

Let's Talk Budget 2021 Submission



Canadian Vehicle Manufacturers' Association

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Recommendations:

- 1) Introduce a stimulus program to boost new vehicle uptake, reduce emissions, enhance consumer safety and support Canada's auto supply chain.**
- 2) Invest in consumer supports and charging infrastructure to encourage electric vehicle (PHEV/BEV) adoption.**
- 3) Improve the business environment to ensure the success of the industry and position Canada to attract new automotive manufacturing and research & development investment.**

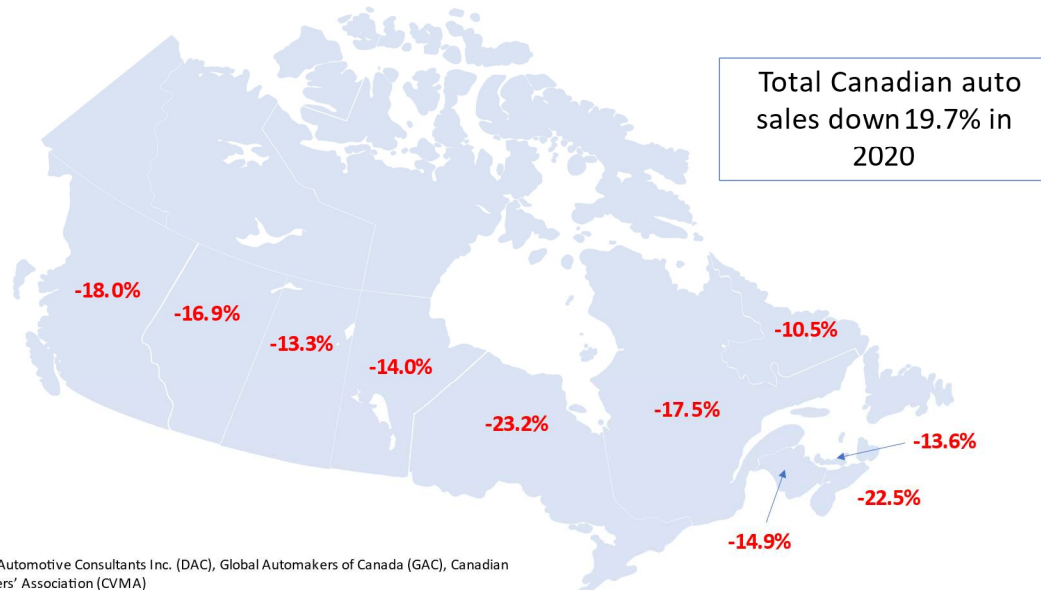
Enabling an auto driven economic recovery

Budget 2021 is an opportunity for Canada to lay out a growth plan that gets Canadians back to work and businesses investing for the long term. Strong and sustained economic growth will require a rebound in consumer confidence, business investment and export-led growth.

Given the importance of the auto industry to the economy, responsible for over 500,000 jobs (direct and indirect), Budget 2021 should enable an auto driven economic recovery. Outlining a vision for the auto industry will ensure Canada maintains its share of new automotive investments in North America, creating jobs and boosting exports.

The COVID-19 pandemic and associated economic downturn has done significant damage to Canada's automotive industry. Sales in 2020 were down nearly 20 per cent from 2019, the largest single-year decline in decades. Canadian vehicle production hit its lowest level since 1982.

Provincial Auto Sales (2020, % Change)



Despite the challenges facing the auto industry over the past year, the integrated North American industry is continuing to make significant investments in electrification, connected vehicles and autonomous driving. This is all part of a major technological transformation underway in the industry that will generate tremendous economic opportunities for Canada.

CVMA members announced large, job-creating investments in Canada over the past six months. Ford, GM and Stellantis have announced nearly \$6 billion in new investment in Canada that will create 3,700 direct jobs as well as indirect jobs throughout the supply chain.

