THE AUTO INDUSTRY

DRIVING CANADA'S ECONOMY

Auto Days 2004

November 2nd - 3rd

Ottawa

Background Information & Statistics

This document contains a detailed outline of the automotive industry and its impact on the economy. It also provides background on the key challenges facing the industry. We hope you find this information useful in understanding the impact of the automotive industry on the Canadian economy and the challenges our industry faces today and moving forward.

Executive Summary

The automotive industry continues to be the cornerstone of the Canadian economy. Indeed, for over 100 years the automotive industry has been one of the most important contributors to Canada's economic wellbeing. The auto industry has grown from a few small operations that employed less than 50 Canadians producing and selling a few hundred vehicles to an industry that directly employs half a million Canadians producing over 2.5 million vehicles and selling 1.6 million vehicles annually. Hundreds of thousands of additional jobs depend on the auto industry across Canada, both in industries which supply the auto industry and in consumer industries which would not exist without the purchasing power of the auto industry and its employees. Today, our industry is represented in virtually every community across the country by hundreds of thousands of Canadians working in automobile dealerships, parts manufacturing plants and vehicle assembly plants.

During the first 100 years, traditional Canadian strengths, combined with strategic government policy involvement such as the 1965 Auto Pact, allowed the auto industry to grow into a large, highly integrated network comprised of:

- Roughly 3950 retailers
- Over 550 OEM parts and major component manufacturers
- 5 vehicle assemblers
- 24 vehicle manufacturers and distributors

Four assembly plants also have adjacent stamping facilities. Five vehicle manufacturers also have significant engine manufacturing facilities and one has a transmission manufacturing facility producing more than 1.5 million engines and over 800,000 transmissions for the integrated North American market. However, our marketplace is constantly changing and evolving.

The Canadian auto industry operates in an integrated global marketplace competing with, and working to maintain, a competitive edge over countries that weren't our competitors 10 years ago, let alone one hundred years ago.

Our historical success is no guarantee of future prosperity. Many analysts estimate that global over capacity could equate to as many as 80 large-scale assembly operations (estimating at 250,000 units per plant). Competitive challenges, business realities, border backlogs and political pressures, are causing many investment decisions to flow to other markets. New low cost jurisdictional entries are drawing assembly and parts production out of North America into South America and Asia, particularly China. Since 1999, the auto industry in Canada has experienced the loss of three assembly plants. The downturn in the automotive sector is reflected in several major indicators including: output, exports, new investment and direct employment.

As the associations representing those companies that supply the parts, that assemble vehicles, and that sell new cars and trucks in Canada, our vision as an industry is to be the location of choice for automotive manufacturing and assembly within North America, driven by globally competitive innovation and a profitable, growing new vehicle automotive aftermarket. Canada must firmly establish itself, through innovative policies and investment levers as a destination of choice for new investment if we are to succeed in maintaining and growing vehicle and parts manufacturing as well as new vehicle sales into the future. That is why the members of our associations joined together with the federal government, the governments of Quebec and Ontario, labour, and academia to create the Canadian Automotive Partnership Council (CAPC) to work together on our shared challenges and map out a vision of our future. To meet our global challenges, our industry has targeted human resources development, innovation, fiscal and investment policy, trade infrastructure, regulatory harmonization and sustainability as our primary areas for improvement and action by both the government and industry itself. Each of these policy areas are multifaceted and require a coordinated approach by all levels of government and industry now in order to ensure both the present and future success of our industry.

Automotive Employment

The Canadian automotive sector employs a large number of highly skilled, highly trained Canadians in diverse fields in virtually every community across the country. There are more than half a million Canadians directly employed in all aspects of the automotive sector from retail sales, manufacturing and distributing, through to aftermarket sales and service. This includes:

- Over 160,000 Canadians in the automotive dealer network
- Over 100,000 Canadians in automotive parts production
- Over 51,000 Canadians in vehicle assembly

More than 500,000 Canadians are directly employed by the automotive industry

These totals do not include the hundreds of thousands of Canadians who rely on the purchasing power of the employees of auto industry for their employment. Estimates are that 1 in 7 Canadians rely either directly or indirectly on the auto industry for their employment.

