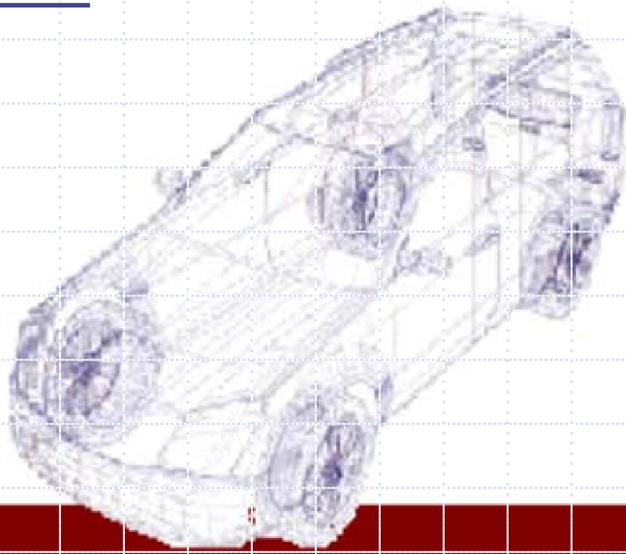
A Call for Action

A Framework for a Canadian Automotive Strategy

CAPC Vision

To be the location of choice for automotive manufacturing within North America, driven by globally competitive innovation in a profitable and growing new vehicle market.



CAPC Progress to Date

- Heightened recognition of automotive industry's importance to Canadian economy.
- Increased cooperation among all industry stakeholders – fewer voices – moving to "one voice"
- Government commitment of more than $1 billion for leading-edge investments in automotive engineering and manufacturing facilities.
- $300 million commitment to improve border-crossing infrastructure.
- Establishment of an Automotive Human Resources Sector Council.
- OEMs' undertakings to increase Canadian parts sourcing and engineering, and deepen relationships with Canadian universities.

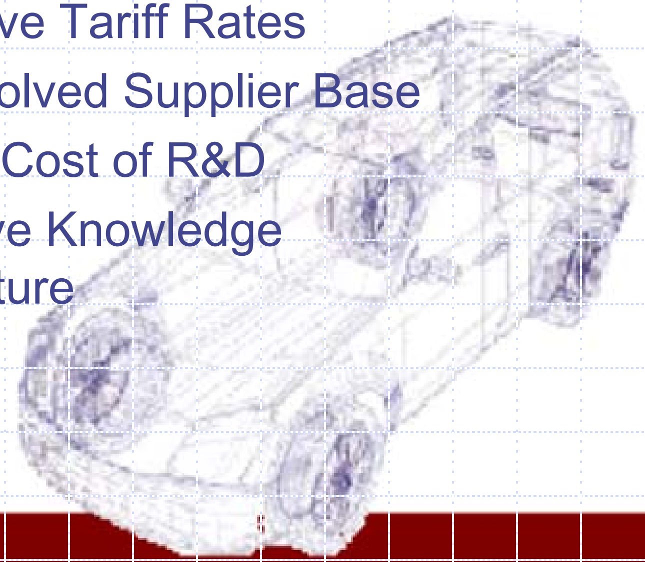
Looking Ahead: The Issues

Weaknesses & Threats

- *Over-Capacity:*
- *Politics*
- *Cost Challengers:*
  - U.S. subsidies – south and north
  - Rise of China – India
  - FTAA
  - Labour Costs
  - FX
  - LDCs moving up the value chain
- *Border*
  - Infrastructure (perceptions and reality)
  - Need to be distinct, not separate (regulatory harmonization)

Strengths & Opportunities

- Up to Date Capital Stock
- Strong Productivity & Quality Results
- Quality Workforce – low turnover, highly educated – Quality Results
- Available Workforce
- Competitive Tariff Rates
- Highly Evolved Supplier Base
- After Tax Cost of R&D
- Automotive Knowledge Infrastructure



