

Canadian Vehicle Manufacturers' Association

Budget 2022 Submission



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Recommendations

1. Develop a bold, comprehensive plan to achieve 100% zero-emission vehicle (ZEV) sales by 2035 which includes the following:
 - a. Funding for the Incentives for Zero-Emission Vehicles Program (iZEV) to increase the incentive amount and broaden vehicle eligibility parameters to capture larger vehicles.
 - b. Additional investments to build out the public ZEV charging infrastructure needed to support the consumer transition aligned with the government's ZEV sales targets.
 - c. Funding for a national ZEV consumer awareness program.
2. Reaffirm Canada's commitment to North American regulatory alignment.
3. Improve Canada's business environment to attract investment.

1. Develop a bold, comprehensive plan to achieve 100% ZEV sales by 2035

The Road to 2035

The federal government has set an ambitious target of reaching 100% zero-emission vehicle (ZEV) sales by 2035. For Canada to achieve this target, a bold, comprehensive plan is needed to incentivize consumers to purchase ZEVs, build and expand charging infrastructure to match ZEV market penetration, and increase consumer awareness of the benefits of ZEVs and the various government supports that are available to consumers. This effort will only be successful if it includes all stakeholders, including automakers, dealers, provinces & territories, municipalities, non-profit education organizations and energy providers.

Auto manufacturers are investing approximately USD \$515 billion into electrification globally with the number of ZEVs available to Canadians expected to more than triple to 120 models by 2023¹. Electrified powertrains will be available across the range of models and segments offered by many OEMs, giving consumers a multitude of options to suit their transportation needs.

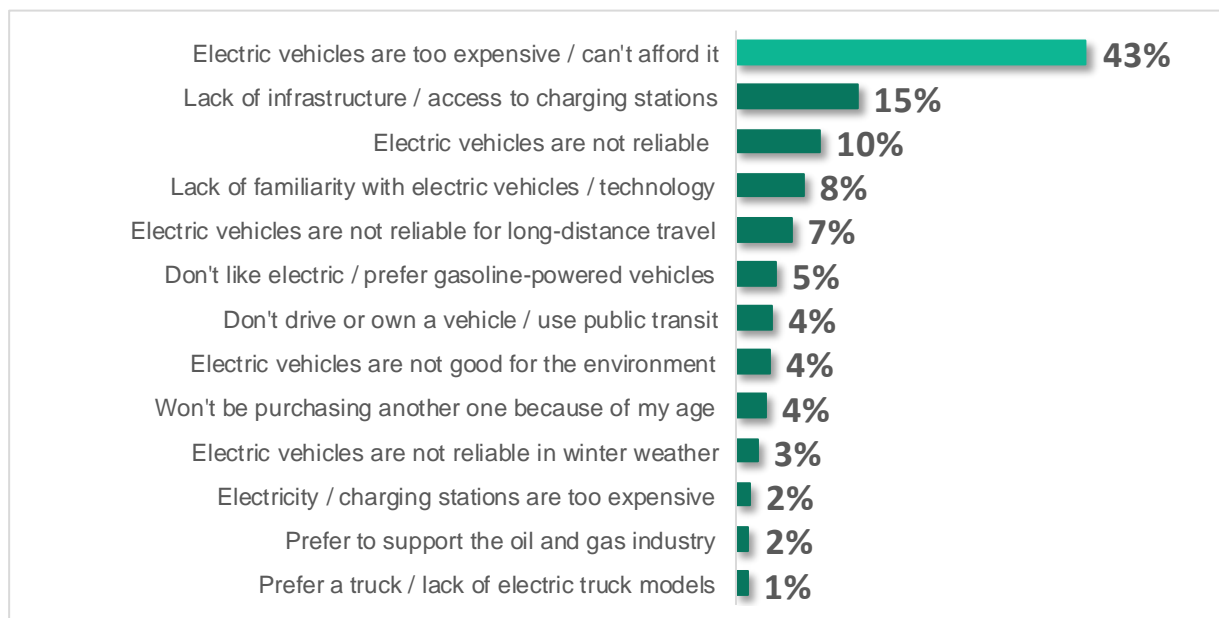
Ford, General Motors and Stellantis have committed over USD \$100 billion to electrification through 2025, including over \$4 billion to assemble ZEVs in Canada. Given these significant investments and the increasing number of ZEVs coming to market, government's focus must now turn to addressing well-known barriers to ZEV adoption to help consumers make the switch.

