

Remarks to the Standing Committee on Finance

Pre-Budget Consultations in Advance of the 2026 Federal Budget



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 pre-budget consultations.

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.

This consultation comes at a critical time for the Canadian economy. U.S. tariffs and trade uncertainty are weighing on exports and investment, weakening the growth outlook. The Bank of Canada projects the economy to remain in low gear with annual growth below 2% for the next three years.

Trade disruptions are particularly damaging to the export-dependant automotive sector that operates based on an integrated North American supply chain. Over 90% of Canadian vehicle production is destined for the U.S. market. According to the Centre for Automotive Research, U.S. tariffs alone will cost the auto industry USD \$188 billion over the next three years.

Considering these realities, securing access to the U.S. market is foundational to the success of the industry and broader Canadian economy. Simply put, there is no auto industry without U.S. access and North American integration. Diversification cannot replace the U.S. as Canada's market alone is too small to justify large-scale manufacturing.

Our top priority is the removal of the U.S. Section 232 tariffs, the elimination of Canada's retaliatory tariffs, and the renewal of CUSMA.

In the face of unprecedented trade challenges, Canada must do everything possible to strengthen conditions for automotive investment by focusing on what we can control. We recommend the following actions:

- 1) **Eliminate the Canada-China strategic partnership:** The agreement negotiated with China to allow 49,000 EVs into Canada, equivalent to 30% of the total number of EVs sold last year, will undermine Canada's auto sector and puts the integrated North American auto supply chain at risk. 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. There are no guardrails in this agreement to ensure a level playing field for manufacturers that have invested in Canada or to protect Canadians from cyber risks.

- 2) **Reduce regulatory complexity:** Environmental compliance costs now rival the tariff burden facing auto manufacturers in Canada. Manufacturers must comply with duplicative EV sales mandates, stringent emissions regulations, and over 80 designated material products/categories for extended producer responsibility (EPR) regimes that add cost with marginal environmental benefits. The federal government should ensure that regulations are outcome-based, applied once, and designed to limit compliance costs. If governments are to succeed in creating *One Canadian Economy*, action is required now to ensure one national approach to vehicle emissions regulation and EPR.

- 3) **Extend and amend the Clean Electricity and Clean Manufacturing Investment Tax Credit (ITC) to 2040:** Automotive is a long lead industry and an extension of the ITC to 2040 would provide certainty for investment. To provide greater flexibility, incentive and benefit, the ITC eligibility should be broadened to include all qualifying manufacturing investment to incentivize large-scale investment and the costs of new machinery and equipment.

- 4) **Boost EV demand:** The federal government's EV Affordability Program (EVAP) is a critical component of the Auto Strategy that aims to achieve 75% EV sales by 2035. The program is currently set to expire in 2030, well before the ambitious 2035 government target. The CVMA recommends that Budget 2026 provide long-term funding for incentives to support the 2035 and 2040 EV sales targets.

In summary, Budget 2026 should position Canada one of the most competitive jurisdictions in the world for auto manufacturing and investment.

Thank you.