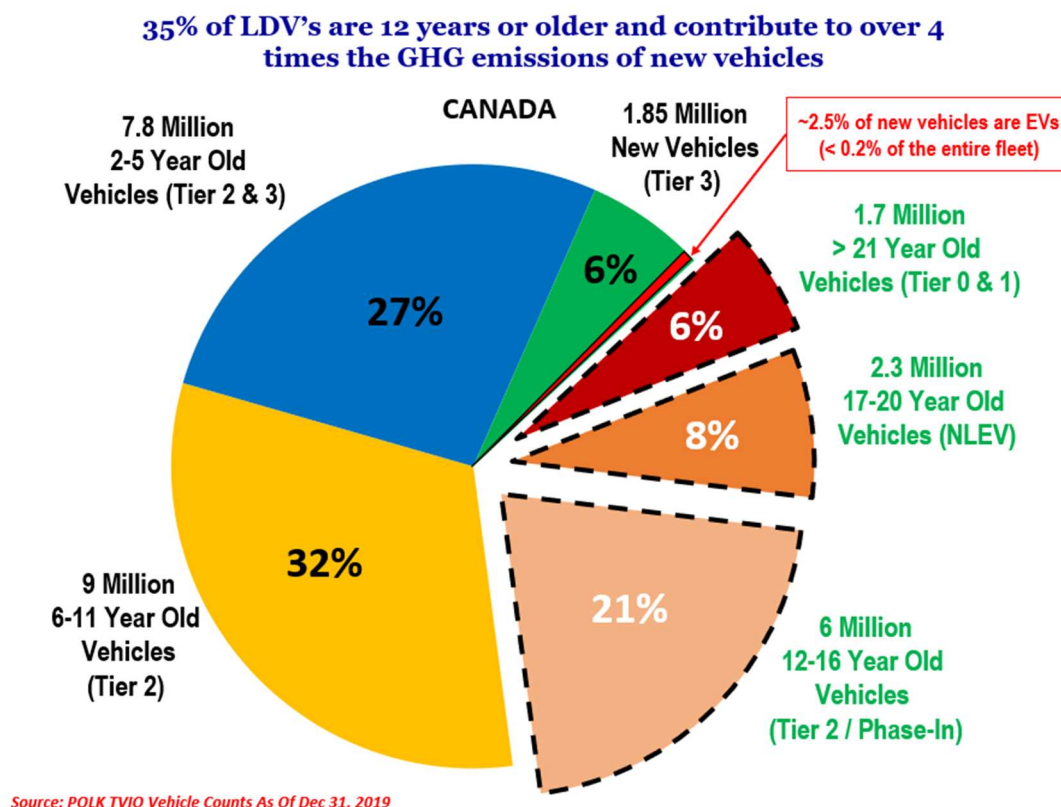
To help the auto industry recover and position Canada to benefit from new automotive investments in North America, we recommend the following measures be included in Budget 2021.

Recommendation 1 - Introduce stimulus programs to boost new vehicle uptake, reduce emissions, enhance consumer safety, and support Canada's auto supply chain.

Canada has an opportunity with Budget 2021 to accelerate change in the renewal of the on-road fleet.

Introducing a large-scale vehicle scrappage program would entice consumers to turn in older vehicles for new, safer, more fuel-efficient or zero-emission models. A scrappage program that provides consumer choice and builds consumer confidence would be an effective measure to drive the economic recovery.

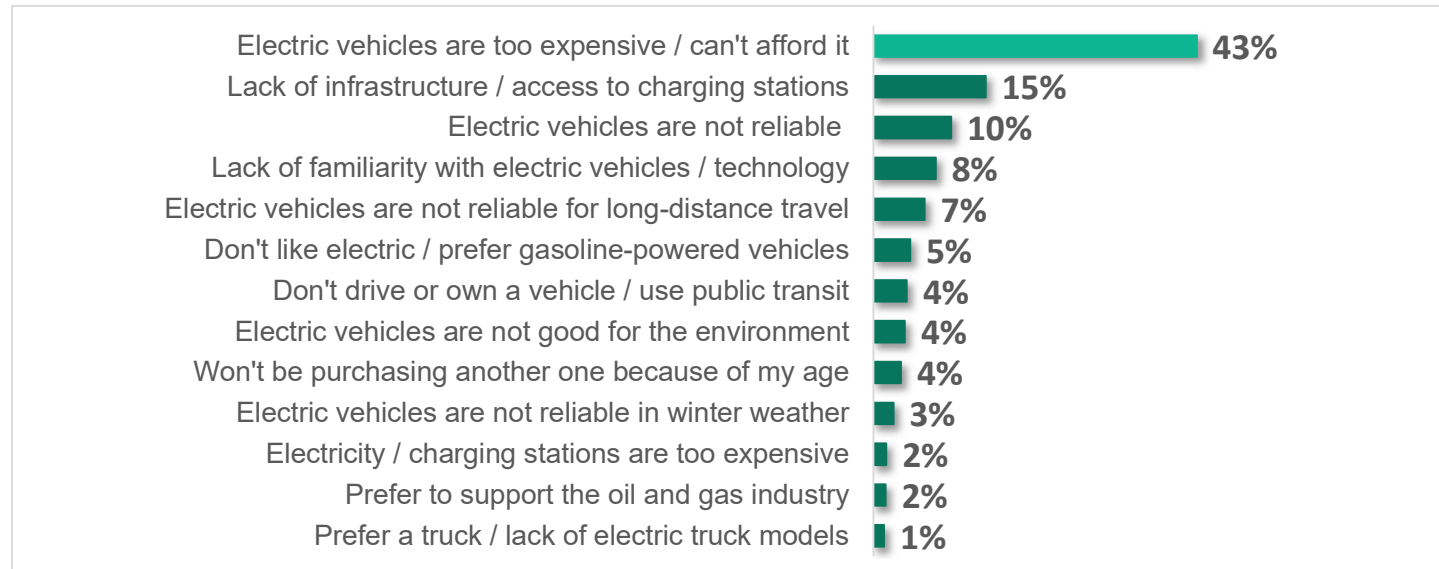
In addition to driving the economic recovery, a scrappage program replacing 0.5 to 2 million vehicles that are 12 years or older from the on-road fleet would achieve 1.7 and 7 Mt GHG reduction. Canada has a very high proportion of vehicles on the road that are 12 years or older. Replacing a 20-year-old vehicle with new technology can reduce greenhouse-gas emissions, on a like-to-like vehicle basis, by 30 per cent or more, whether the consumer chooses a traditional gasoline engine or an EV.



