

Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget



Canadian Vehicle Manufacturers' Association

August 6, 2021

Mr. Brian Kingston
President & Chief Executive Officer
613-513-9626
bkingston@cvma.ca

List of Recommendations

1. Develop a **bold, comprehensive plan** to achieve 100% ZEV sales by 2035 which includes the following:
 - a. Dedicate new funding to iZEV and broaden program vehicle eligibility parameters to allow larger ZEVs.
 - b. Commit significant new long-term funding to build out public charging infrastructure needed to support the consumer transition to the near to long term ZEV targets.
 - c. Dedicate funding to a national ZEV consumer awareness program.
2. Reaffirm Canada's commitment to North American regulatory alignment.
3. Improving Canada's Business Environment to Attract Investment.

1. Develop a bold, comprehensive plan to achieve 100% ZEV sales by 2035

The Road to 2035

The federal government has set an ambitious target of reaching 100% zero-emission vehicle (ZEV) sales by 2035. For Canada to achieve this target, a bold, comprehensive plan is needed to incentivize consumers to purchase ZEVs, build and expand charging infrastructure to match ZEV market penetration, and increase consumer awareness of the benefits of ZEVs and the various government supports that are available to consumers. This effort will only be successful if it includes all stakeholders, including automakers, dealers, provinces & territories, municipalities, non-profit education organizations and energy providers.

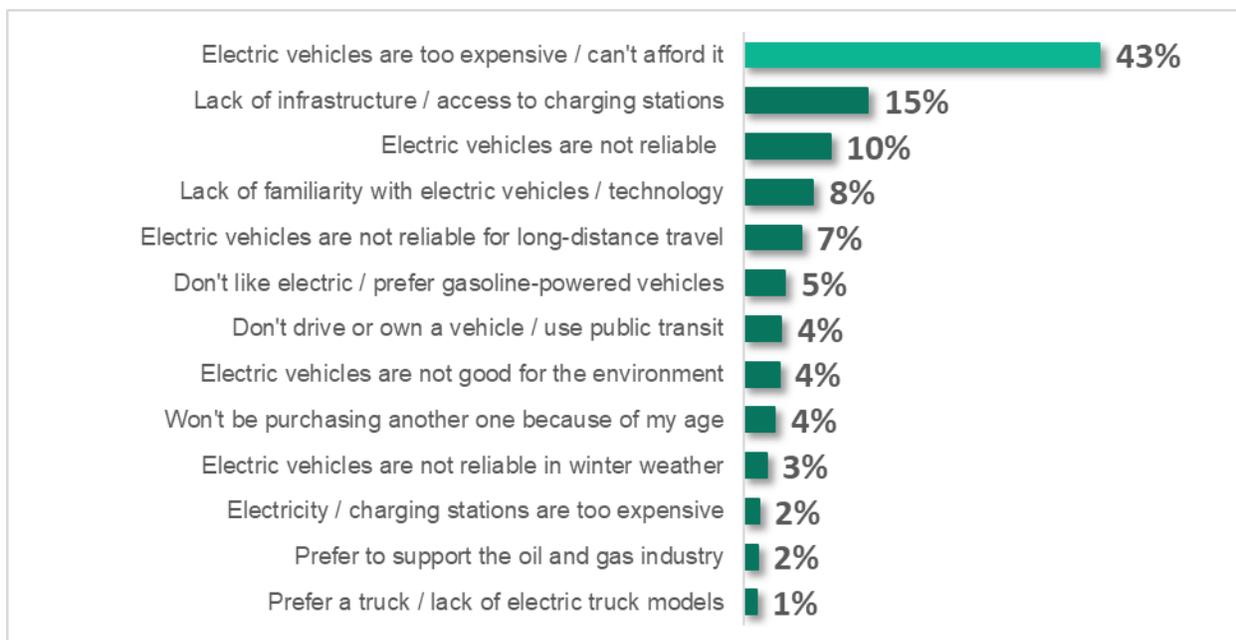
Auto manufacturers are investing approximately USD \$250 billion into electrification globally with the number of ZEVs available to Canadians expected to more than triple to 130 models by 2023. Electrified powertrains will be available across the range of models and segments offered by many OEMs, giving consumers a multitude of options to suit their transportation needs.

