

Auto executives to seek Ottawa help

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A high-powered group of auto executives is pushing Ottawa to halt free-trade talks with South Korea and the European Union and to offer incentives for an industry threatened by the rising dollar and growing competition from lower-cost markets.

The auto executives, including Magna International Inc. ([MG-T57.590.791.39%](#)) chief executive officer Don Walker and the CEOs of the five auto makers with assembly plants in Canada, will meet Friday with Industry Minister Tony Clement to make their case for further government support for upgrades to plants as new automotive investment floods into low-cost Mexico and such emerging markets as China, Brazil and India.

While the auto sector is recovering from the crisis that pushed Chrysler LLC and General Motors Corp. into Chapter 11 bankruptcy protection in the United States and government bailouts, auto executives are still worried. They see several potential threats to vehicle manufacturing and the auto parts industry in Canada, including the dollar, the growth of low-cost Mexico, two potential free-trade agreements and the end of government financial incentives for manufacturing.

Their concerns form the basis of a 35-page report by a working group of the Canadian Automotive Partnership Council (CAPC), which includes the CEOs of the five vehicle companies that have assembly plants in Canada, Canadian Auto Workers president Ken Lewenza; Sandra Pupatello, Ontario's Economic Development Minister and her counterpart from Quebec, Clément Gignac. A copy of the report, which will be presented to Mr. Clement, was obtained by The Globe and Mail.

David Mondragon, president of Ford Motor Co. of Canada Ltd., is not a member of the competitiveness working group, but sits on CAPC. He says the industry is facing a couple of issues.

"The dollar's back at parity and that creates an issue from a cost standpoint. To retool our plants in Canada, we need incentives."

On Thursday, the Canadian dollar maintained its highest closing level since May, 2008 – \$101.53 (U.S). "Competitive countries are vying for our industries very aggressively and it's not just autos," Mr. Mondragon said in an interview Thursday at the Canadian International Auto Show in Toronto.

The report also points to another big elephant that has entered the room since the North American auto crisis and the U.S. presidential election of 2008: "An increasingly active and engaged U.S. federal government, coupled with uncertainty surrounding federal and provincial programs in Canada, may impede the ability of Canada to compete for key investments in the future."

The crisis shredded any chance the industry had of meeting ambitious targets CAPC set in 2004 for vehicle production, employment, parts shipments and exports. The report notes that Canada has fallen far short of its goals on all four of those measurements.

The free-trade agreements could allow auto makers with no manufacturing operations in Canada to ship vehicles here duty-free. Honda Motor Co. Ltd. and Toyota Motor Corp., however, which have assembly plants in Canada, will still face duties of 6.1 per cent on the vehicles they import from outside North America.

"Canada requires a more sophisticated and less-idealistic view of free trade with Korea and the European Union," the document says.

Mr. Mondragon said Canada should maintain the 6.1-per-cent tariff on South Korean vehicles until South Korea demonstrates that it will eliminate trade barriers on vehicles.

“They haven’t demonstrated that as of yet,” he said.

The report calls on the federal government to extend its \$250-million (Canadian), five-year Automotive Innovation Fund beyond its scheduled termination in March, 2013, and on the Ontario government to renew its Automotive Investment Strategy.

The document says the three governments should adopt an integrated strategy to attract investment and maintain the industry’s health.

A report by another CAPC committee, on advanced vehicle technologies, urges governments not to pick a winner among the new environmental technologies such as plug-in hybrids, battery-powered vehicles and fuel-cell-powered vehicles that are emerging as alternatives to the internal combustion engine.

“There is no technology silver bullet,” that committee states. “There are many advanced technologies emerging and the consumer will determine volume and timing.”