Automotive manufacturing wages in comparison:

Industries – 2003	Weekly Earnings	Percentage more than more than average
Motor Vehicle Manufacturing	$1,337.35	46.9%
Motor Vehicle Parts Manufacturing	$971.91	10.9%
Manufacturing	$842.63	-
Industrial Aggregate	$689.47	-

Source: Statistics Canada

Automotive employees earn much more than the Canadian average thereby generating more tax revenues and more purchasing power

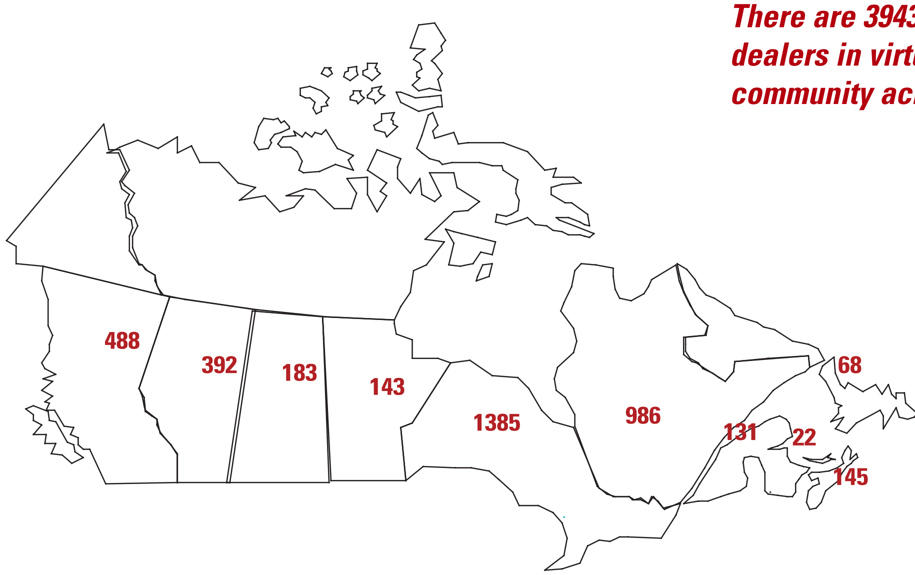
Compared with industrial and manufacturing wages in Canada, the auto sector's highly automated work environments demand highly skilled workers, resulting in significantly higher paying positions. In 2003, wages for vehicle assembly workers were 47% higher than general manufacturing while wages for a worker in parts manufacturing were 11% higher than general manufacturing.

Automotive Retail Market

Canada is part of a fully integrated North American market with sales of 20 million new vehicles annually. Canadian automotive retailers sell roughly 8% of the North American total, which equated to 1.6 million vehicles in 2003, down from the record year of 2002 by over 100,000 new vehicles. These sales occurred through Canada's new vehicle dealer network that represents 24 vehicle manufacturers and distributors.

