Canadian Vehicle
Manufacturers' Association
Association canadienne
des constructeurs de véhicules

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Ms. Suzie Cadieux, Clerk of the Committee
Standing Committee on Finance
Sixth Floor, 131 Queen Street
House of Commons
Ottawa ON K1A 0A6

FINA@parl.gc.ca

Re: CVMA 2018 Federal Pre-Budget Recommendations

Dear Ms. Cadieux:

The Government of Canada has taken very positive steps towards growing the economy over the past number of months through its innovation agenda. It will be important to build on this foundation to capture opportunities emerging in the automotive sector. Going into 2018, it will also be essential that the renegotiation of the North American Free Trade Agreement (NAFTA) secures and maintains outcomes that support Canada's automotive industry and value chain.

As global companies, the members of the Canadian Vehicle Manufacturers' Association (CVMA) have a comprehensive perspective on the economic measures that support investment opportunities and those that would undermine Canada's competitiveness. Our member's Canadian assembly plants employ tens of thousands in high quality jobs and their investments in research and development harness Canadian scientific and engineering talent.

There is significant opportunity to support Canada's automotive sector competitiveness; on the other hand, much to lose if we do not get this right.

Budget 2017 presented measures to deliver simpler, more efficient and more coordinated support to Canadian firms through access to government-led innovation programs. The CVMA recommends that the supportive policy framework for a continued focus on innovation remains responsive and sensitive to the competitive needs of the automotive industry at all levels and across innovation landscape. The CVMA urges the government to continue this momentum with its 2018 budget provisions with a focus on the following programs:

1. Strategic Innovation Fund (SIF)
2. Innovation Superclusters Initiative (ISI)
3. Scientific Research & Experimental Development (SR&ED) Tax Incentives
4. Continued investment in Canada's trade corridors

Additional detail on each of these is provided below.

1. Strategic Innovation Fund (SIF)

The CVMA commends the government for introducing the ability to offer non-repayable investment support in the former Automotive Innovation Fund (AIF) and we are pleased to see that this has been carried over to the amalgamated Strategic Innovation Fund (SIF). This change makes the investment fund more accessible and competitive to secure investments. With the migration of the AIF into the broader SIF, the industry will be looking for assurances that there is the same degree of investment support for automotive investments as was provided previously under the AIF.

While, innovation is key to the industry's competitiveness, we must remember that Canada's competitiveness will continue to be tested against other jurisdictions. As the sector undergoes significant technology transformation, the CVMA recommends the innovation policy framework remain responsive and sensitive to the competitive needs of the sector to support the attraction of investments.

Canada must be vigilant and continually monitor the incentives offered by other jurisdictions to ensure its' own programs and policies are competitive, accessible and useful to encourage future global investment decisions for Canadian operations.

2. Innovation Superclusters Initiative (ISI)

The Budget 2017 announcement of $950 million to accelerate innovation through "Superclusters" was a bold strategy to position Canada as an innovation leader. We are highly supportive of this initiative and understand that there are many exciting collaborations being explored that will potentially increase the level of research, engineering, development and commercialization in Canada. This fund will strengthen Canada's most promising clusters in highly innovative industries and position Canadian firms for global leadership. The automotive industry is well positioned to take advantage of this as the technology transformation increases going forward. We will look forward to continue working with government, academia and industry as Supercluster initiatives are developed and implemented.

3. Scientific Research & Experimental Development (SR&ED) Tax Incentives

While the ISI is focused on bold technology advancements, innovation through research and development continue in those areas in which Canada has developed strengths over the years. Much of this innovation has been supported with the SR&ED tax credit. This tax credit remains a critical tool as part of an overall competitive strategy for companies making research and development investments that may fall outside of the innovation incentive and cluster initiatives. Furthermore, the SR&ED is particularly important to our suppliers and a strong value chain supports the overall competitiveness of the sector.

We recommend that the terms be restored to its original form; such as allowing for capital expenditures, the full 20% credit for eligible expenses and eligible third party contract expenditures from 100% to 80%.

4. Continued Investment to Support Canada's Trade Corridors

The CVMA recommends that the government build on the Budget 2017 commitments to border infrastructure investment related to ports, waterways, airports, roads, bridges, border crossings, rail networks and their interconnectivity as well as funding support to implement improved cross border labour mobility processing procedures. The CVMA looks forward to the completion of the additional bridge crossing in the very important Windsor-Detroit corridor.

The aforementioned recommendations would be responsive to the current competitive investment environment and we would welcome opportunity to meet and work with the government to provide any further guidance that would be helpful.