The most recent polls of consumer attitudes towards electric vehicles confirm that concerns with cost, vehicle charging times, vehicle range, a lack of a comprehensive, convenient, and accessible charging infrastructure and consumer education are the key barriers to getting more Canadians driving EVs². According to a Government of Canada's survey from November 19, 2020, cost is by far the main barrier to consumers purchasing a plug-in electric car or truck.

¹ Reuters, Global carmakers now target \$515 billion for EVs, batteries, November 10, 2021, <https://www.reuters.com/business/autos-transportation/exclusive-global-carmakers-now-target-515-billion-evs-batteries-2021-11-10/>

² New survey underscores need for more ambitious government efforts to convince Canadians to purchase electric vehicles, <http://www.cvma.ca/press-release/new-survey-underscores-need-ambitious-government-efforts-convince-canadians-purchase-electric-vehicles/>

What is the main reason you do not own and do not expect your next car or truck to be electric?



A bold plan to reach the 2035 target must address these concerns and help all Canadians go electric. Budget 2022 should commit funds to achieving Canada's 2035 ZEV target in the following priority areas:

Consumer incentives - Until price parity between ZEVs and ICE vehicles is achieved, consumer incentives like the federal iZEV and other consumer financial and non-financial incentives will be critical over the next decade to offset the higher costs faced by consumers if the government is to achieve its consumer ZEV adoption targets. To ensure the iZEV program is as effective as possible, CVMA recommends Budget 2022 dedicate new, long-term funding to iZEV to increase the incentive amount and broaden vehicle eligibility parameters to reflect the market and consumer demand. The current eligibility parameters, specifically on MSRP, will exclude many of the new forecasted ZEV models coming to market, including those assembled domestically that support jobs for Canadians. Consumers continue to demand larger vehicles with light trucks and SUVs representing approximately 80% of new vehicle purchases versus passenger cars at 20%³. Program parameters will need to support the purchase of ZEVs that consumers demand and that may exceed the current program incentive threshold.

Charging infrastructure – Providing Canadians with accessible and convenient charging infrastructure is a pre-condition to achieving the government's ZEV target. We recommend that Budget 2022 commits significant new long-term funding to build out the charging infrastructure needed to support the consumer transition to the near to long term ZEV targets. To do this, the government should undertake a public assessment of the charging infrastructure required; establish national targets of public charging infrastructure needed to support the government's 2030 and 2035 ZEV sales targets; coordinate with provinces, territories, and municipalities to establish common building codes, standards, and support programs to ensure consumer home charging availability in all multi-residential buildings.; and, coordinate with all Canadian utilities to upgrade Canada's energy

³ Statistics Canada. Table 20-10-0002-01 New motor vehicle sales, by type of vehicle

generation, transmission, and distribution capacity to meet the energy demands of a rapidly growing and ultimately 100% Canadian ZEVs sales by 2035.

Insufficient charging infrastructure (at home, work and publicly accessible) is consistently identified as one of the top barriers to consumers purchasing a ZEV. The Government of Canada's poll referenced previously, found that a lack of charging infrastructure is the second most significant barrier to ZEV adoption. This is consistent with recent industry polling of consumers that found that 47% of Canadian respondents identified a lack of public charging infrastructure as a key reason not to buy a ZEV⁴.

Consumer education – Awareness of government programs available to help Canadians make the switch to electric and available ZEV technology is another key challenge to overcome on the path to 100% ZEV sales by 2035. According to a recent Natural Resources Canada survey on ZEV awareness, 53% of respondents indicated they have not heard of the iZEV consumer rebate program⁵. Further to this, one quarter of Canadians believe the number of electric vehicle models available for purchase today in Canada is less than ten and there are outdated concerns over driving range and charging time⁶. This underscores an increased need for consumer outreach and education.

We recommend that Budget 2022 dedicate funding to a national ZEV consumer awareness program. Such a program should be coordinated with other levels of government and designed to rapidly expand consumer understanding of the environmental benefits of ZEVs, government's commitment to the expansion of the charging infrastructure, and to increase awareness of the supports offered by governments to assist consumers in transitioning to ZEVs (e.g., federal & provincial purchase incentives, home charging installation incentives).