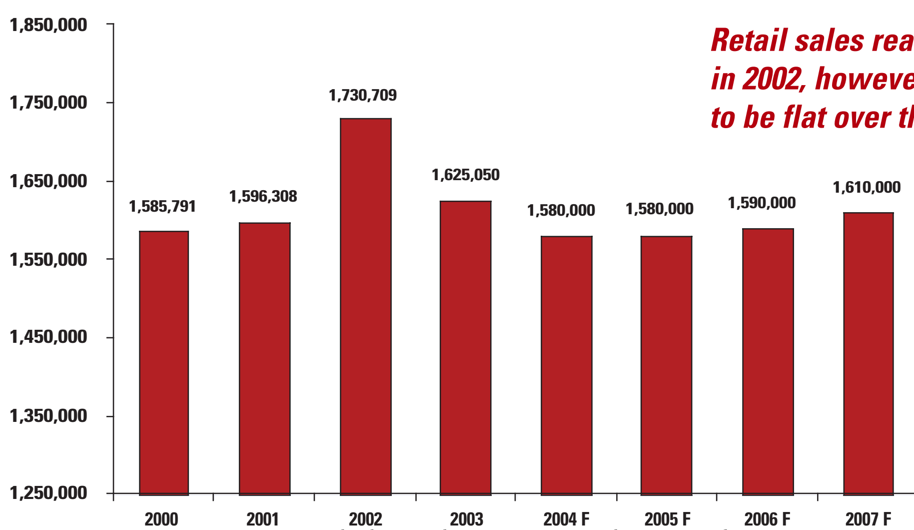
Automotive Dealerships Across Canada

There are 3943 new vehicle dealers in virtually every community across Canada



Canadian light duty vehicle sales (2000 – 2007 F)

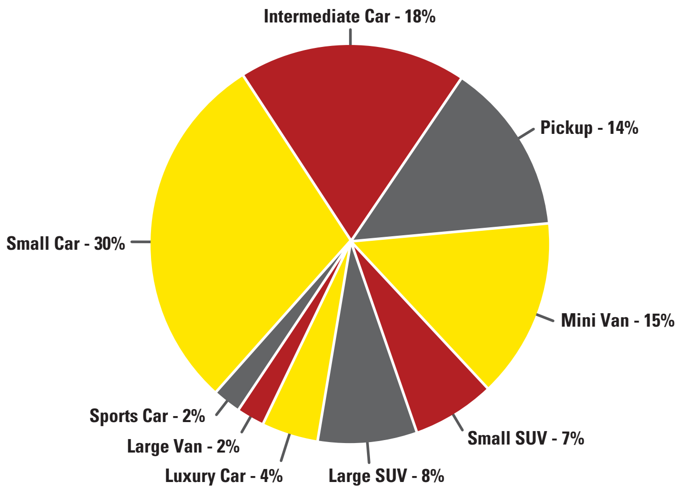
Retail sales reached a record level in 2002, however sales are forecasted to be flat over the next several years



Source: Desrosiers Automotive Yearbook 2003 edition & DesRosiers Observations Vol. 18, Issue 03
Long term forecast from PriceWaterHouseCoopers AutoFacts North American Outlook 2004 Q1

Light duty vehicle sales in 2003 and 2004 have declined from the 2002 record despite record levels of sales incentives by the manufacturers. This sales trend is forecasted to continue with little or no sales growth past 2007. This will continue to leave Canada with less than an 8% share of annual North American sales.

Canadian Vehicle Sales Segmentation



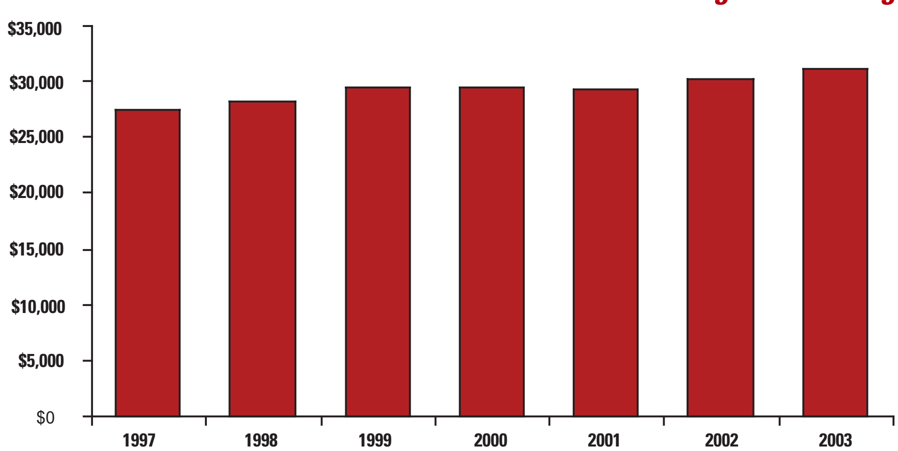
Source: DesRosiers Automotive Yearbook 2003 edition

Close to 50% of vehicles sold in Canada are small and mid-sized cars

Retail sales accounted for more than $80 billion CAD in new and used vehicles in 2003. The majority of new vehicle sales in Canada are small and medium sized cars. In fact roughly 50% fit this category while only 15% of sales are comprised of SUV's. Part of the reason for this is the relatively smaller personal disposable income of Canadians. Compared to Americans, the price of a new vehicle as a percentage of personal disposable income is significantly higher, and has grown over the past decade, despite the fact that the average price of a new vehicle sold has not significantly risen.

