmonized with government objectives	FED/PROV/ AUTO/ PARTS

Group	Initiative	Priority Ranking	Proposed Action	Lead
Infrastructure	Trade/Security Issues	1	Coordination or harmonization of trade and security objectives on a bi-national basis	FED
Infrastructure	Lets Get Windsor Essex Moving	1	Implementation of plan	FED/PROV
Infrastructure	Emergency/Contingency Plan	1	Development of an emergency/contingency plan for the automotive industry for the transportation of goods/services	FED/PROV/AUTO
Infrastructure	Competitive Pricing of Electricity	1	Ensure choices of electric power generation do not increase the cost of electricity	PROV
Infrastructure	Certainty of Process for Electricity Pricing	1	Replace Market Power Mitigation Agreement well in advance of its expiry on May 1, 2006	PROV
Strategic Vision	Alignment of Canada – U.S. R&D Initiatives	1	Align with U.S. initiatives for advanced technology (e.g. fuel cells)	FED/AUTO
Strategic Vision	Partnership with State of Michigan	1	Investigate partnership with Michigan for investment marketing	FED/PROV/AUTO
Strategic Vision	Develop Canadian Supplier Parks	1	Establish supplier parks adjacent or near to Canadian assembly plants	IND/FED/PROV
Strategic Vision	Develop Canadian-Based Supply Management Offices Within OEMs	1	Appoint Canadian-based supply managers within OEMs to pursue Canadian sourcing	IND

Appendix B: Canadian Automotive Partnership Council (“CAPC”) Membership (2004)

Members	Alternate Members
Mr. Michael A. Grimaldi <i>CAPC Co-Chair, and President General Motors of Canada Limited</i>	Mr. David Paterson <i>Vice-President, Corporate and Environmental Affairs General Motors of Canada Limited</i>
Mr. Don Walker <i>CAPC Co-Chair, and President, CEO and Chairman Intier Automotive Inc.</i>	Mr. Al Power <i>President and CEO Decoma International</i>
L'honorable Michel Audet <i>Ministre du Développement économique et régional Gouvernement du Québec</i>	M. Gilles Demers <i>Sous-ministre adjointe à l'industrie Ministère de l'Industrie et du Commerce Gouvernement du Québec</i>
Mr. Alain Batty <i>President and Chief Executive Officer Ford Motor Company of Canada, Limited</i>	Mr. Norm Stewart <i>Vice-President & General Counsel Ford Motor Company of Canada, Limited</i>
Mr. Robert Blair <i>President and Chief Executive Officer Carquest Canada Inc.</i>	Mr. Ray Datt <i>President Automotive Industries Association of Canada</i>
Mr. John B.W. Carmichael <i>Chairman, Canadian Automobile Dealers' Association (CADA), and President, City Buick Pontiac Cadillac</i>	Mr. Huw Williams <i>Public & Government Affairs Director Canadian Automobile Dealers' Association (CADA)</i>
The Honourable Joe Cordiano <i>Minister of Economic Development and Trade Province of Ontario</i>	Mr. Bob Seguin <i>Assistant Deputy Minister Ontario Ministry of Economic Development and Trade</i>
Mr. Ray Finnie <i>Official Representative APMA</i>	Mr. Gerry Fedchun <i>President Automotive Parts Manufacturers' Association of Canada</i>
Mr. Basil “Buzz” Hargrove <i>President CAW – Canadian Auto Workers</i>	Mr. Jim Stanford <i>Economist CAW – Canadian Auto Workers</i>
Mr. Hiroshi Kobayashi <i>President and Chief Executive Officer Honda Canada Inc.</i>	Mr. Jim Miller <i>Senior Vice President, Corporate Affairs Honda Canada Inc.</i>
Mr. Robert B. Magee <i>President and Chief Executive Officer The Woodbridge Group</i>	Mr. John Mavrak <i>President Yves Landry Foundation</i>
Mr. Mark Norman <i>President and Chief Executive Officer DaimlerChrysler Canada Inc.</i>	Ms. Lori Shalhoub <i>Director, External Affairs and Public Policy DaimlerChrysler Canada Inc.</i>
Dr. Ross H. Paul <i>President and Vice-Chancellor The University of Windsor</i>	Dr. Peter R. Frise <i>Program Leader, Auto 21 – National Centres of Excellence Centre for Automotive Research and Education University of Windsor</i>
The Honourable David Emerson, P.C., M.P. <i>Minister of Industry</i>	Mr. David Fransen <i>Assistant Deputy Minister, Industry Sector Industry Canada</i>
Ms. Jan Chaplin <i>Chief Executive Officer Canadian General-Tower Limited</i>	
Mr. Ray Tanguay <i>President Toyota Motor Manufacturing Canada Inc.</i>	Mr. Kenji Tomikawa <i>President Toyota Canada Inc.</i>