Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

Canadian Vehicle Manufacturers’ Association

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List of Recommendations

Recommendation 1: Amplify efforts to increase consumer zero emission vehicle (ZEV) Adoption.
   a. Accelerate Canada’s public charging infrastructure deployment.
   b. Enhance ZEV consumer purchase incentives.

Recommendation 2: Create a competitive business environment to secure and attract new investments into the ZEV and battery supply chain.

Recommendation 3: Designate critical supply chain infrastructure to safeguard trade and the supply chain.

Recommendation 4: Increase skilled labour supply.
1. **Amplify efforts to increase consumer ZEV adoption:**

Automotive manufacturers are investing billions into ZEV assembly and the battery supply chain to bring ZEVs to market at an unprecedented pace. There are 74 ZEV models available to Canadians (in 166 variants) with another 41 models anticipated next year.

![ZEVs Available in Canada](https://fcr-ccc.nrcan-rncan.gc.ca/en)


To support ZEV adoption and achieve the government’s ZEV targets, consumers need assurances that charging infrastructure is available; the grid is reliable and affordable; and, purchase incentives will continue to be provided to address affordability challenges, particularly given current cost of living pressures facing Canadians.

The ZEV Council established this year to coordinate government departments with the objective of meeting Canada’s GHG reduction goals and ZEV targets is a welcome development. However, the success of the Council depends on a greater sense of urgency, concrete deliverables, and more emphasis on engagement with the private sector that is investing billions of dollars to build ZEVs and charging infrastructure.

As part of the transition to the near to long term ZEV targets which supports new vehicle fleet GHG reductions, it will also be important to be mindful of the U.S. as they finalize their new rule, and to provide opportunities in the near term to engage in discussions with the CVMA regarding flexibilities for the non-ZEV fleet.

The CVMA urges government to collaborate on solutions to address the following:
a. **Accelerate Canada’s public charging infrastructure deployment.**

The rollout of charging infrastructure needs to keep pace with the government’s ZEV sales targets. The *Road to 2035*, plots the government’s sales targets against the required public charging infrastructure and finds a large and growing charging infrastructure gap.

Achieving 60% ZEV sales by 2030 requires ZEV sales to grow by over 200% from 2026 with a total on-road ZEV fleet of 4.6 million. According to NRCan, this ZEV fleet would need 195,000 public chargers and 1.3 million multi-unit residential building (MURB) ports. There are currently only 18,415 public charging ports in Canada and an unknown number of MURB ports as there is no reliable metric for measuring them.

At the current pace of Canada’s charging infrastructure rollout (6,000 new charging ports over the past 12 months) there is no path to achieving the 2030 or 2035 ZEV sales targets. To ensure Canada has the charging infrastructure required, better coordination and consultation with key stakeholders is needed.

b. **Enhance ZEV consumer purchase incentives.**

Consumers will not purchase ZEVs without stronger government incentives. Canadians are facing a cost-of-living crisis with one in four Canadians unable to cover an unexpected expense of $500\(^1\). The government’s own analysis confirms that regulating vehicle sales will have a disproportionate impact on low-income households due to higher costs of ZEVs and installing charging infrastructure\(^2\). Rural and northern Canadians will face more difficulties than urban Canadians given a lack of public charging infrastructure and higher electricity prices.

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. This is crucial if the federal government wants to achieve its 100% ZEV sales target by 2035.

Recognizing the importance of consumer incentives, the U.S. IRA provides Americans with a USD $7,500 tax credit through to 2032 for new vehicles and USD $4,000 for used vehicles. The credit applies to vehicles with a manufacturer’s suggested retail price (MSRP) of less than USD $55,000 for cars and less than USD $80,000 for trucks and SUVs.

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\(^1\) [https://www150.statcan.gc.ca/n1/daily-quotidien/230213/dq230213b-eng.htm](https://www150.statcan.gc.ca/n1/daily-quotidien/230213/dq230213b-eng.htm)

We recommend that Budget 2024 improve Canada’s iZEV program by:

- Increasing the maximum incentive to CAD $10,000 (USD $7,500);
- Aligning MSRP caps with the U.S. for cars and trucks/SUVs;
- Providing additional program funding through to 2032;
- Extending the program to apply to used vehicles.

The current eligibility parameters, specifically on MSRP, exclude many of the new and anticipated EV models coming to market, including those assembled domestically that support jobs for Canadians. Consumers continue to demand more utility and larger vehicles with compact to large SUVs and light trucks representing approximately 80% of new vehicle purchases versus passenger cars at 20%. Program parameters will need to support the purchase of ZEVs that consumers demand and that may exceed the current program incentive threshold.