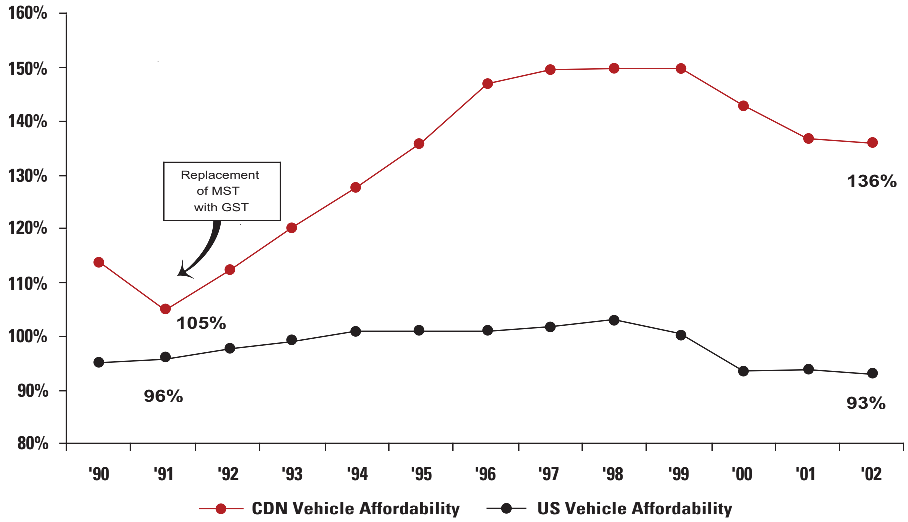
Average price per new vehicle sold in Canada (1997 – 2003)

The average price of a new vehicle sold in has grown at roughly the rate of inflation



Source: DesRosiers Automotive Yearbook 2003 edition

New Vehicle Price as a Percentage of Personal Disposable Income (1990 – 2002)

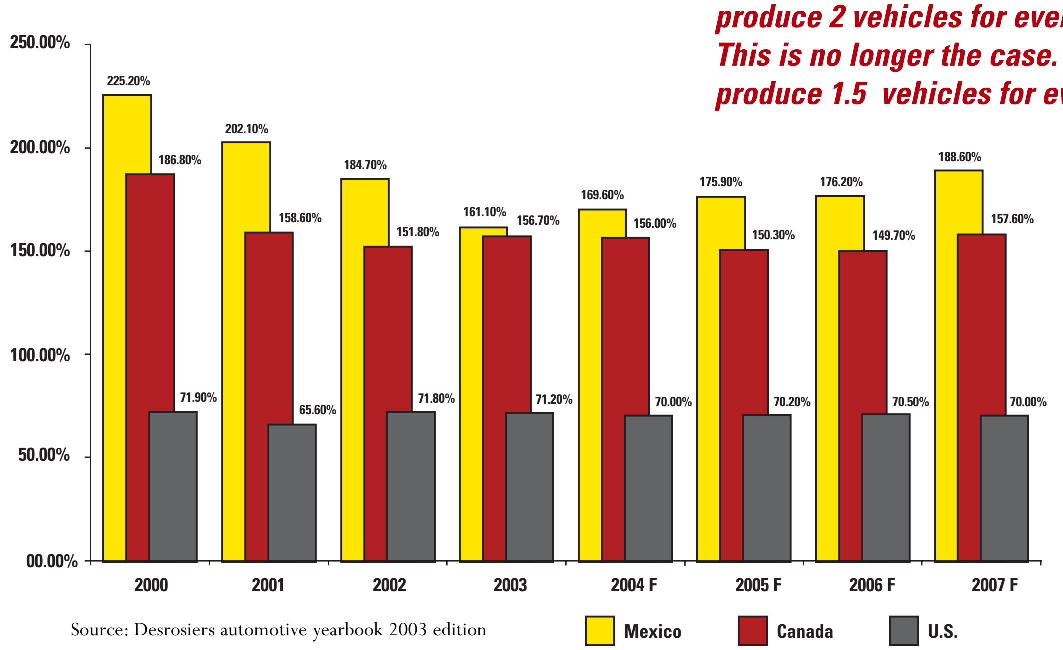


Canadians have significantly less personal disposable income to spend on new vehicles than Americans