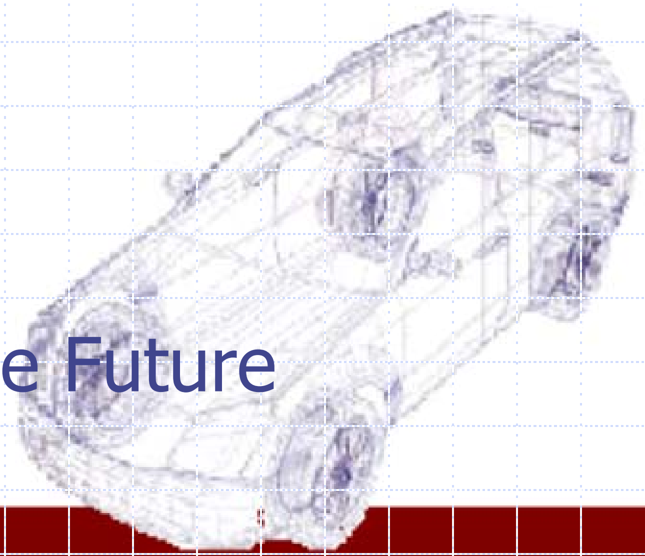
Call for Action

Short to Mid Term Priorities

- Five item “Call for Action” represents urgent priorities

Strategic Plan

- Identifies and addresses emerging priorities in three categories:
  1. Removing Weaknesses
  2. Attracting Investment
  3. Building a Foundation for the Future



Short to Mid-Term Priorities

Initiative	Action Plan Item	Status
HIGH LEVEL INITIATIVES	**1:** Large Scale Investment Incentives	Y
	2: Infrastructure -- "Let's Get Windsor Essex Moving"	R
	3: Innovation -- consumer credits, commercialization tax credits	Y
	4: Harmonization -- of regulations and investment marketnig	R
	5. Human Resources	G

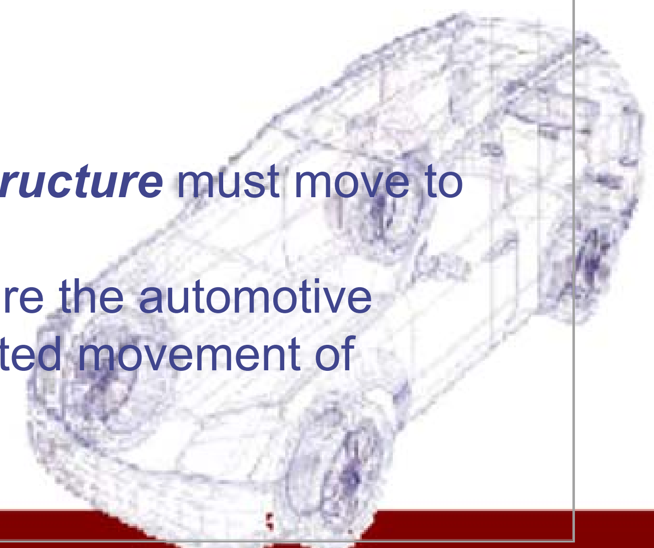
G Addressed - implementation underway and on-time.

Y Plans, commitments and timelines not clear - attention needed.

R Has not been addressed.

Strategic Plan
1. Removing Weaknesses

Removing Weaknesses *(Actions to eliminate or mitigate weaknesses or perceptions of such in the Canadian investment climate)*	***<u>Tangible / Intangible Barriers</u>***: Canada must distinguish – but not separate – itself from the U.S. ***Key principle:*** **Remove border as an impediment** --Accelerate tangible, hard infrastructure items; e.g. "Let's Get Windsor-Essex Moving" strategy, *AND* •**Harmonize policy** with competitors/partners in areas such as environmental, safety, employment legislation etc. ***<u>Transportation Network</u>*****:** • ***Renewing transportation infrastructure*** must move to the front of Canada's policy agenda. • ***Emergency plan*** required to ensure the automotive industry is able to maintain uninterrupted movement of goods.



Strategic Plan
2. Attracting Investment

Attracting Investment

(Actions to attract automotive investment to Canada)

Incentives:

- For large scale investments, and
- Cluster-enhancing enterprises like supplier parks.

