

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: Address barriers to zero-emission vehicle (ZEV) adoption.

Recommendation 2: Grow Canada's share of the global ZEV supply chain.

Recommendation 3: Increase supply chain capacity, security and resiliency.

Recommendation 1: Address barriers to ZEV adoption.

The transformation to electrification is well underway in Canada with [over 90 models available to Canadians](#). As the market transitions from early adopters to early majority, enhanced efforts will be required to address the main barriers to mass market ZEV adoption.

Demand for ZEVs has slowed in Canada with the ZEV market share [dropping in Q1 of 2024](#) to 12.5%, down from 13.2% in Q4 of 2023. According to J.D. Power’s [Canada Electric Vehicle Consideration Study](#), just 11% of new vehicle shoppers say they are “very likely” to consider a ZEV. This is down 3 percentage points from 2023 and less than half of the 24% of U.S. new vehicle shoppers who say they are “very likely” to consider a ZEV.

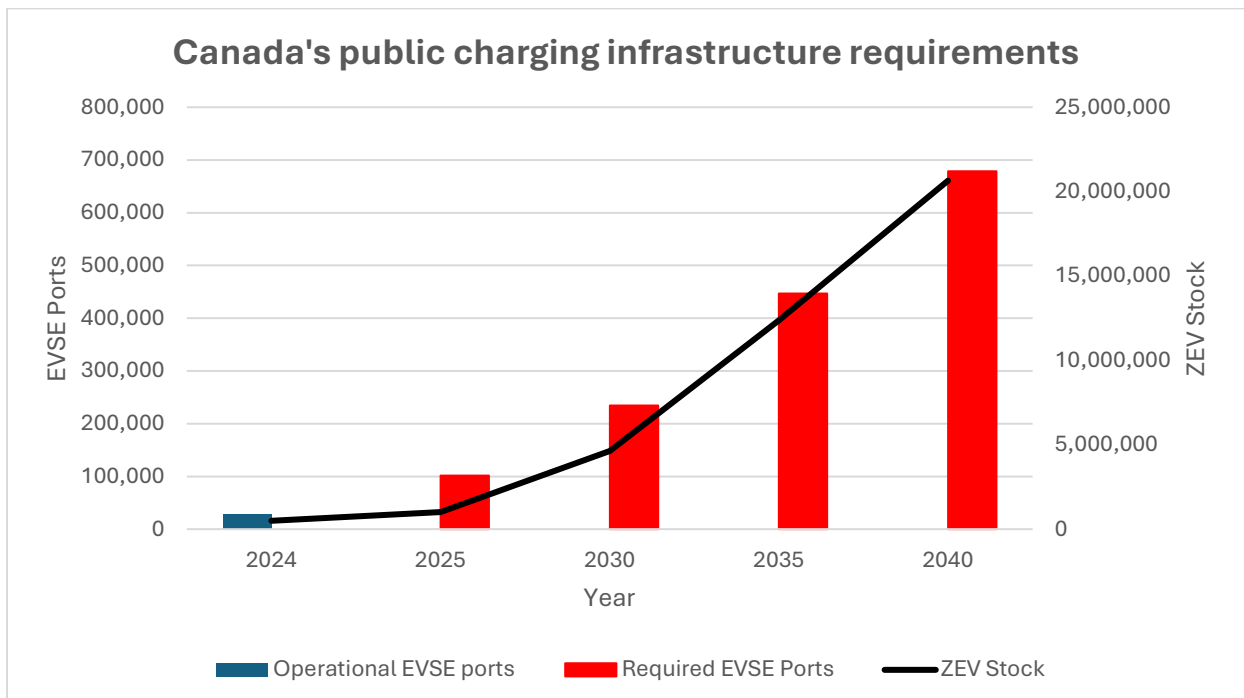
Among Canadians who say they will not consider a ZEV for their next vehicle purchase, limited driving distance per charge is the most frequently cited obstacle (68%). It is followed by purchase price (61%) and lack of charging station availability (60%). Given these challenges, the federal government’s mandated ZEV sales targets are not achievable.

Failing to address the main barriers to electrification will have negative impacts on Canadians with low-income, rural, and Northern Canadians disproportionately affected. According to [Environment and Climate Change Canada](#), the government sales mandate will both reduce consumer choice and increase vehicle prices.

Budget 2025 is an opportunity for the federal government to avoid this outcome and introduce measures that address the main barriers ZEV adoption.