Vehicles for sale in Canada are engineered and designed to take advantage of an integrated North American marketplace. As Canada is only a small fraction of this marketplace, designing vehicles to unique Canadian standards and regulations increases vehicle costs.

North American Sales to Production Ratio (2000 – 2007F)

In 1995 Canada could claim to produce 2 vehicles for every 1 sold. This is no longer the case. We now produce 1.5 vehicles for every 1 sold.



Source: Desrosiers automotive yearbook 2003 edition

Canada's sales to production ratio for new vehicles has been decreasing steadily and is not expected to substantially improve. Today we are producing roughly 1.5 vehicles for every one sold. This decline is problematic for continued automotive investment in Canada.

Automotive Production

Canada is part of a fully integrated North American vehicle manufacturing market with annual production of over 16 million vehicles. In 2003, manufacturers in Canada assembled over 2.55 million passenger vehicles being assembled in 14 Ontario plants in Alliston, Brampton, Cambridge, Ingersoll, Oakville, Oshawa, St. Thomas and Windsor. These plants accounted for 16% of total North American vehicle production with annual shipments totalling over $62 billion CAD. Over 85% of Canada's automotive production value is exported annually, primarily to the United States, but also to most other parts of the world.

Canadians produce more than 2.5 million light duty vehicles annually

Canadian Automotive Manufacturing Industry in Comparison

Manufacturing Sector	Employment (2001)	Wages (2001-billions)	GDP (2003-billions)	Shipments (2001-billions)	Exports (2003-billions)
Automotive Parts & Assembly	**141,932 (3)**	**$7.6 (1)**	**$17.8 (1)**	**$98.1 (1)**	**$76.9 (1)**
Aerospace Parts & Assembly	48,515 (7)	$2.7 (7)	$5.8 (7)	$15.5 (7)	$12.1 (7)
Chemical	87,444 (6)	$4.5 (6)	$17.0 (2)	$38.6 (3)	$20.4 (4)
Computers & Electronics	97,577 (5)	$4.7 (5)	$9.7 (6)	$27.2 (5)	$17.6 (5)
Food Manufacturing	237,744 (1)	$7.0 (2)	$16.6 (3)	$61.5 (2)	$16.7 (6)
Machinery & Equipment	148,518 (2)	$6.5 (3)	$10.7 (5)	$26.5 (6)	$20.5 (3)
Pulp & Paper	99,992 (4)	$5.2 (4)	$11.8 (4)	35.9 (4)	$21.7 (2)
Manufacturing Sector Total	1,976,105	$80.6	$176.0	$544.0	$285.9

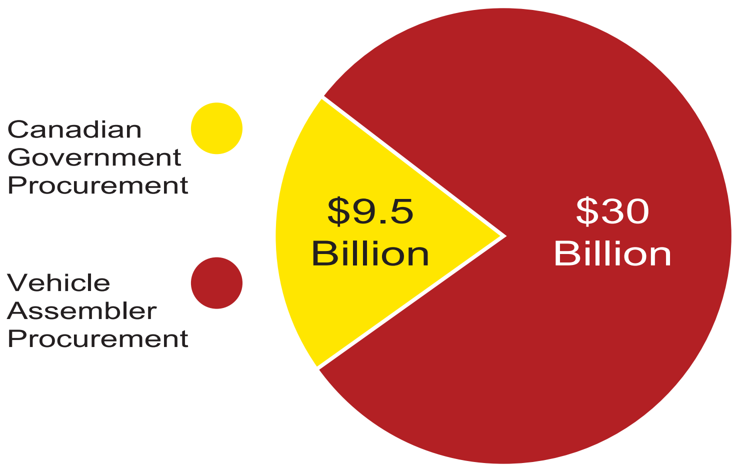
Based on Statistics Canada data for most recent year available – all industries compared on same year and same data sets.
Sourse: Industry Canada – Strategis, Canadian Industry Statistics