Marketing:

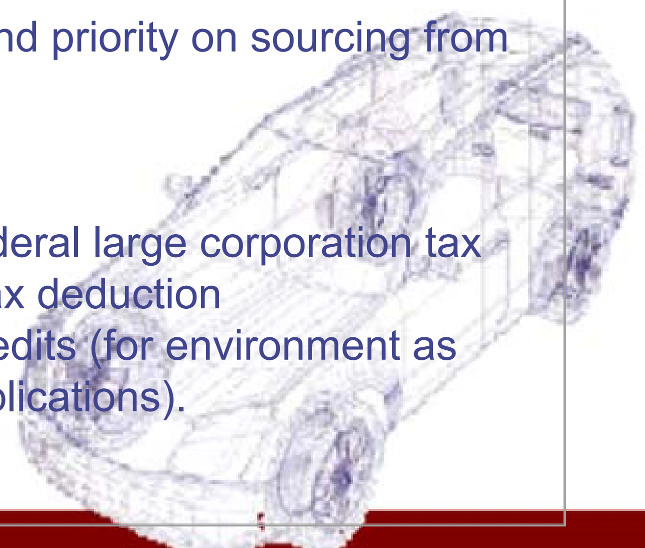
- Coordinate automotive-related investment marketing among Canadian jurisdictions
- Investigate partnerships with other North American jurisdictions.

Purchasing:

- Encourage OEMs to increase the focus and priority on sourcing from competitive Canadian suppliers.

Taxes:

- Eliminate the provincial capital tax and federal large corporation tax
- Expand the manufacturers & producers tax deduction
- Implement early commercialization tax credits (for environment as well as other technologically intensive applications).



Strategic Plan
3. Building a Foundation for the Future

Foundation for the Future

(Actions to build a foundation for long-term competitiveness of the Canadian industry.)

Environmental Stewardship*:* Place Canada and its automotive industry at the forefront of environmental stewardship through

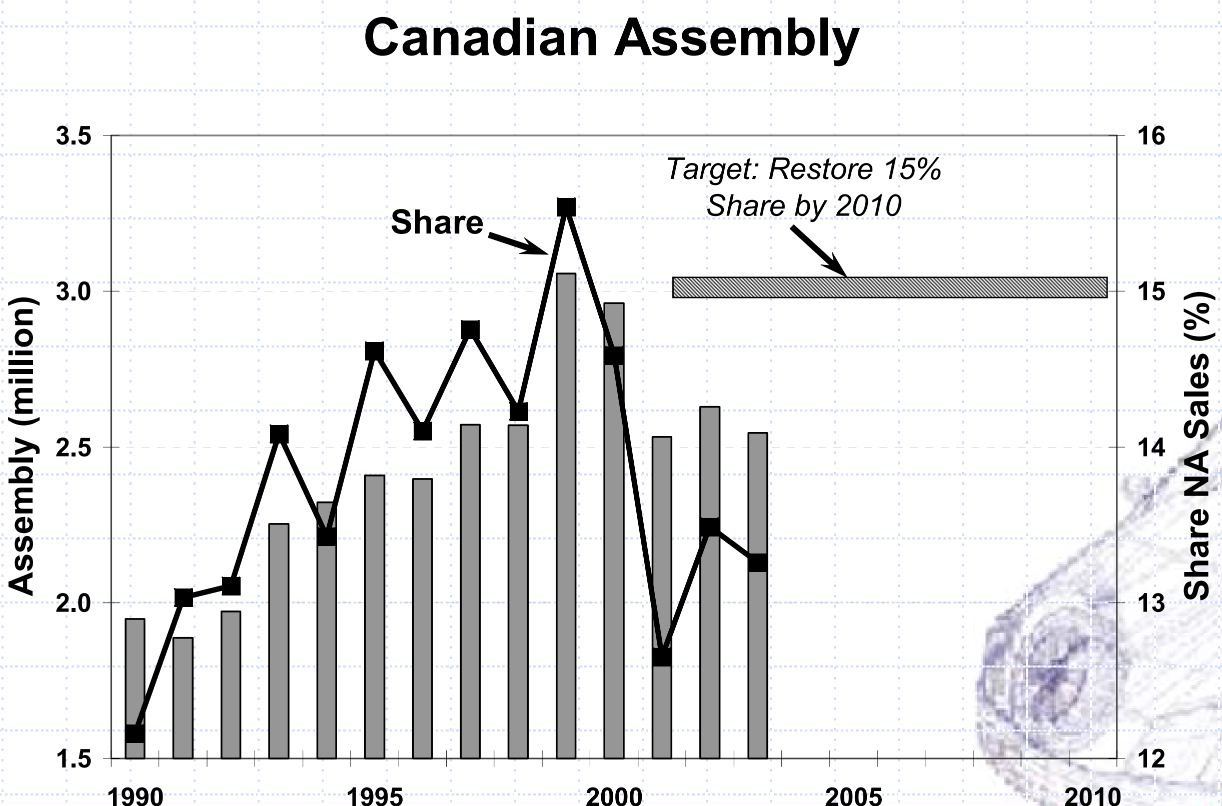
- Consumer supports for the purchase of environmentally friendly vehicle technologies
- Incentives for environmental investments
- Supports for alternative fuels infrastructure development