Recommendation 2 - Invest in consumer supports and charging infrastructure to encourage electric vehicle (PHEV/BEV) adoption

Electric vehicle registrations in Canada represented only 3.7 per cent of overall new vehicle registrations in the third quarter of 2020¹. According to recent polling data from the Government of Canada, cost remains the major barrier to more Canadians buying an EV (43 per cent of respondents) followed by a lack of charging infrastructure (15 per cent).

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



Source: Government of Canada

Until consumer concerns with EVs are addressed, they will remain a small segment of the overall new vehicle market. To meet the government's goal of zero-emission vehicles representing 30 per cent of new light-duty vehicle sales by 2030, additional consumer incentives and charging infrastructure will be required.

CVMA recommends that Budget 2021 establish longer term funding for the Incentives for Zero-Emission Vehicles (iZEV) program. In addition, the program parameters should be revised to support consumer transition to the adoption of electric vehicle models across the growing spectrum of model segments (mid-sized to larger EVs) that are coming to market.

In 2019, minivans, SUVs, light trucks and vans were responsible for 73% of total new motor vehicle sales in Canada. This larger vehicle segment's popularity has grown significantly from representing just 53% of new motor vehicles sales in 2010.

This shift in consumer preference for these types of larger vehicles has resulted in changes in the market dynamics. Ford, GM and Stellantis are bringing 40 new EVs to market, including popular SUVs and

¹ Source: Statistics Canada

pickup trucks. The iZEV program should be broadened to capture UVs and pick-up trucks until ZEVs reach price parity with gas-powered vehicles.

In addition to consumer incentives, the Budget should dedicate additional funds, to those previously committed, to expanding EV charging infrastructure. With only 976 publicly accessible fast charger stations available to Canadians right now, compared to nearly 12,000 gas stations, we have a long way to go to reduce consumer concerns with EV charging.

CVMA recommends more funding for the expansion of electric vehicle charging infrastructure, including program funding for workplace and home charging stations, to support increased confidence in purchasing decisions and to reduce range anxiety.

Recommendation 3 - Improve the business environment to ensure the success of the industry and position Canada to attract new automotive manufacturing and research and development investment.

Canada benefits immensely from being part of the integrated North American trading zone for vehicles. Regulatory harmonization with the U.S. is critical for Canada to both maintain its existing automotive footprint and to successfully vie for future investments. But harmonization alone is not enough to position Canada to win new, job-creating investment as the industry goes through a significant transformation. We must be more than competitive with competing jurisdictions.

The CVMA recommends the federal government:

- Take leadership on establishing a national privacy framework that eliminates misalignment between provincial privacy rules and regulations. Provincial and national privacy frameworks need to be aligned and structured in a way that does not stifle responsible innovation or hinder the roll out of new technologies consumers demand. Vehicles are produced for the North American market, this includes vehicle product features, services and warranty programs. Misaligned privacy frameworks represent a significant regulatory burden while reducing consumer access to new safety and emissions technologies.
- Invest in reliable, trade-enabling infrastructure at key ports and border crossings to improve the transportation networks' reliability for just-in-time manufacturing. Recent disruptions to the rail network and at key ports underline how vulnerable Canada's trade infrastructure is and damages our reputation as a reliable supply chain partner. Canada needs additional infrastructure capacity to ensure that future disruptions at a single point along our transportation infrastructure network do not threaten our ability to get product to market.
- Collaborate with industry to ensure Canada has the right incentives in place to be competitive with other jurisdictions. Incentives should be coordinated with other levels of government, flexible to reflect the continuing transformation underway in the industry, timely to provide global investment teams with clear signals on proposed projects will and focussed on automotive-specific investment.