Ford, General Motors and Stellantis have committed over USD \$100 billion to electrification through 2025, including over \$4 billion to assemble ZEVs in Canada. Given these significant investments and the increasing number of ZEVs coming to market, government's focus must now turn to addressing well-known barriers to ZEV adoption to help consumers make the switch.

The most recent polls of consumer attitudes towards electric vehicles confirm that concerns with cost, vehicle charging times, vehicle range, a lack of a comprehensive, convenient, and accessible charging infrastructure and consumer education are the key barriers to getting more Canadians driving EVs¹. According to a Government of Canada's survey from November 19, 2020, cost is by far the main barrier to consumers purchasing a plug-in electric car or truck.

¹ New survey underscores need for more ambitious government efforts to convince Canadians to purchase electric vehicles, <http://www.cvma.ca/press-release/new-survey-underscores-need-ambitious-government-efforts-convince-canadians-purchase-electric-vehicles/>

What is the main reason you do not own and do not expect your next car or truck to be electric?



A bold plan to reach the 2035 target must address these concerns and help all Canadians go electric. Budget 2022 should commit funds to achieving Canada's 2035 ZEV target in the following priority areas:

- **Consumer incentives** - Until price parity between ZEVs and ICE vehicles is achieved, consumer incentives like the federal iZEV and other consumer financial and non-financial incentives will be critical over the next decade to offset the higher costs faced by consumers if the government is to achieve its consumer ZEV adoption targets. To ensure the program is as effective as possible, CVMA recommends Budget 2022 dedicate new funding to iZEV and that program vehicle eligibility parameters be broadened to reflect the market and consumer demand. The current eligibility parameters, specifically on MSRP, will exclude many of the new forecasted EV models coming to market, including those assembled domestically, supporting jobs for Canadians. Consumers continue to demand larger vehicles with light trucks and SUVs representing approximately 80% of new vehicle purchases versus passenger cars at 20%². Program parameters will need to support the purchase of ZEVs that consumers demand and that may exceed the current program incentive threshold.
- **Charging infrastructure** – Providing Canadians with accessible and convenient charging infrastructure is critical to achieving the government's ZEV target. While much of the charging for EVs will take place at home, readily available, convenient, and an easily accessible public charging infrastructure will be required to support EV growth. We recommend that Budget 2022 commits significant new long-term funding to build out public charging infrastructure needed to support the consumer transition to the near to long term ZEV targets. To do this, the government must undertake an assessment of the charging infrastructure required; establish

² Statistics Canada. Table 20-10-0002-01 New motor vehicle sales, by type of vehicle

national targets of public charging infrastructure needed to support the government's future 2025, 2030 and 2035 ZEV sales targets; coordinate with provinces, territories, and municipalities to establish common building codes, standards, and support programs to ensure consumer home charging availability in all multi-residential buildings.; and, coordinate with all Canadian utilities to upgrade Canada's energy generation, transmission, and distribution capacity to meet the energy demands of a rapidly growing and ultimately 100% Canadian ZEVs sales by 2035.

Insufficient charging infrastructure (at home, work and publicly accessible) is consistently identified as one of the top barriers to consumers purchasing a ZEV. The Government of Canada's own poll of Canadian attitudes towards ZEVs from November 19, 2020, found that a lack of infrastructure and charging concerns are the second most significant barrier to ZEV adoption. This is consistent with recent industry polling of consumers that found that 47% of Canadian respondents identified a lack of public charging infrastructure as a key reason not to buy a ZEV.

- **Consumer education** - Recent Government of Canada polling found that nearly two-thirds of Canadians are not aware of the federal government's own consumer incentive program. Further to this, one quarter of Canadians believe the number of electric vehicle models available for purchase today in Canada is less than ten and there are concerns over driving range and charging time³.

We recommend that Budget 2022 dedicate funding to a national consumer awareness program. Such a program must be coordinated with other levels of government and be designed to rapidly expand consumer understanding of the environmental benefits of ZEVs, government's commitment to the expansion of the charging infrastructure, and to increase awareness of the supports offered by governments to assist consumers in transitioning to ZEVs (e.g., federal & provincial purchase incentives, home charging installation incentives).

