



**Canadian Vehicle Manufacturers' Association (CVMA)
Statement by Mark Nantais, President**

**To the
Senate Standing Committee on Foreign Affairs and
International Trade (AEFA)**

**C-30, An Act to implement the Comprehensive Economic and Trade
Agreement between Canada and the European Union**

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Thank you Chair and Honourable Senators.

My name is Mark Nantais and I am President of the Canadian Vehicle Manufacturers' Association which for 90 years has represented the leading manufacturers who assemble vehicles here in Canada. Our members are FCA Canada Inc., Ford Motor Company of Canada, Limited and General Motors of Canada Company; together these companies are responsible for approximately 60% of Canadian auto production¹ annually.

Each of these companies has provided a century of high value job creation in Canada. The auto manufacturing sector is a key driver for Canada's economy contributing significantly to our nation's manufacturing GDP, providing tens of thousands of direct (130,000) and indirect jobs (some 500,000 in total right across Canada). Vehicle assembly and auto parts production accounted for about 16.8% of manufacturing sales in 2016² and the sector regularly contributes over \$20 billion to GDP³.

Vehicles are the top Canadian export valued at \$64.6 billion in 2016 of which 95% was exported to the U.S.⁴ The current number of Canadian-assembled vehicles exported to EU countries is about 13,000 annually so we see the CETA as a tremendous opportunity to increase Canadian exports.

¹ IHS

² Canadian Manufacturers' & Exporters (CME)

³ "APRC Canadian Automotive Manufacturing Industry Profile 2014", Brendan Sweeney, October 2014

⁴ Statistics Canada & US Census Bureau

In support of the Committee's study of C-30, I am pleased to provide you with some insight as to the CETA's application and implementation in the Canadian automotive manufacturing industry.

CVMA fully supports the CETA agreement and looks forward to passage of C-30 and its implementation as quickly as possible. We also want to acknowledge the effective consultations the negotiating team held with our industry throughout development. These consultations were a critical element to reaching a trade agreement that supports Canadian auto manufacturing.

The CVMA commends Canada and the European Union for concluding a high standard and comprehensive agreement which maximizes the potential benefit to Canada's auto companies exporting into that market. What is novel about this Agreement is that it unifies us rather than separates us by recognizing that automakers in Canada, as some of the largest multi-national companies in the world, have a significant presence in both the North American and European Union trade zones, each representing mature markets that are open to two-way trade. Moreover, this Agreement includes certain provisions that reflect and properly recognize the fact that Canada's auto industry operates within the highly integrated NAFTA trade region with our supply chains deeply entrenched on a North American basis, providing economies of scale beneficial to Canadian consumers in many respects..... This is what sets the CETA apart from other bi-lateral Agreements to date.

As the focus turns to the implementation of CETA, we encourage the government to continue its engagement with industry as it develops the critically important framework for the Export Vehicle Origin Rule (or Vehicle Quota). In this respect, we recommend that vehicle quota- related regulations in this respect be implemented without delay upon passage of this legislation. We further suggest that the following points be factored into the quota program design:

1. Overly complex vehicle quota systems create unnecessary administrative burden and detract from company business plans and the achievement of the trade agreement objectives. We suggest that any quota allocation method be kept as simple as possible and take into consideration that product planning is often done three to five years into the future. It is also important to allow for flexibility as business and market conditions can often change quickly.
2. It is highly recommended that the quota regulation be drafted in a manner that includes flexibility and a review period to ensure that the agreement serves the industry well and is able to maximize the commercial benefits to Canada. This approach will enable all parties to develop a better understanding of what does and does not work.

3. Work is needed to determine the best method for allocating the quota and to build in flexibility to review and re-adjust volume limits as we move forward.

In addition to developing the quota allocation methodology, we encourage Canada to look to enhance export opportunities under the CETA as the implementation of the trade agreement progresses. Canada's export infrastructure, including shipping routes, port infrastructure, and customs procedures should also be continually reviewed to ensure they efficiently and effectively support Canadian exports.

The CETA agreement has recognized the highly integrated North American industry. In a more general context, this recognition will need to be extended to any new trade agreements the government of Canada pursues, including any renegotiation of the NAFTA.

The success of Canada's highly integrated automotive industry and its economic benefits across the country has been underpinned by the North American Free Trade Agreement (NAFTA). President Trump's plan to renegotiate NAFTA brings into sharp focus the need to ensure Canada capitalizes on opportunities but also protects what is essential to the long term health and viability Canada's auto industry and the economy overall.

In closing, the CVMA supports four key principles for Canada's trade policy:

- ✓ Seeking outcomes which are favourable to the highly integrated North American auto industry's interests and to the economy;
- ✓ Currency disciplines are required to ensure that market access provisions in the final agreement are not undermined by a country(s) inclination to manipulate its currency given the intersection of trade and finance;
- ✓ Free trade agreement rules of origin must fully consider our strong historical and ongoing reliance on deeply integrated supply chains within North America. This will continue going forward as companies rely on existing manufacturing footprints and sources of inputs.
- ✓ Alignment and recognition of vehicle technical standards with the U.S., ensures Canadian consumers have access to the safest, cleanest cars in the world at the most competitive prices. Vehicles assembled in one jurisdiction need to be available for export and sale in the other without regulatory constraint. As Canada moves towards accelerating trade with other countries, this recognition of vehicle technical standards will need to be an accepted component of any trade agreements to support global competitiveness.

Again, thank you for allowing me to appear today on this important matter. I look forward to answering any questions that you may have.

