



**Canadian Vehicle
Manufacturers' Association**
Association canadienne
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Hon. Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
90 Elgin Street
Ottawa, Ontario K1A 0G5

Dear Deputy Prime Minister:

On behalf of the Canadian Vehicle Manufacturers' Association (CVMA), I am writing to share our views on what is required in Budget 2024 to support and grow Canada's automotive industry.

As you recently articulated, this is a hugely transformative time in the global economy. Canada has a unique opportunity to attract new job-creating investment into automotive assembly, battery manufacturing, and critical minerals production. Getting this right will both achieve Canada's decarbonization objectives while strengthening our industrial base.

Ford, General Motors, and Stellantis are leading the transformation to electrification in Canada's automotive industry. They have committed nearly \$15 billion to Canada since 2020, the majority dedicated to zero-emission vehicle (ZEV) assembly and battery facilities. Budget 2024 is an opportunity to capitalize on this momentum by ensuring that Canada is positioned as one of the best places in the world to build and sell the vehicles of the future.

We recommend the following measures in Budget 2024:

Support Canadians in the transition to electrification

The federal government recently finalized a ZEV sales regulation that requires 100% ZEV sales by 2035. This ambitious target is not achievable with the current supports available to Canadians.

According to Environment and Climate Change Canada, the ZEV sales mandate will increase the cost of vehicles for Canadians. This comes at a time when Canadians are already facing severe affordability challenges driven by higher inflation and interest rates. Meeting the ZEV sales targets that have been established depends on enhanced efforts by the federal government to offset the higher costs facing Canadians.

We recommend that Budget 2024 improve Canada's Incentives for Zero-Emissions Vehicles (iZEV) program by increasing the maximum incentive to CAD \$10,000 (USD \$7,500), aligning MSRP caps with the United States for cars and trucks/SUVs, and extending the program to apply to used vehicles.

In addition to iZEV program enhancements, adequate funding needs to be allocated through to 2032. The iZEV program is currently set to expire in 2025, before the ZEV sales mandate comes into force. Failing to fund the iZEV program all but guarantees that Canada's ZEV sales targets will not be met.

To ensure Canadians can conveniently charge their vehicles, investment is required in Budget 2024 to build out Canada's ZEV charging network. According to NRCan, 100% ZEV sales requires at least 442,000 operational public chargers across Canada by 2035. There are currently only 27,000 public chargers in operation today. Meeting the government's sales targets requires that 38,000 public chargers are built every year until 2035 at an estimated cost of \$20 billion. This is in addition to the \$38.6 billion cost facing Canadians to install home chargers.

Adequately funding the supports Canadians require to switch to electric is critical if the federal government ZEV targets are to be achieved.

Grow Canada's share of the global ZEV supply chain

Canada has a once-in-a-generation opportunity to grow its share of North American vehicle manufacturing and become a leading supplier of choice for the critical minerals needed in battery production. The programs and incentives the government has announced, including the Clean Technology Manufacturing investment tax credit (ITC), will be pivotal to Canada's competitiveness for new investment in this transformation.

We recommend that the Clean Technology Manufacturing ITC be designed to effectively compete with the strong incentives offered by the United States' Inflation Reduction Act. This requires flexibility in the definition of eligible property to ensure the credit is applicable to all the property and equipment required for ZEV manufacturing.

Supplying North American ZEV manufacturing facilities requires speed. We recommend that Budget 2024 delivers on the federal government's commitment to outline a concrete plan to improve the efficiency of the impact assessment and permitting processes for major projects, including for critical minerals mining and processing.

Invest in critical transportation infrastructure

Canada's reputation as a reliable jurisdiction for the manufacturing and transportation of goods, including vehicles and parts, has been repeatedly undermined by disruptions at Canada's ports. For Canada to continue to win new job-creating automotive investment we need improved supply chain certainty and predictability.

We recommend that Budget 2024 includes funding to expand Canada's critical trade infrastructure to reduce dependence on a single port of entry or transportation corridor in the event of disruptions. This should include funding for the Canada Border Services Agency to improve efficiency at our ports of entry and to tackle the unprecedented increase in stolen vehicles that are being exported from Canada.

In closing, Deputy Prime Minister, thank you for your efforts to secure over \$30 billion in new job-creating auto investment. Budget 2024 should double down on Canada's ambition to become a global leader in the transformation to electrification.

Canada's automotive manufacturers stand ready to work with you and your colleagues to grow the industry, create good jobs for Canadians, and achieve our shared decarbonization objectives.

Sincerely,



Brian Kingston
President and CEO