

Honda Motor Company operates three large auto manufacturing facilities in Alliston, Ontario. With investments of over \$2.15 billion, Honda's Alliston facilities are among its most flexible in the world, with the capability to produce both large and small vehicles at the same time. Alliston also represents Honda's second-largest investment in automotive manufacturing in North America.



manufacturers. Part of the integrated North American Free Trade Agreement (NAFTA) market, it has an advanced logistics infrastructure that specifically caters to the auto sector. Canada's major auto manufacturing cluster is in southern Ontario, near an impressive list of domestic R&D facilities and every major auto R&D centre in Michigan and Ohio.

Among the Top 10 auto producers, Canada has the second-lowest marginal effective tax rate (METR) for manufacturing—two-thirds that of the U.S. It also ranks #1 for the supply of qualified engineers,¹ #2 for knowledge transfer between industry and academia, and #3 for technological infrastructure.² In another distinction, Toronto is third among North American cities for U.S.-registered automotive patents.³

In quality and productivity, the Canadian auto sector shines. Four of the continent's ten most productive auto assembly plants are in Canada. And since 1996, Canadian facilities have won 30% of all J.D. Power Plant quality awards for North America—double the nation's share of regional production.

In addition to delivering tax incentives, Canada is encouraging investment in the auto sector in new ways. The \$250-million federal Automotive Innovation Fund (AIF) supports strategic large-scale R&D projects, while the mandate of Ontario's \$1.15-billion Next Generation of Jobs Fund

(NGOJF) includes green auto research, production and assembly.

Vehicle Assembly

Tier 0 suppliers or OEMs continue to re-invest in Canada's passenger and commercial vehicle assembly plants. In 2009, **Toyota** added 800 jobs at its new \$1.1-billion plant in Woodstock, Ontario. It also announced that it was moving production of its sub-compact Corolla from California to its Cambridge, Ontario, facility. Meanwhile, **General Motors** announced that it would invest \$100 million to boost production at its **CAMI Automotive Inc.** plant in Ingersoll, Ontario.

Automotive Components

Consisting of more than 1,000 manufacturing facilities, Canada's automotive components industry shipped \$24.3 billion worth of products in 2008. In 2009, **Ford** announced that it would build engines for its 2011 Mustang GT at its Essex engine plant in Windsor, Ontario. And in 2010, the provincial government committed up to \$81.2 million to the plant. This support will allow Ford to increase its investment to \$736.4 million.

KEY VALUE-CHAIN STRENGTHS

- **Research and development:** Advanced materials, powertrain engineering, mechatronics, vehicle design, fuel cells and alternative fuels, hybrid technologies, clean diesel, intelligent systems, manufacturing, plant design
- **Product development:** Vehicles, engines, transmissions, steering, brakes, body shells, dashboards, seating, electronic systems, bearings, cables, tires, pumps, sensors, valves, fasteners, stampings, castings, forgings and extrusions

KEY SEGMENT STRENGTHS

- Cars, vans and light trucks
- Heavy trucks, buses and military vehicles
- Major functional systems
- Minor functional systems
- Discrete parts and minor assemblies

¹ Industry Canada. *The Case for Investing in Canada's Auto Sector*. September 2009. p. 16.

² *Ibid.* p. 28.

³ Loewendahl, H. *Future Challenges of Investment Promotion*. fDi Intelligence. September 23, 2009. p. 42.