Automotive manufacturing is the largest single contributor to the Canadian economy

Although the automotive manufacturing industry compares favourably to other Canadian industry sectors there has been little growth in the sector for several years and as outlined below many troubling trends have emerged in terms of investment for new assembly capacity, total vehicle output and Canada's place in world production rankings.

Roughly 550 automotive parts manufacturing plants across Canada help feed vehicle assembly plants in both Canada and the United States. These suppliers produce original equipment parts as well as major vehicle components such as engines and transmissions. Automotive parts shipments have grown almost three-fold since 1992 from $13 billion CAD to $34 billion CAD in 2003 with over 60% of production value exported, primarily to the United States. For such growth in the parts and components sector to continue, three key activities need to take place 1) Canadian vehicle assembly needs to grow, 2) Canadian parts content as a percentage of the total content in a Canadian built vehicle needs to grow, and 3) exports of Canadian parts and components need to grow.

Vehicle Assembler Procurement in Perspective



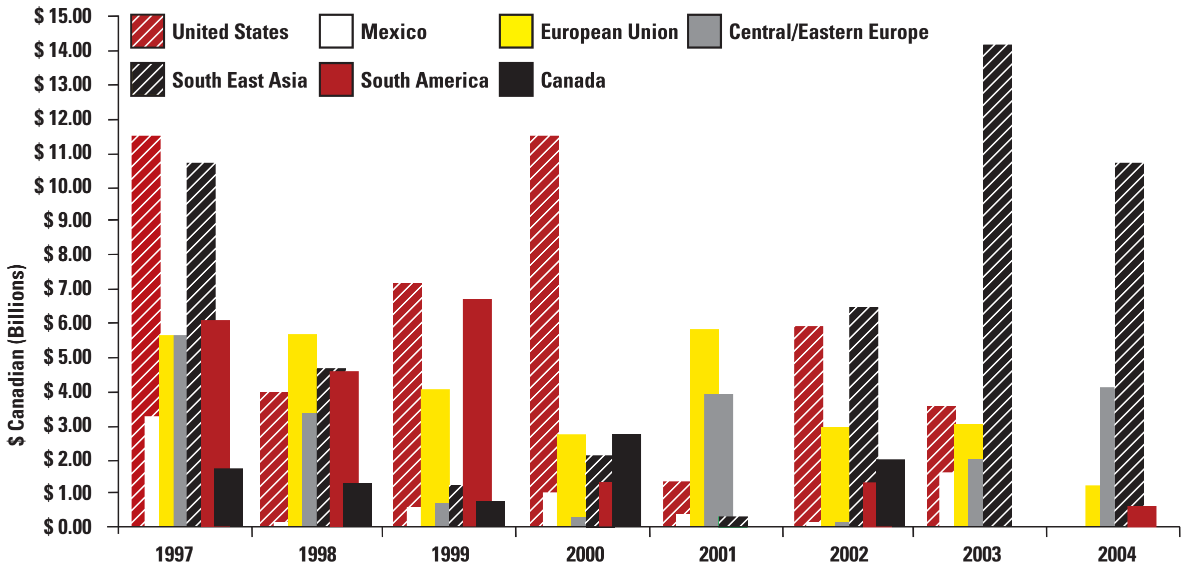
Assemblers procure more than 3 times the amount of Canadian goods and services than the Government of Canada

Government procurement including Defence
Source: Public Works & Government Services

While major assembler and parts manufacturer investments totalling nearly $40 billion CAD have been made over the past decade, the investments have primarily been made to maintain or upgrade existing facilities. The automotive sector is highly capital intensive and requires investments in operations on an ongoing basis to remain globally competitive. Throughout this time, no greenfield investments have been made to add significant assembly capacity for the assemblers. However significant new capacity investments have been made, primarily in China and the southern United States.

