



Canadian Automobile Dealers Association Pre-Budget Submission 2018

Presented to: House of Commons Standing Committee on Finance
Presented by: Canadian Automobile Dealers Association
Date: July 31, 2018



Overview

The Canadian Automobile Dealers Association (CADA) is the national association for franchised automobile dealerships that sell new cars and trucks. CADA deals with national issues that affect the well-being of franchised automobile and truck dealers. The association also advocates dealer views and concerns to Parliament, federal agencies, the courts, the public and Canada's automobile manufacturers.

We represent over 3,200 active small and medium-size businesses. Our members employ over 150,000 Canadians in every province, city, town, and village in the country. In the midst of what could well be a sixth consecutive record year for new car sales and total dealership sales, automobile dealers represent one of the most valuable source of tax revenues for governments at all levels, paying tens of billions of dollars annually in taxes.

The House of Commons Finance Committee's request for input on federal spending priorities comes at a critical juncture for our economy. Our one recommendation reflects the growing urgency with which our members view the issue of possible tariffs on North American automotive trade.

CADA's Recommendation

To avoid tit-for-tat, dollar-for-dollar trade escalations with the United States in our \$140 billion per year automotive trading relationship

The biggest and most pressing issue facing Canada's automotive industry at the manufacturing and retail levels is the current trade tension with America.

The threat of tariffs as high as 25 per cent from the U.S. administration would be devastating to our manufacturing base, since more than 80 per cent of vehicles made in Canada are exported to the U.S. market. We applaud the government's efforts to date to do all in its power to avoid this tariff.

However the biggest threat facing the Canadian economy is the prospect not only of U.S.-imposed tariffs on automotive imports from Canada, but the possibility of dollar-for-dollar retaliatory tariffs by the Canadian government.

In a recent report we estimate that in excess of 100,000 jobs would immediately be at stake should American follow through on its threat of a 25 per cent automotive tariff and should Canada respond in kind with tariffs on Canadian consumers at the same level. That same report indicated that the tax hike on the consumer represented by this possible Canadian tariff would be between \$5,000 and \$9,000 on average, and in many cases much more than this.



As many as 30,000 of the 150,000 jobs in our dealer network would be at risk should Canada seek to match and American-imposed automotive tariffs with levies of our own. This is by far the biggest threat to our industry and economy since the 2008-2009 economic downturn, during which time we lost almost 20 per cent of our sales in a very rapid manner.

We have since regained pre-recession sales levels, and in fact set a fifth consecutive record for new vehicles sold in Canada in 2017. Last year was the first time ever that the Canadian market exceeded two million units, and through the first half of 2018 we are on pace to match that level once again. However, the threat of tariffs on either side of the Canada-U.S. border will put this at risk.

While we cannot control the actions of any foreign government, we can control our response at home. CADA understands that the government would have to be seen as reacting to any tariff by the U.S. government on automotive, but reacting by applying the same tax on our own consumers would be a remarkable act of self-harm. We urge the government not to retaliate in a proportional or dollar-for-dollar manner if the U.S. implements an automotive tariff on its imports. The Canadian consumer cannot afford this, and neither can the Canadian economy.