2. Reaffirm Canada's commitment to North American regulatory alignment

Canada's automotive industry is competitive as part of the North American market underpinned by the recently implemented Canada-United States-Mexico Agreement (CUSMA). With over 90 per cent of Canada's motor vehicle exports going to the US, unique Canadian regulations undermine the integrated nature of the industry. Successive government's have understood this reality and recent new investments announced in Canada depend on this continuing.

We recommend that Budget 2022 reaffirm Canada's commitment to North American alignment, consistent with the Roadmap for a Renewed US-Canada Partnership. This should include, but not be limited to, policies related to privacy, vehicle safety including advanced driver assistance systems and automated vehicles, vehicle emissions including zero emission vehicles, chemicals management and the EV battery supply chain.

³ Leger Polling Data, April 2021.

To achieve greater alignment, we recommend that Budget 2022 provide funding to renew the Canada-United States Regulatory Cooperation Council (RCC) and reinvigorate the work program. The RCC effort has been successful in achieving important results. As an example, Canada harmonized its Canada Motor Vehicle Safety Standard (CMVSS) 208, Occupant Protection In Frontal Impacts, avoiding \$355 million of estimated redesign costs and ongoing costs of \$10 million per year with the aligned approach. Continued efforts and commitment is needed to ensure that existing standards are harmonized and coordinated and that this approach extends to any new standards/approaches that may be introduced between the US and Canada. This is critical in supporting the integrated North American auto industry.

3. Improving Canada's Business Environment to Attract Investment

The automotive manufacturing industry is a key driver of the Canadian economy. Supporting an auto-driven recovery from the pandemic will attract investment, create jobs, help Canada achieve its climate goals and position the sector for the future.

Investment and innovation incentives that are globally competitive to attract and sustain production mandates for the existing Canadian automotive footprint need to be responsive to the operational and planning dynamics of the industry.

Canadian automotive manufacturing investment incentives such as the Strategic Innovation Fund and Net Zero Accelerator need to be: coordinated with other levels of government; competitive with other jurisdictions; flexible to reflect the continuing transformation underway in the industry; timely to provide global investment teams with clear signals on proposed projects; and, focussed on automotive-specific investments. In addition, we recommend the proposed *Tax Reduction for Zero-Emission Technology Manufacturing* be designed to accommodate the long-term nature of auto manufacturing mandates to encourage new investment in zero-manufacturing technologies in Canada.

Lastly, Canada's competitiveness as an investment destination depends on the auto industry's ability to efficiently move goods and people across the Canada-US border and to other global markets. Vehicles are the second largest Canadian export by value at \$42.9 billion in 2020. Any delays or disruptions at borders have an immediate effect on production and trade. The Canadian automotive industry is highly integrated with the US through both supply chain relationships and shipments of final vehicles; parts may cross the Canada-US border 7-9 times in advance of installation into a vehicle and 93% of Canadian built vehicles are exported. Given the trade volumes at the land border crossings, the efficient movement of goods is critical. Facilities depend on efficient and timely delivery of parts to fully operate.

We recommend that Budget 2022 include a commitment to land border and port infrastructure enhancements to support the highly integrated supply chain and Canada's domestic automotive industry access to export opportunities. Enhanced marine port infrastructure to facilitate vehicle loading/unloading will support Canada's domestic industry to receive benefit from Canada's trade agreements. Beyond infrastructure and staffing enhancements, any new customs administrative processes introduced need to take into consideration lead times necessary to make complex customs system updates and mitigate any undue cost increases or administrative burden to business that would impact competitiveness.

Concluding Remarks

The CVMA is committed to working collaboratively with government to move these recommendations forward to support the government's policy objectives, drive pandemic economic recovery and to support the industry's competitiveness as part of the highly integrated North American market.

If there are any questions or if any further information would be helpful, please do not hesitate to contact Brian Kingston, President & Chief Executive Officer, directly at 613-513-9626 or at bkingston@cvma.ca.