2. Reaffirm Canada's commitment to North American regulatory alignment

Canada's automotive industry is competitive as part of the North American market underpinned by the recently implemented Canada-United States-Mexico Agreement (CUSMA). With over 90 per cent of Canada's motor vehicle exports going to the United States last year, unique Canadian regulations undermine the integrated nature of the industry. Successive governments have understood this reality and recent new investments announced in Canada depend on this continuing.

We recommend that Budget 2022 reaffirm Canada's commitment to North American alignment, consistent with the Roadmap for a Renewed U.S.-Canada Partnership. Recent events, including the border blockades, underline the integration of our economies and the importance of delivering on the comprehensive commitments made in the Roadmap. This includes efforts to build a greener, more prosperous future, strengthen bilateral supply chains, and cooperation on critical minerals.

To achieve this, we recommend renewed efforts to ensure alignment and harmonization on policies and requirements related to privacy, vehicle safety including advanced driver assistance systems and automated vehicles, vehicle emissions including zero emission vehicles, chemicals management and the EV battery supply chain.

Introducing a stand-alone Canada ZEV sales mandate will take Canada out of regulatory alignment with the United States and the integrated North American market. This threatens automotive investment, jobs, and Canada's place in the emerging ZEV supply chain.

⁴ Leger Polling Data, April 2021.

⁵ Canadians' Awareness, Knowledge and Attitudes Related to Zero Emissions Vehicles, NRCan, https://www.nrcan.gc.ca/sites/nrcan/files/057-21-NRCan_ZEVs_Final_Report_EN_accessible.pdf

⁶ Leger Polling Data, April 2021.

3. Improving Canada's business environment to attract investment

The automotive manufacturing industry is a key driver of the economy, contributing \$12.5 billion to GDP in 2020 and directly employing over 100,000 Canadians. Improving Canada's business environment to attract more automotive manufacturing investment will create jobs, help Canada achieve its climate goals, and position the industry for the future.

Investment and innovation incentives

Investment and innovation incentives that are globally competitive to attract and sustain production mandates for the existing Canadian automotive footprint should be responsive to the operational and planning dynamics of the industry. Canadian automotive manufacturing investment incentives such as the Strategic Innovation Fund and Net Zero Accelerator need to be:

- Coordinated with other levels of government to ensure offerings are comparable to competitor jurisdictions.
- Flexible to reflect the continuing transformation underway in the industry, including covenants that are not overly restrictive and in line with other jurisdictions.
- Timely to provide global investment teams with clear signals on whether a project will be supported at the earliest stages of an application.
- Focussed on automotive-specific investment to message to global decision-makers that the government considers auto as a priority and values its economic contributions.

In addition, we recommend the proposed *Tax Reduction for Zero-Emission Technology Manufacturing* be designed to accommodate the long-term nature of auto manufacturing mandates to encourage new investment in zero-emission manufacturing technologies in Canada.

Trade infrastructure

Canada's competitiveness as an investment destination depends on the auto industry's ability to efficiently move goods and people across the Canada-U.S. border and to other global markets. Vehicles are the second largest Canadian export by value at \$37 billion in 2021. Any delays or disruptions at borders, as witnessed recently at the Ambassador Bridge, has an immediate impact on production and trade.

The Canadian automotive industry is highly integrated with the United States through both supply chain relationships and shipments of final vehicles. Given the trade volumes at the land border crossings, the efficient movement of goods is critical. Facilities depend on reliable and timely delivery of parts to fully operate.

We recommend that Budget 2022 include a commitment to land border and port infrastructure enhancements to support the highly integrated supply chain and Canada's domestic automotive industry access to export opportunities. Governments at all levels need take stock of the recent border blockades and put plans and protocols in place to ensure we maintain a secure and open border for integrated supply chains. For ports, enhanced marine port infrastructure to facilitate vehicle loading/unloading will support Canada's domestic industry to receive benefit from Canada's trade agreements. Beyond infrastructure enhancements, any new customs administrative processes introduced need to take into consideration lead times necessary to make complex customs system updates and mitigate any undue cost increases or administrative burden to business that would impact competitiveness.