Canada must also do more to encourage commercial ZEV adoption and play a leadership role by converting the federal vehicle fleet to electric as quickly as possible.
2. Create a competitive business environment to secure and attract new investments into the ZEV and battery supply chain.

CVMA member companies are leading a wave of new automotive investment in Canada. This is part of a $1.2 trillion USD automaker commitment to transforming to electrification. To effectively win investments, Canada will need to ensure investment attraction programs are nimble and competitive with the changing global landscape. Proper design of programs, such as the Investment Tax Credit introduced in Budget 2023, can position Canada to attract even more job-creating investment into ZEV manufacturing and the battery supply chain.

Companies are in the process of making investment decisions for future manufacturing locations for the entirety of the next generation’s ZEV supply chain production. Canada needs to be competitive with the U.S. to guarantee investments that lead to future vehicle production, supply chain development, R&D, and related economic and employment spin-off effects.

There is an estimated battery supply gap in North America of 544 GWh through to 2030 and to continue to participate in the supply chain of the future, Canada needs the tools to attract additional battery and supply chain investments. Factors such as the specific circumstances of a battery plant, size, nature of production, capacity, and profitability must be considered to determine the most effective policy tools. In the absence of action, Canada will not attract new investments in this critical economic sector.

Maximizing Canada’s advantages on critical minerals and the upstream supply chain for batteries will also benefit from more creative, robust, and accessible incentives for investment. The CVMA recommends Budget 2024 include renewed funding to support increased mineral production, enhancing Canada’s natural mineral advantage in cobalt, copper, graphite, precious metals, nickel, and uranium, with potential to expand in lithium, magnesium, and rare earths.

Speed is of the essence in the transformation to electrification. The federal government committed in Budget 2023 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. This should include a
process to identify and fast-track projects that are in the national interest and ensure that new projects undergo a single assessment process under the principle of “one project, one assessment”.

3. **Designate Critical Supply Chain Infrastructure to Safeguard Trade and the Supply Chain**

Repeated Canadian supply chain disruptions are undermining government objectives to position Canada as a leading jurisdiction for investment and trade. With each incident businesses are burdened with the costs to redirect goods to maintain productivity and sales. This is not sustainable.

The Vancouver and Montreal ports, Ambassador Bridge, rail, and highway trade corridors are critical infrastructure to support the automotive supply chain for finished vehicles, parts and component inputs, such as minerals, to vehicle manufacturing at both Canadian and U.S. production facilities. The automotive industry is highly integrated and responsible for Canada’s second largest goods export, at $38.7B in 2022. Any disruption in the supply chain results in an immediate and significant impact to production schedules, jobs, finished vehicle inventories for dealers and affordability for consumers.

![Canadian Motor Vehicle Exports (2000-2022)](image)

*Source: Statistics Canada*

Canada’s automotive manufacturing industry needs improved supply chain certainty and predictability. We strongly urge the government to move forward with the designation of high volume, high value trade corridor critical infrastructure to make the supply chain more resilient and to avoid costly disruptions to vehicle production.

Designated infrastructure with a framework to preserve operations as much as possible and with a pre-determined chain of command, coordination, and communication channels for inter-governmental and government to industry response, and real-time updates would help to mitigate impact to supply chains. Often companies only learn about potential disruptions when imminent. Ongoing monitoring of factors

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3. Reuters, Automakers to double spending on EVs, batteries to $1.2 trillion by 2030, October 25, 2022
that could result in critical infrastructure disruption is needed and access to this information available to companies so advance planning is possible.

Greater stability would alleviate increased costs incurred to divert trade, to manage production, and would send important signals to those making foreign direct investment decisions.

4. Increase Skilled Labour Supply

Company recruitment strategies are already challenged by labour shortages for the talent needed to support the transformation to electric vehicle production and the battery supply chain. Focused efforts, such as the Canada Tech Talent Strategy4 will be helpful if the scope, categories, and definitions encompass the skilled occupations required to support automotive manufacturing investments and the battery supply chain. Terms such as ‘high tech’ need to be broad enough to include automotive and battery supply chain occupations.

Regular review and streamlining of existing programs including the Global Talent Stream and the International Mobility Program should also be undertaken to ensure the effectiveness of these programs to attract talent with relevant skills and experiences.

It will also be important for the federal government to consult and coordinate with Ontario on labour market initiatives and pathways to address automotive-related labour shortages through temporary foreign worker programing and skills training.

Concluding Remarks

To be a leader in the automotive sector, Canada must be creative and ambitious in its programs and supports and meet those being offered by other competing jurisdictions.

To discuss our recommendations further, please contact Brian Kingston, President & Chief Executive Officer, directly at 613-513-9626 or at bkingston@cvma.ca.