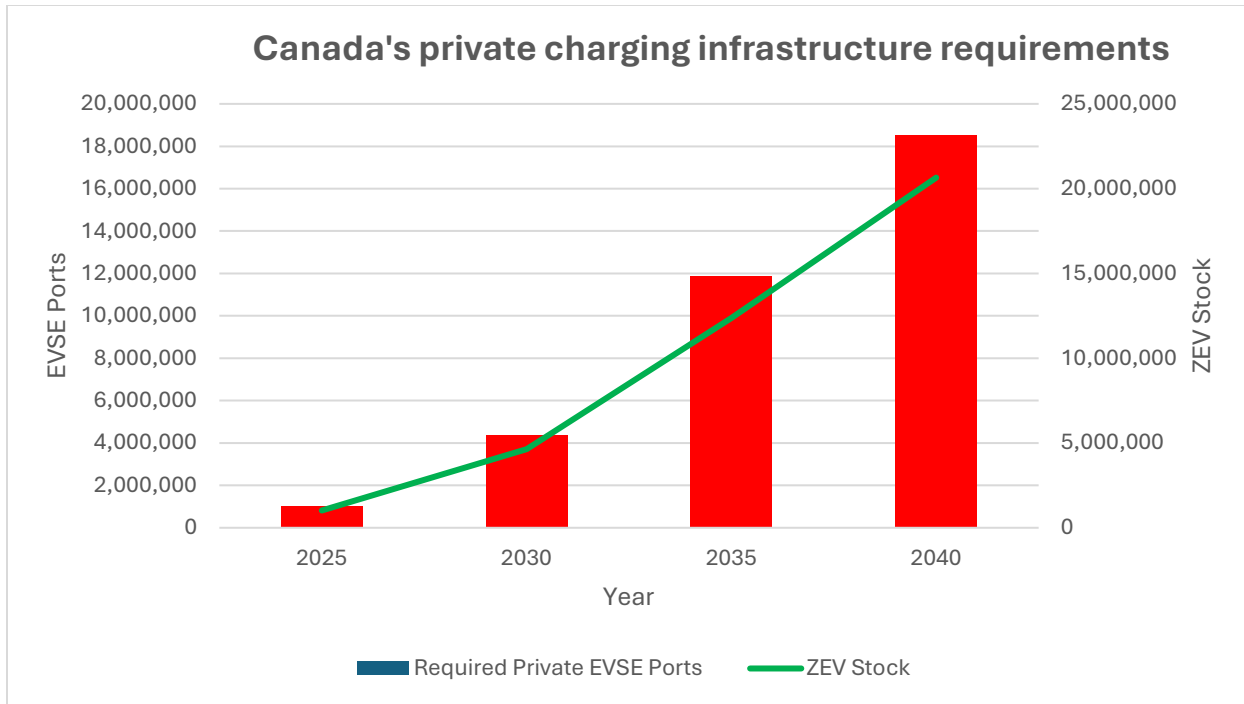
- a. Develop a comprehensive plan to build and fund the charging infrastructure required to support mandated ZEV sales targets.**

According to Natural Resources Canada’s [latest assessment](#) of the charging infrastructure required to support the federal ZEV mandate, 40,000 public ports need to be installed each year between 2025 and 2040.



Source: Natural Resources Canada, Updated forecasts of vehicle charging needs, grid impacts and costs for all vehicle segments

In addition to public charging infrastructure, the federal government is forecasting the need for 11.9 million private chargers in 2035 and 18.5 million in 2040. The share of ZEV-ready multifamily buildings will need to increase substantially to meet these targets. Installing home chargers will cost Canadian households an estimated \$38.5 billion.



Source: Natural Resources Canada, Updated forecasts of vehicle charging needs, grid impacts and costs for all vehicle segments

The federal government's mandated ZEV sales targets cannot be met without unprecedented investments into infrastructure and electricity grid upgrades (generation and transmission). According to Environment and Climate Change Canada (ECCC) and Natural Resources Canada (NRCan), the total cost of the ZEV mandate will reach \$368.6 billion by 2050. This spending has not been accounted for in the federal fiscal framework.

If Canada's ambitious mandated ZEV sales targets are to be achieved, Budget 2025 should include the following measures:

- A comprehensive plan to build and fund the public charging infrastructure required to support the transition to electrification.
- A refundable federal tax credit of up to 50% of the cost of purchasing and installing a home charger to support deployment of private chargers.

b. Enhance ZEV incentives

Until price parity between ZEVs and internal combustion engine (ICE) vehicles is achieved, consumer incentives are required to boost demand. With government mandated ZEV sales targets at both the federal and provincial levels, corresponding purchase incentives will be required to ensure adequate demand.

Quebec and British Columbia have begun to reduce the consumer purchase incentives offered to residents at the very moment when their mandate sales targets are increasing in stringency. As provinces

reduce incentives the onus will be on the federal government to fill the incentive gap if mandated sales targets are to be achieved.

Budget 2025 should include the following measures:

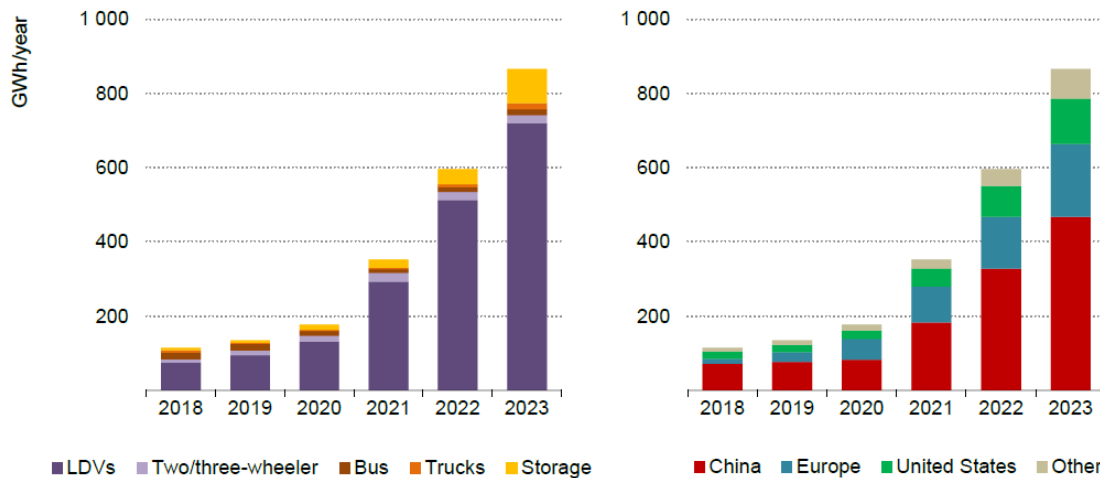
- Recapitalization of the federal iZEV consumer incentive program to align program funding with mandated ZEV sales targets.
- Tax relief for employees assigned vehicles that choose to drive a ZEV. Reducing the taxable benefit for an assigned ZEV would increase adoption.

Recommendation 2: Grow Canada’s share of the global ZEV supply chain.

Ford, General Motors, and Stellantis are at the forefront of the transformation to electrification as the only manufacturers actively building ZEVs in Canada. They have committed nearly \$15 billion to Canada since 2020, the majority dedicated to zero-emission vehicle (ZEV) assembly and battery facilities. Budget 2025 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.

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. Demand continues to grow for batteries largely driven by ZEV manufacturing and Canada could become a global player in the supply chain.

EV and storage battery demand by mode and region, 2018-2023



Note: LDVs = light-duty vehicles.
Source: IEA analysis based on EV Volumes.

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. To ensure Canada remains competitive for new investment, Budget 2025 should recapitalize the Strategic Innovation Fund (SIF). In addition, clear guidelines should be established for how the SIF interacts with the Clean Technology Manufacturing ITC. Ensuring that the ITC can be combined with programs such as the SIF to respond to the unique needs of automotive investments of national economic significance will make the ITC more competitive with the benefits under the U.S. IRA.

Lastly, securing Canada’s role in the North American battery supply chain requires speed. The government’s commitment to non-binding targets for the completion of federal regulatory processes is a

good first step. We recommend the government introduce binding regulatory approval project timelines in Budget 2025.

Recommendation 3: Increase supply chain capacity, security and resiliency.

Canadian competitiveness for investment needs to be supported by a more resilient supply chain. The ongoing threat of disruptions at supply chain corridors including marine and land ports of entry and rail networks results in increased costs for companies to anticipate disruptions, recalibrate complex logistics and divert shipment routing. It is imperative that Canada increase supply chain certainty and resiliency to support domestic automotive manufacturing and battery supply chain investments and to demonstrate reliability and security to trade partners.

The following actions are strongly recommended:

- a. Designate critical infrastructure and implement a communications strategy to inform industry at the earliest stage possible of a potential disruption, to provide regular status updates during a stoppage and to coordinate and share details about the recovery plan.

The Vancouver and Montreal ports, St. Lawrence Seaway, 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, and vehicle manufacturing at both Canadian and U.S. production facilities. Any disruption results in an immediate and significant impact to production schedules, jobs, finished vehicle inventories for dealers and affordability for consumers.

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 that could result in critical infrastructure disruption is needed and access to this information available to companies so advance planning is possible. A coordinated and well communicated recovery plan following a disruption is also required to efficiently navigate logistics and clear backlogs.

We recognize the establishment of the National Supply Chain Office and the development of its' strategic plan. While this is a positive direction, the CVMA emphasizes the importance of addressing the critical infrastructure and communication coordination activities as an immediate priority.

- b. Increase CBSA capacity at ports of entry to facilitate trusted trade and to improve transparent meaningful engagement on the design and implementation of customs programs and administrative processes with trusted traders

Increased CBSA capacity at ports of entry to support staffing, training and the implementation of technology to process shipments would improve efficiency and security and provide better certainty for manufacturing and trade. Further, significant IT modernization initiatives, such as the CBSA Assessment and Revenue Management (CARM), needs to ensure sufficient time and resources are available to consult with trade to ensure there is an understanding of concerns and a plan developed to address and mitigate potential supply chain disruption.

CVMA members remain very concerned with vehicle theft, which is rooted in organized crime groups (OCGs). The ability of OCGs to move stolen vehicles through the Port of Montreal, and ease of access to international markets for stolen vehicles, has contributed to Canada [becoming a recognized source country of stolen vehicles globally](#). To successfully combat vehicle theft, we have called for stronger efforts to combat organized crime groups and close the export market for stolen vehicles. The measures included in Bill C-69 to combat auto theft are a step in the right direction. In parallel, the CBSA requires greater personnel and technological capacity at key ports to monitor and check export containers to deter illegal exports of stolen vehicles.