Automobile and parts manufacturers have invested close to $40 billion in Canada since 1993

New Investment Announcements by Automotive Assemblers (1997 – 2004)



Source: Automotive Parts Manufacturers' Association

Investment for new assembly capacity has been directed to China and the Southern U.S.

With no new assembly investment for over a decade, Canada now sits as the 8th largest vehicle producing nation in the world, most recently being surpassed by China. In 1999, Canada was the 5th largest vehicle producing nation in the world – falling 3 places in the past 5 years. China will continue its aggressive push up the production ladder and is expected to be the 4th largest vehicle producing nation by 2005 with its production tripling between 2002 and 2010. Canada will struggle to maintain it's position as the 8th largest vehicle producing nation.

Canada's world ranking for vehicle production has dropped from 5th to 8th in the past 5 years

Automotive Trade

Due to the North American integration of automobile manufacturing, the sector is regularly Canada's leading export and import sector. In 2003, automotive products were the second largest major category of Canadian exports and imports. According to International Trade Canada, Canada's automotive exports and imports totalled $87.9 billion and $76.4 billion respectively in 2003, accounting for 21.9% and 22.4% of total merchandise exports and imports and generating a Canadian trade surplus of $11.5 billion.

$300 million of the $1.3 billion that crosses the Canada/US border daily are automotive goods

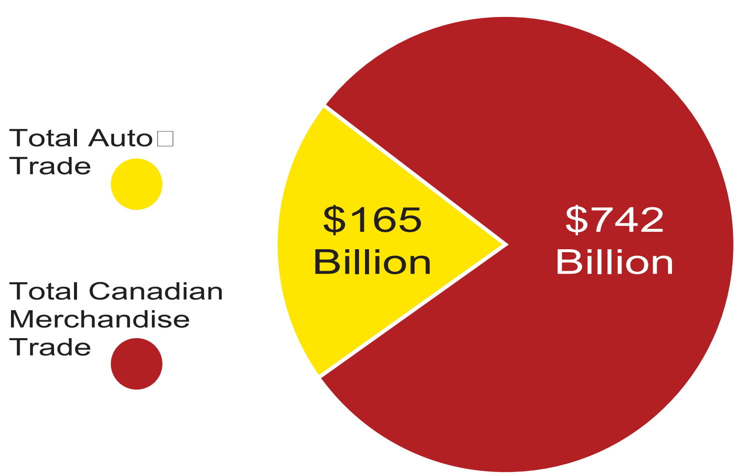
As a highly-integrated industry, the automotive sector relies on seamless transportation between Canada and the U.S. to ensure that our facilities efficiently operate. A significant amount of this trade involves production shipments that feed assembly facilities on both sides of the border and requires streamlined and efficient border crossings to accommodate the just-in-time delivery systems. Warehouses and excess inventories have been removed in favour of rail and road cargo containers arriving on a just-in-time basis.

Canada is the world's third largest exporter of automotive products, after Japan and the U.S with trade flows totalling $164 billion in 2003. The majority of the trade flows back and forth through the critical border crossings in Southern Ontario into the United States both as finished vehicles and parts to feed assembly plants. Roughly 25% of the commercial traffic that crosses Canada's borders is automotive related.

Canada exports more automotive products to the U.S. than we export in all goods to the rest of the world combined

While we rely on key trade routes and international crossings for our industry, more and more we find that these are at or near capacity. This is true of both domestic corridors and international crossings. On top of congestion problems, security issues have become a predominant concern for both government and industry. While we as an industry support security enhancing programs that make meaningful impacts, significant delays can occur at peak times due to limited customs resources and tighter cargo screening. More importantly this has added uncertainty regarding the future of our border and Canada's ability to continue to rely on secured access to the U.S. market.

