



Canada's International Trade After COVID-19: Changes, Federal Supports for Exporters and Trade Agreement Priorities

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Witness:

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Madam Chair, committee members, thank you for the invitation to take part in your consultations on Canada's international trade after COVID-19.

The Canadian Vehicle Manufacturers' Association (CVMA) is the industry association representing Canada's leading manufacturers of light and heavy-duty motor vehicles. The CVMA's membership includes Fiat Chrysler Automobiles (FCA) Canada Inc.; Ford Motor Company of Canada, Limited; and General Motors of Canada Company. CVMA members are responsible for the majority of vehicles manufactured in Canada, directly employing over 22,000 Canadians in well-paying, high-skilled jobs.

Over the past two months the members of the CVMA have committed \$4.8 billion in new investment to Canada creating 3,700 new direct jobs and tens of thousands throughout the auto supply chain. International trade is critical to the auto industry and the new investments made in Canada. More than 85% of the vehicles assembled in Canada are exported with motor vehicles responsible for 10% of Canada's total goods exports.

I would like to make three points today about Canada's international trade priorities after COVID-19:

1. Focus on North America

The US is and will remain Canada's most important automotive trade partner in a post-COVID world. Given the highly integrated nature of the auto industry, a successful recovery from COVID-19 depends

on unfettered market access across the North American trading bloc.

To achieve this, we urge continued efforts to ensure smooth and seamless implementation of the Canada-United States-Mexico Agreement (CUSMA). This includes working with the new US administration to resolve outstanding implementation issues related to the core parts rules of origin and used vehicle trade.

We also recommend a redoubling of efforts to reduce border thickening. We applaud the government for attention early in pandemic to maintain commercial cross-border movement of goods. However, auto manufacturers are now witnessing an increasing number of issues with technical experts facing challenges when crossing the border to perform critical functions. This is starting to have serious economic consequences that could threaten a sustainable export recovery from COVID-19 if not addressed immediately.

To address this challenge, we recommend the government provide clearer guidance to border service officers on common entry scenarios, apply rapid testing at border crossings and consider a border crossing pilot program for the automotive sector. This will support a fully functioning industry, ensure that significant new investments in Canada can progress and support trade, while recognizing that the auto industry has put robust safety protocols in place across facilities to protect the health and safety of employees and the communities they operate in.

2. Harmonization is the key to our prosperity

Canada produces vehicles primarily for the North American market. It is critical that Canada maintains national harmonized vehicle regulations and standards with the Federal U.S. across safety, criteria emissions, chemicals management and GHG emissions.

Harmonization is necessary to ensure Canada continues benefiting from the integrated North American auto industry and the significant automotive investment flows and jobs it creates for Canadians. Auto regulatory harmonization enables “one product, tested once and certified once for sale across one Canadian & U.S. market” which has provided Canadian consumers with the greatest access to new and more advanced GHG reducing technologies, safety technologies and vehicle model choice, as well as allowing industry to develop and manufacture these advanced technologies at the lowest costs.

If regulations are not harmonized in an integrated North American auto sector, Canada risks consumer access to new technology vehicles or services available in the larger US market. It also puts Canada at risk of missing out on hotly contested new manufacturing mandates. We have largely harmonized auto regulations with the US thanks to the Regulatory Cooperation Council (RCC) and work over past governments.

More recently, the highly integrated nature of the automotive manufacturing industry was engrained in the recently signed CUSMA, an agreement largely about automotive trade. We must not put the enormous benefits of auto trade at risk through unaligned regulations. We recommend the government engage with the new US administration as quickly as possible to re-invigorate the RCC. The success of this depends on support at the leader-level.

As Canada moves forward with its' trade agenda, it will be important to examine market access for

North American built vehicles including the acceptance and recognition of technical and safety standards, pursuant to the Canadian Motor Vehicle Safety Standards (CMVSS). Our members build and export vehicles worldwide and it is important to ensure rigorous and comprehensive safety standards such as CMVSS are recognized as equivalent to or better than other standards bodies such as the United Nations Economic Commission for Europe (UNECE).

It is important to note that regulatory harmonization does not preclude Canada from achieving its environmental policy objectives through complementary policy measures such as accelerating the turnover of older, higher emitting vehicles and incentivizing the adoption of newer, lower emitting technology vehicles by Canadians.

Jurisdictional compatibility is also important regarding privacy. Vehicles are produced for the integrated North American market and need to operate seamlessly across jurisdictions. We encourage the federal government to take a leadership role to avoid a patchwork of privacy regulation that may hinder privacy objectives, create barriers for business and confusion for the consumer. Industry needs a clear and consistent policy landscape to support innovation and competitiveness for investment.

3. Invest in trade infrastructure

Growing Canada's trade in a post-COVID-19 world requires more trade-enabling infrastructure. This includes completion of the Gordie Howe International Bridge and additional port capacity to support vehicle on/off loading.

We witnessed over the summer how fragile Canada's trade infrastructure is when the Port of Montreal was closed due to labour action. The Port of Montréal strike caused a significant decrease in the port's national share of exports by water with the share of exports down to 7.8% in August from 15% (the 2019 monthly average).

This disruption required re-routing, adding significant costs to production, increasing uncertainty and undermining Canada's competitiveness as a reliable jurisdiction for production and movement of goods. Any post-COVID trade strategy should include efforts to boost our trade infrastructure and resiliency to protect against future disruptions.

Thank you and I look forward to any questions.