As much as there is opportunity to support productivity and competitiveness there are also some very important considerations that if left unaddressed could undermine the very objectives of the innovation agenda and the positive work undertaken as part of the government's mandate to grow the economy and support the middle class. Automotive manufacturing competitiveness will also be impacted by policy decisions related to the following:

A. Electric Vehicle (EV) Policy

The CVMA supports the government's commitment under Budget 2017 to an EV charging infrastructure. Going forward, to support increased adoption of EVs, the CVMA encourages the federal government to continue providing support by matching provincial government EV infrastructure funding commitments, dollar for dollar, on charging infrastructure and the introduction of a federal consumer incentive. Similarly, provision for workplace charging for commuting employees is a key factor in the willingness of Canadian consumers to consider the purchase of an electric vehicle. Currently the CRA considers workplace recharging a taxable benefit which can generally amount to $500 per year for an employee using an EV for an average 40km daily commute. This policy counters efforts to encourage increased EV adoption and the government is encouraged to review this in the context of its overall EV strategy. It will be important that the government examine this and other tax policies to mitigate disincentives for EV adoption.

Electric vehicles will be an important technology moving forward as the industry and consumers make the transition to low carbon transportation. Consumers must be able to make a value judgement based upon their transportation needs to select the most cost effective vehicle choices to meet their family's and business needs and we support policies which increase consumer demand for EVs and their use. Zero Emission Vehicle (ZEV) mandates are not recommended to achieve targets. The vehicle must meet the practical, financial, and lifestyle needs of the consumer.

There are also more immediate and greater GHG emissions reduction opportunities in the transportation that should not be overlooked in the broader context - one such opportunity is the accelerated fleet turnover – vehicles older than 12 years represent 33% of the vehicle fleet. Such an approach would be less costly and provide greater environmental (and safety benefit) more quickly.

B. Policy Impacts on Operating Costs

Automotive manufacturing in Canada is experiencing operating cost challenges related, but not limited to electricity rates, cap and trade policy, increases in minimum wage, increased CPP rates, trade policy, labour law changes and environmental costs.

Recent changes in various policies at both the federal and provincial levels have led to increased operating facilities in Canada which has a direct impact on competitiveness with jurisdictions that do not incur similar costs. The CVMA urges the government to consider policy decisions more holistically with other levels of government to mitigate undo cost burden that would undermine efforts to maintain Canada's automotive manufacturing footprint.

The CVMA greatly appreciates the government's continued focus on innovation and competitiveness and would welcome an opportunity to appear before the Finance Committee as part of the pre-budget consultative process. Please do not hesitate to contact me directly at 416-364-9333 to request any additional information that would be helpful or to discuss this submission further.

Yours sincerely,

Mark A. Nantais
President

cc: Hon. Bill Morneau, P.C., M.P., Minister of Finance
Hon. Navdeep Bains, P.C., M.P., Minister of Innovation, Science & Economic Development
H. Hujaleh, Policy Advisor, Finance Canada

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About the Canadian Vehicle Manufacturers' Association:

The Canadian Vehicle Manufacturers' Association is the industry association that has represented Canada's leading manufacturers of light and heavy duty motor vehicles for more than 90 years. Its membership includes (FCA) Canada Inc.; Ford Motor Company of Canada, Limited and General Motors of Canada Company. Collectively its members account for 56% of vehicles produced in Canada, operate 5 vehicle assembly plants as well as engine and components plants, and have over 1,300 dealerships.

The automotive manufacturing industry regularly contributes over $20 billion to GDP.

Vehicles are the top Canadian export valued at $63 billion in 2016 and its vehicle exports to the U.S. is approximately 83% of production.

FCA Canada Inc.	
Brampton, Ontario	Chrysler 300, Dodge Challenger, Dodge Charger
Windsor, Ontario	Dodge Grand Caravan, Chrysler Pacifica, Chrysler Pacifica Hybrid
Toronto, Ontario	Aluminum Die Castings, Pistons for a variety of FCA vehicles
Ford Motor Company of Canada, Limited	
Oakville, Ontario	Ford Edge, Flex, Lincoln MKT, MKX
Windsor, Ontario	Engines (Windsor Plant)
Windsor, Ontario	Engines (Essex Plant)
General Motors of Canada Company	
Oshawa, Ontario	Chevrolet Equinox
Oshawa, Ontario	Chevrolet Impala, Buick Regal, Cadillac XTS
Ingersoll, Ontario	Chevrolet Equinox, GMC Terrain
St. Catharines, Ontario	V6 and V8 engines, six speed front-wheel-drive transmissions