Innovation and Competitiveness:

- Build the automotive cluster by encouraging tighter alignment between Canada's research institutions and the national auto industry
- Provide supports for manufacturing process innovation, including amending the SR&ED program to make it more user accessible.

Performance Metrics

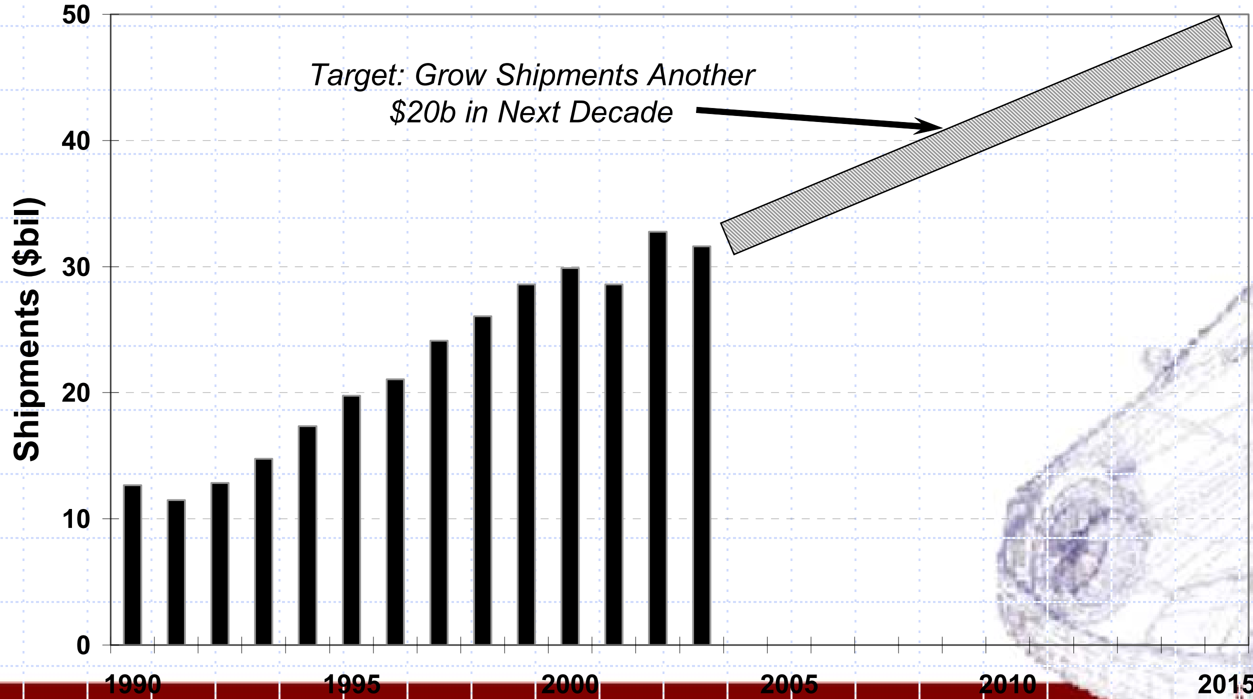
Assembly: Increase the share of Canadian-assembled vehicles to 15 percent of North American new vehicle sales by 2010.