Canadian Merchandise Trade 2003



The auto industry represents 22% of Canadian merchandise trade

Source: International Trade Canada

Canada’s Automotive Industry Speaking with One Voice

The Association of International Automobile Manufacturers of Canada, the Automotive Parts Manufacturers’ Association, the Canadian Automobile Dealers Association and the Canadian Vehicle Manufacturers' Association are the associations representing those companies that supply the parts, build vehicles and sell new cars and trucks in almost every community across Canada. Our associations promote and represent the automobile industry in Canada before all levels of government as well as in the media, publicly and internationally. Our objective is to strengthen and increase the competitiveness of all aspects of the industry in Canada.

AIAMC

aiamc.com

AIAMC was incorporated in 1979 and represents thirteen "voting" members, BMW Canada Inc., Honda Canada Inc., Hyundai Auto Canada, Kia Canada Inc., Mazda Canada Inc., Mercedes-Benz Canada Inc., Mitsubishi Motor Sales of Canada Inc., Nissan Canada Inc., Porsche Cars Canada Ltd., Subaru Canada Inc., Suzuki Canada Inc., Toyota Canada Inc. and Volkswagen Canada Inc. In 2004 our members sold 59% of all new passenger cars in Canada.

APMA

apma.ca

APMA was founded in 1952 and has over 400 members accounting for ninety percent, directly or indirectly of independent parts production in Canada. In 2003, automotive parts sales were estimated at $34 Billion CAD and the parts industry employment level was over 100,000 people.

cada

cada.ca

CADA, founded in 1941, is the national association for franchised automobile dealerships that sell new cars and trucks. Its member dealers employ over 160,000 people, in nearly every community across Canada.

CVMA

cvma.ca

CVMA was founded in 1926 and represents Canada's largest manufacturers of light and heavy duty motor vehicles including, DaimlerChrysler Canada Inc.; Ford Motor Company of Canada, Limited; General Motors of Canada Limited; and International Truck and Engine Corporation Canada. In Canada, our members produce over 75% of the light duty vehicles built and sell roughly 58% of the new vehicles sold annually.

Canadian Automotive Partnership Council:

CAPC was created in 2002 by the federal Minister of Industry and was tasked with a mandate to identify and prioritize key issues in relation to the competitiveness of the industry, actions needed to strengthen the industry in the short and long-term, and opportunities for future innovation and investment in the industry.

CAPC membership, comprised of the CEOs of Canada's five assemblers, CEOs of four of Canada's leading parts suppliers, heads of industry associations, President of the Canadian Automotive and Aerospace Workers Union, President of the University of Windsor, and provincial and federal Ministers of Industry, will address on a continuous basis the key competitive issues facing the automotive industry in Canada.

Vehicle Nameplates for Sale in Canada (2004)

BMW	BMW, Mini, Rolls-Royce
DaimlerChrysler	Chrysler, Dodge, Jeep
Ferrari/Maserati	Ferrari, Maserati
Ford	Aston Martin, Ford, Jaguar, Land Rover, Lincoln, Mercury, Volvo
General Motors	Buick, Cadillac, Chevrolet, GMC, Hummer, Pontiac, Saab, Saturn
Honda	Acura, Honda
Hyundai	Hyundai
KIA	KIA
Lamborghini	Lamborghini
Mazda	Mazda
Mercedes-Benz	Maybach, Mercedes-Benz, smart
Mitsubishi	Mitsubishi
Nissan	Infiniti, Nissan
Porsche	Porsche
Subaru	Subaru
Suzuki	Suzuki
Toyota	Lexus, Toyota
Volkswagen	Audi, Bentley, Volkswagen

Vehicle nameplates sold by the 3943 dealers in almost every community across Canada

Notes

Proudly Made in Canada

Acura EL

Acura MDX

Buick Allure

Chevrolet Equinox

Chevrolet Impala

Chevrolet Monte Carlo

Chevrolet Silverado

Chrysler 300

Chrysler Pacifica

Chrysler Town & Country

Dodge Grand Caravan

Dodge Magnum

Ford Crown Victoria

Ford Freestar

GMC Sierra

Honda Civic

Honda Pilot

Lexus RX 330

Mercury Grand Marquis

Mercury Monterey

Pontiac Grand Prix

Toyota Corolla

Toyota Matrix