

## **Remarks to the Standing Committee on Science and Research**

### **Implications of the Canada-China preliminary joint arrangement on Canada's electric vehicle sector**



**Canadian Vehicle Manufacturers' Association (CVMA)**

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Madame. Chair, committee members, thank you for the invitation to appear today as part of the committee's study of the Canada-China preliminary joint arrangement on Canada's electric vehicle sector.

The Canadian Vehicle Manufacturers' Association (CVMA) is the industry association representing Canada's leading manufacturers of light and heavy-duty motor vehicles. The CVMA's membership includes Ford Motor Company of Canada, General Motors of Canada Company, and Stellantis (FCA Canada).

CVMA members have been operating in Canada for over 100 years. They are responsible for most of the auto production in this country, having built over 100 million vehicles since 1945. Today, CVMA members are the largest employers, investors, and innovators in the auto manufacturing sector in Canada.

Ford, General Motors, and Stellantis are leading the transformation to electrification in Canada. General Motors and Ford are the top EV sellers while Stellantis is the only manufacturer building PHEVs and EVs in Canada.

The CVMA is concerned with the Canada-China agreement that reversed the China Surtax Order and allows 49,000 Chinese vehicles into the Canadian market, equivalent to 30% of the total number of EVs sold in Canada last year.

The agreement has the potential to undermine Canada's auto sector and presents risks to the future of the integrated North American auto supply chain for the following reasons:

- 1) **Level playing field:** China does not adhere to many of the rules-based trade and investment principles that have been fundamental to the success of the auto industry and the Canadian economy. China's state-directed industrial policy has provided subsidies totalling USD \$230.9 billion between 2009 and 2023. Today, domestic EV manufacturing capacity exceeds demand by three times with surplus product exported to markets abroad. China's vehicle exports have grown from 1 million

units in 2020 to 6 million in 2024 and are on track to achieve 9 million units by 2030.

Chinese manufacturers have a cost advantage due to weak labour rights that have suppressed wages and artificially lower the cost of production. According to analysis by Reuters, the estimated hourly wage paid at 30 Chinese auto companies is between 14 yuan (USD \$1.93) to 31 yuan (USD \$4.27). In comparison, CVMA members are unionised with production assemblers paid an average hourly wage of CAD \$44.52 per hour in addition to generous pension and benefits.

- 2) **Security risks:** In 2024, Canada committed to banning Chinese connected vehicle software and hardware to protect Canadian drivers from foreign actors manipulating these technologies. The Canada-China agreement is incompatible with this commitment. Clarity is needed on the federal government's position on the risks posed by Chinese connected vehicles.
- 3) **EV mandates:** The federal government announced three months ago that the EV mandate would be repealed. Despite this announcement, the mandate remains in place today. Under the mandate Chinese OEMs could earn up to \$980 mn per year selling compliance credits. This is an incomprehensible outcome at a time when manufacturers are already under significant pressure from U.S. tariffs.
- 4) **US alignment:** The CVMA strongly supported the federal government's China Surtax Order (2024) that levied a 100% tariff on Chinese-manufactured EVs. Canada cannot be out of step with our largest trading partner and strongest ally on China as we approach the CUSMA review. There is simply too much at stake for the automotive industry and broader Canadian economy if Washington perceives Canada as misaligned.

Thank you for the opportunity to address your committee. I look forward to answering questions.