Performance Metrics

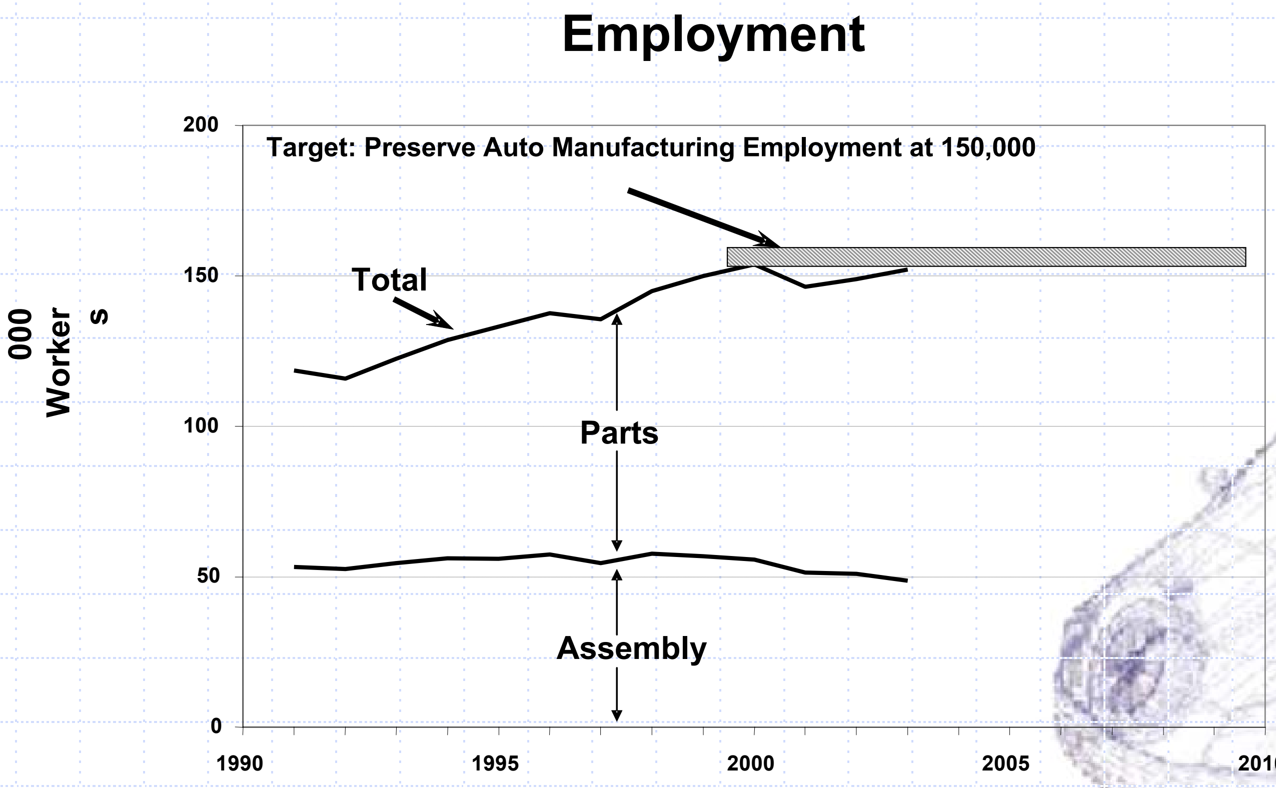
***Parts and Components*:** Increase the total value of Canadian-made components shipments by $20 billion by 2015.

