



Presentation

to the

Subcommittee on the Auto Industry
Standing Committee on Industry, Science & Technology

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by

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Speaking Notes – check against delivery

Mr. Chairman, thank you for the invitation to participate in this hearing on the crisis facing the auto industry in Canada.

Let me first say a few words about our association. JAMA Canada was established in 1984 with a mandate to enhance understanding on trade and economic issues in the auto sector and to promote closer relations between Canada and Japan.

Currently, we have eight members. Four are manufacturing vehicles in Canada – Honda, Toyota, Suzuki and Hino; and seven of our members have affiliated plants in the US or Mexico. Canadian manufacturing operations account for one-third of total light vehicle production in Canada.

In 1984, all vehicles were imported from Japan. Today, 3 out of every 5 vehicles sold in Canada by our members are made in North America. Moreover, Canada has been a net exporter of light vehicles every year since 1993. In 2008, twice as many vehicles were exported from Canada as were imported from Japan.

In the next few months, Canadian production will pass the 10 million mark; and I note that Honda in Alliston will celebrate production of its 5 millionth vehicle in 2009. Cumulative vehicle manufacturing investment stands at over \$9 billion, including the new Toyota plant, Honda's 4-cylinder engine plant and the Hino truck plant in Ontario.

Production in Canada last year totaled 682,000 light vehicles (as well as 1,230 medium duty trucks), and a little less than 74% were exported -- about 94% went to the US and the remainder to other countries. Compared to the Detroit Three, Honda and Toyota devote a larger percentage of their Canadian production for the domestic market, as small vehicles such as the Civic and Corolla are among the most popular with Canadian consumers.

In addition, 65 Japanese related auto parts, materials & tooling manufacturers in Canada have been established and are employing over 16,000 team members.

Total direct and indirect employment stands at over 70,000 in Canada, including almost 29,000 in vehicle and auto parts manufacturing. I refer you to a map showing all Japanese affiliated vehicle and parts related plants in Canada in the materials submitted to the Clerk.

From our perspective, the current crisis facing the auto industry is not only global in scope as many others have pointed out, but that there are both structural and cyclical aspects with which the industry is struggling.

In spite of plunging demand in the last two months of 2008, it was a record sales year for our members. However, combined members sales were down 20% at the end of February. The onset of the recession has created widespread concern among our members over falling demand, lower consumer confidence and tighter credit.

For the Canadian and the global auto industry, 2009 may well be remembered as a transformative period in its history. While the Canadian auto industry has been restructuring due to the convergence of several factors over the last few years (currency volatility, price of oil & other commodities, & shifting consumer demand), in some respects, the industry began this period of structural change over 30 years ago with the first oil shock in 1973 and the subsequent rise in globalization.

For Japanese automakers in Canada, this period of continuous change has been remarkable for the growth of investment in local production for Canada and export to the US.

As you have heard often, the Canadian auto industry is deeply integrated within North America. This has allowed Canada to ‘punch above its weight’, producing about twice as much as we consume, and exporting a high percentage of local production. With a relatively small domestic market, access to the larger US market is necessary to sustain this level of production and export.

Clearly the cyclical downturn which started last year in the US is the key reason that production in Canada is now at risk. Moreover the return of the US consumer is necessary to revive production in Canada.

Meanwhile Governments continue to play a critical role in stimulating consumer confidence, as well as creating a positive and competitive environment for trade and investment by maintaining open, secure and trade efficient borders, infrastructure improvements, sound fiscal and monetary policies and supporting innovation through R&D tax credits.

In this regard, we were encouraged by the government's effort in the Federal Budget to backstop credit for dealers with the \$12 billion Secured Credit Facility, improving access to credit for suppliers, as well as extending the capital cost allowance on machinery and production equipment for two more years. Whether these measures will bring consumers back into the market is not certain, and a more direct consumer stimulus may be needed, such as an enhanced scrappage program that others have already suggested.

With respect to financial support from the Federal and Ontario governments, while JAMA Canada members are not seeking loans or credit assistance at this time, our major concern is that the proposed funds for GM and Chrysler may be used to create disadvantages for those in the market not seeking such assistance, rather than to maintain Canada's current proportion of production in NA.

Finally, on the matter of harmonized regulations, JAMA Canada fully supports the position of the AIAMC and the CVMA on the need to establish a single dominant standard in North America for fuel efficiency, vehicle safety & emissions in Canada due to the highly integrated industry in North America.

We also have concerns about the impact of possible FTAs with Korea and the EU. But as the time is short I refer you to our position paper which I will table with other materials.

Thank you again for the opportunity to participate in this discussion.