Canadian Parts



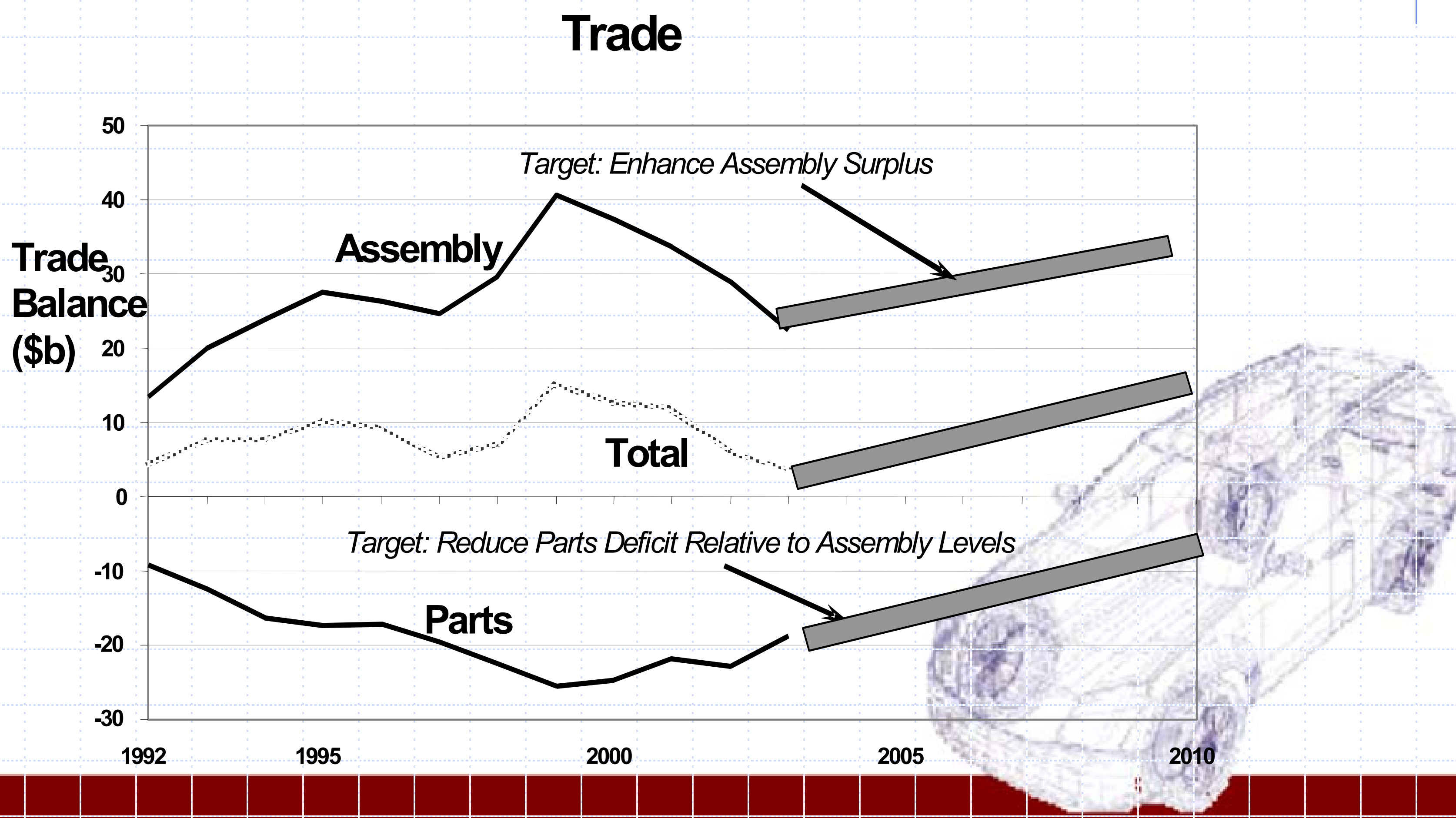
Performance Metrics

Employment: Pursue productivity enhancements while maintaining total direct employment in automotive assembly and components manufacturing at 150,000 positions or more.



Performance Metrics

Trade: Improve Canada's automotive trade balance to $15 billion or better by 2010.



Next Steps

Building on two years of collaboration among the various stakeholders, CAPC proposes the following steps:

- Adopt the "CAPC Scorecard" to track and measure joint industry/government progress against CAPC's goals
- Establish an annual meeting of CAPC leaders with the Prime Minister, the Premiers of Quebec and Ontario and their Industry Ministers to discuss progress against the CAPC strategic vision
- Maintain CAPC and its working groups as a collaborative body to assist in development of the Industry

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